

**Lucky Orphans Horse Rescue, Inc.**

**Financial Statements**

**For the year ended December 31, 2016**

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To the Board of Director of  
Lucky Orphans Horse Rescue, Inc.  
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### **Independent Accountant's Review Report**

We have reviewed the accompanying "cash basis" financial position of Lucky Orphans Horse Rescue, Inc. as of December 31, 2016, and the related "cash basis" statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these "cash basis" financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

#### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the "cash basis" financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

#### ***Accountant's Conclusion***

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Robert Wilson CPA PC*

Robert Wilson CPA, PC

June 12, 2017

"Cash Basis"  
 Lucky Orphans Horse Rescue, Inc.  
 Statement of Financial Position  
 as December 31, 2016

	2 0 1 6			
	Current Funds		Property	Total All
	Unrestricted	Restricted	Funds	Funds
<b><u>ASSETS</u></b>				
Cash	\$ 17,732	\$ 33,516	\$ 24,853	\$ 76,101
Pledges	0	0	0	0
Properties and equipment Land, buildings & equipment (Note 2)	0	0	833,700	833,700
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 17,732</u></b>	<b><u>\$ 33,516</u></b>	<b><u>\$ 858,553</u></b>	<b><u>\$ 909,801</u></b>
 <b><u>LIABILITIES AND FUND</u></b>				
<b><u>BALANCES</u></b>				
Loan payable (Note 3)	\$ 0	\$ 0	\$ 600,000	\$ 600,000
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>600,000</b>	<b>600,000</b>
 Fund Balances:				
Undesignated	17,732	33,516	258,553	309,801
<b>TOTAL FUND BALANCES</b>	<b>17,732</b>	<b>33,516</b>	<b>258,553</b>	<b>309,801</b>
 <b><u>TOTAL LIABILITIES AND</u></b>				
<b><u>FUND BALANCES</u></b>				
	<b><u>\$ 17,732</u></b>	<b><u>\$ 33,516</u></b>	<b><u>\$ 858,553</u></b>	<b><u>\$ 909,801</u></b>

See accompanying notes to the financial statements.

"Cash Basis"  
 Lucky Orphans Horse Rescue, Inc.  
 Statement of Activities and Changes in Fund Balances  
 For the Year Ended December 31, 2016

	2 0 1 6			
	Current Funds		Property	Total All
	Unrestricted	Restricted	Funds	Funds
<b><u>Public Support &amp; Revenue</u></b>				
Public support				
Contributions:				
Public Support	\$ 107,542	\$ 0	\$ 86,394	\$ 193,936
Grants	0	23,701	0	23,701
Program Revenue	39,159	0	0	39,159
Total public support	<u>146,701</u>	<u>23,701</u>	<u>86,394</u>	<u>256,796</u>
Other Revenue				
Investment income-interest	114	0	0	114
Total other revenue	<u>114</u>	<u>0</u>	<u>0</u>	<u>114</u>
Total public support and revenue	<u>146,815</u>	<u>23,701</u>	<u>86,394</u>	<u>256,910</u>
<b><u>Expenditures</u></b>				
Awards and Grants	7,981		0	7,981
Payroll	31,588	0	0	31,588
Contract Services	1,850	0	0	1,850
Event Expenses	5,292	0	0	5,292
Program cost	84,378	0	0	84,378
Volunteer development and training	2,221	0	0	2,221
Materials and Supplies	2,106	0	0	2,106
General Insurance	9,740	0	0	9,740
Telephone and alarm system	3,362	0	0	3,362
Utilities	7,895	0	0	7,895
Office expense	1,019	0	0	1,019
Postage printing copying	482	0	0	482
Advertisement, promotion	694	0	0	694
Conference and meetings	1,699	0	0	1,699
Rents		0	0	0
Equipment rental	1,925	0	0	1,925
Dues and subscription	1,886	0	0	1,886
Taxes and licenses	3,183	0	0	3,183
Registration and fees	2,479	0	0	2,479
Interest	24,000	0	0	24,000
Depreciation		0	40,622	40,622
Total expenditures	<u>193,780</u>	<u>0</u>	<u>40,622</u>	<u>234,402</u>
Excess (deficit) of support and revenue over expenditures	(46,965)	23,701	45,772	22,508
Transfers	21,789	(14,244)	(7,545)	
Fund balances-beginning of year	42,908	24,059	220,326	287,293
Fund balances-end of year	<u>\$ 17,732</u>	<u>\$ 33,516</u>	<u>\$ 258,553</u>	<u>\$ 309,801</u>

See accompanying notes to the financial statements.

"Cash Basis"  
 Lucky Orphans Horse Rescue, Inc.  
 Statement of Cash Flows  
 For the Year Ended December 31, 2016

	2016	
<u>Cash flows from operating activities:</u>		
Cash flows provided by activities	\$	22,508
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	\$	40,622
(Increase) decrease in prepaid expenses, and pledges		1,545
		42,167
Net cash flows provided (consumed) from operating activities		64,675
<u>Cash flows from investing activities:</u>		
(Purchase) sale of fixed assets		(158,955)
Net cash flows provided (consumed) from investing activities		(158,955)
Net increase (decrease) in cash		(94,280)
Cash -- beginning of the year		170,381
Cash -- end of the year	\$	76,101

See accompanying notes to the financial statements.

"Cash Basis"  
Lucky Orphans Horse Rescue, Inc.  
Notes to Financial Statements  
December 31, 2016

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF BUSINESS:

Lucky Orphans Horse Rescue, Inc. (the Organization) a nonprofit corporation was incorporated in the State of New York, Orange County, on June 24, 2008. The Organization is dedicated to providing a safe haven for unwanted, abused, neglected horses and to improve the relationship between horses and people. They are committed to raising funds to support the rescued horses in our care and will pursue the acquisition of grants, gifts, bequests and donations to support the organization.

The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization's operations. Revenues to support the Organization are primarily received from donations of cash, materials, and services.

The accompanying financial statements have been prepared in accordance with standards for not-for-profit organizations adopted by the Financial Accounting Standards Board. They are stated on the cash basis of accounting whereby expenses are recorded when paid, donations are recorded when received, and grant revenues are recorded when received.

FINANCIAL STATEMENT PRESENTATION

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, restricted net assets, and property restricted net assets, as applicable.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the financial statements, the Organization considers all cash and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. In addition, management also considers money market funds to be cash equivalents. The Organization's cash balance in financial institutions has never exceeded the FDIC insurance limits. As of May 12, 2017, the Organization had no deposits with financial institutions that exceeded FDIC insurance.

PROPERTY AND EQUIPMENT

Equipment and leasehold improvements are recorded on the basis of cost for purchased assets or fair value at the date of donation for donated assets. The Organization capitalizes all acquisitions in excess of \$2,500. Depreciation is recorded using the straight-line method.

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#### INTEREST BEARING MORTGAGE LOANS

Interest bearing mortgage loans are recorded at the principal amount and the interest is recorded in the period which it is paid.

#### CONTRIBUTIONS AND DONOR RESTRICTIONS

Contributions received are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Contributions not subject to donor restrictions are reported as unrestricted support. Temporarily restricted support represents contributions that are restricted by the donor for construction activities or for specific types of expenditures. Net assets restricted for construction are released from restricted net assets when construction costs are paid. If temporarily restricted contributions are released from restricted net assets in the same year as the contribution is received, the contribution is reported as temporarily restricted support on the statement of activities.

Contributions related to special events are recognized in the period that the event occurs.

#### GOVERNMENT GRANTS

The Organization has not received funding from federal financial assistance programs that would have supplemented its traditional funding sources.

#### IN-KIND SUPPORT

The Organization may receive non cash donations of goods and services in the furtherance of its objectives. In-kind support is recorded at its fair value on the date of donation.

#### PROGRAM REVENUE

**Volunteer and Family Programs:** Includes activities associated with horse riding lessons, summer camp where kids learn about horses and how to ride them, pony rides and community events striving to promote the humane treatment and to strengthen the bond between horses and people through the education of people, especially children using accepted methods to preserve the best equine care through informative and instructional guidance, education and administration adhering to the understanding of the need for the preservation of rural equine communities.

#### INCOME TAXES

Lucky Orphans Horse Rescue, Inc. of Dutchess County is organized as a state of New York nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization described in section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under sections 509(a)(1). Lucky Orphans Horse Rescue, Inc. of Dutchess County is required to file a return of

"Cash Basis"  
 Lucky Orphans Horse Rescue, Inc.  
 Notes to Financial Statements  
 December 31, 2016

INCOME TAXES (CONTINUED)

Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the agency is required to file form CHAR-500 with the New York State Attorney Office, along with the 990 tax return and review financial statements.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Agency would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such interest and penalties are incurred. The Organization's Forms 990 and other income tax filings required by U.S. tax and New York State tax authorities are no longer subject to tax examination for years before 2011.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 12, 2017 which is the date the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

As of December 31, 2016 the cost of property and equipment was as follows:

	Depreciable Lives	Cost
Land		\$ 125,000
Building	20 years	520,000
Machinery and equipment	5 years	29,200
Fencing and land improvements	7 years	48,750
Outdoor Arena	7 years	12,728
WIP - Construction	20 years	158,955
		894,633
Less accumulated depreciation		(60,933)
Total, net		\$ 833,700

WIP (Work In Process) Construction: The Organization is constructing an indoor horse arena to allow for year round programs and events utilizing building funds and additional donations for the arena construction and utilizing volunteers to construct the kick walls and viewing area. The project is substantially complete and was put in service in early 2017. The Organization does not foresee any funding issues in completing the project.

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 Notes to Financial Statements  
 December 31, 2016

NOTE 3 – MORTGAGE PAYABLE

The mortgage payable at December 31, 2016 consists of a loan payable to Stone Hill Manor, Inc. at 4.00%, with security interest on multiple parcels of property and improvements thereon known as 2699 Route 22, Dover Plains, New York. The loan requires quarterly interest installments of \$6,000 for twenty (20) quarters starting October 1, 2015, then payable every three months thereafter with the principal balance due on July 1, 2020. The loan documents require that Organization covenants and agrees to establish and maintain in its name an FDIC insured savings account at a bank and deposit \$1,000 per month, providing timely financial statements, and maintaining the property free of hazardous contamination. The Organization is in compliance with these covenants.

	<u>2016</u>
Mortgage payable 4% with monthly installments of \$6,000 payable each quarter	\$ 600,000
Long term debt	\$ 606,000

Future obligations are as follows:

Year Ended	
<u>December 31,</u>	
2017 (Interest only)	\$ 24,000
2018 (Interest only)	24,000
2019 (Interest only)	24,000
2020 (Principal and Interest)	612,000
	\$ 684,000