

EQUINE ADVOCATES, INCORPORATED

CHATHAM, NEW YORK

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

December 31, 2017 and 2016

Robert J. Palmerino
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Equine Advocates, Incorporated

I have audited the accompanying financial statements of Equine Advocates, Incorporated (a not for profit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Equine Advocates, Incorporated as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Robert J. Palmerino
Albany, New York
March 9, 2018

EQUINE ADVOCATES, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 947,769	\$ 853,580
Prepaid expenses	<u>13,845</u>	<u>11,879</u>
Total current assets	<u>961,614</u>	<u>865,459</u>
PROPERTY AND EQUIPMENT , net of accumulated depreciation	<u>2,774,135</u>	<u>2,801,184</u>
TOTAL ASSETS	<u>\$ 3,735,749</u>	<u>\$ 3,666,643</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 39,280</u>	<u>\$ 32,424</u>
NET ASSETS		
Temporarily restricted	-	29,641
Unrestricted	<u>3,696,469</u>	<u>3,604,578</u>
Total net assets	<u>3,696,469</u>	<u>3,634,219</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,735,749</u>	<u>\$ 3,666,643</u>

The accompanying notes to financial statements are an integral part of these statements.

EQUINE ADVOCATES, INCORPORATED

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and support:		
Donations and grants	\$ 1,314,888	\$ 1,198,060
Special event		
August gala	205,955	152,323
Less costs of direct benefits to donors	<u>(17,159)</u>	<u>(17,232)</u>
Net revenue from special event	188,796	135,091
Interest	2,187	2,380
In-kind donations	13,860	4,259
Net assets released from restrictions	<u>29,641</u>	<u>-</u>
Total unrestricted revenues and support	<u>1,549,372</u>	<u>1,339,790</u>
Expenses:		
Program services		
Equine rescue and sanctuary	918,971	795,842
Equine education	<u>245,789</u>	<u>255,996</u>
Total program services	<u>1,164,760</u>	<u>1,051,838</u>
Supporting Services:		
Management and general	143,067	171,073
Fund raising	<u>149,654</u>	<u>158,889</u>
Total supporting services	<u>292,721</u>	<u>329,962</u>
Total expenses	<u>1,457,481</u>	<u>1,381,800</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>91,891</u>	<u>(42,010)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Hay storage building	<u>(29,641)</u>	<u>29,641</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(29,641)</u>	<u>29,641</u>
INCREASE (DECREASE) IN NET ASSETS	62,250	(12,369)
NET ASSETS, beginning of year	<u>3,634,219</u>	<u>3,646,588</u>
NET ASSETS, end of year	<u>\$ 3,696,469</u>	<u>\$ 3,634,219</u>

The accompanying notes to financial statements are an integral part of these statements.

EQUINE ADVOCATES, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Equine				
	<u>Rescue and</u>	<u>Equine</u>	<u>Management</u>	<u>Fund</u>	<u>Total</u>
	<u>Sanctuary</u>	<u>Education</u>	<u>and General</u>	<u>Raising</u>	
Payroll	\$ 339,197	\$ 50,202	\$ 83,864	\$ 29,891	\$ 503,154
Feed, medications, and supplies	117,638	-	-	-	117,638
Veterinary services	74,713	-	-	-	74,713
Hay	71,358	-	-	-	71,358
Farm maintenance and supplies	59,753	-	-	-	59,753
Farrier (Blacksmith) services	27,155	-	-	-	27,155
Travel	316	176	35	176	703
Informational publications/seminars	-	143,818	-	61,636	205,454
Depreciation	66,334	9,818	16,400	5,845	98,397
Health insurance	36,724	5,435	9,080	3,236	54,475
Payroll taxes	27,516	4,072	6,803	2,425	40,816
Fundraising events	-	-	-	35,097	35,097
Utilities	20,460	3,028	5,058	1,803	30,349
Insurance	20,438	3,025	5,053	1,801	30,317
Public relations	17,176	4,294	-	-	21,470
Administrative services	-	7,203	8,232	5,145	20,580
Professional fees	10,694	5,882	1,248	-	17,824
Office supplies	7,574	1,121	1,873	667	11,235
Telephone and internet	5,032	745	1,244	443	7,464
Postage and delivery	4,670	691	1,155	412	6,928
Credit card and bank fees	4,506	667	1,114	397	6,684
Filing fees	3,590	531	888	316	5,325
Real estate taxes	2,403	356	594	212	3,565
Contributions	-	2,650	-	-	2,650
Payroll service	1,724	255	426	152	2,557
Books and subscriptions	-	<u>1,820</u>	-	-	<u>1,820</u>
TOTAL EXPENSES	<u>\$ 918,971</u>	<u>\$ 245,789</u>	<u>\$ 143,067</u>	<u>\$ 149,654</u>	<u>\$ 1,457,481</u>

The accompanying notes to financial statements are an integral part of these statements.

EQUINE ADVOCATES, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	Equine				
	Rescue and	Equine	Management	Fund	
	Sanctuary	Education	and General	Raising	Total
Payroll	\$ 290,782	\$ 50,882	\$ 98,653	\$ 29,900	\$ 470,217
Feed, medications, and supplies	86,238	-	-	-	86,238
Veterinary services	80,766	-	-	-	80,766
Hay	60,135	-	-	-	60,135
Farm maintenance and supplies	48,522	-	-	-	48,522
Farrier (Blacksmith) services	20,983	-	-	-	20,983
Travel	673	374	75	374	1,496
Informational publications/seminars	-	143,089	-	61,324	204,413
Depreciation	63,173	11,054	21,433	6,496	102,156
Health insurance	31,767	5,559	10,777	3,266	51,369
Payroll taxes	23,545	4,120	7,988	2,421	38,074
Fundraising events	-	-	-	42,813	42,813
Utilities	14,956	2,617	5,074	1,538	24,185
Insurance	20,794	3,639	7,055	2,138	33,626
Public relations	12,945	3,236	-	-	16,181
Administrative services	-	8,358	9,552	5,970	23,880
Professional fees	14,806	8,143	1,727	-	24,676
Office supplies	7,144	1,250	2,424	735	11,553
Telephone and internet	3,905	683	1,325	401	6,314
Postage and delivery	4,496	788	1,525	462	7,271
Credit card and bank fees	3,927	687	1,333	404	6,351
Filing fees	2,578	451	875	265	4,169
Real estate taxes	2,224	389	754	229	3,596
Contributions	-	2,650	-	-	2,650
Payroll service	1,483	259	503	153	2,398
Books and subscriptions	-	7,768	-	-	7,768
TOTAL EXPENSES	<u>\$ 795,842</u>	<u>\$ 255,996</u>	<u>\$ 171,073</u>	<u>\$ 158,889</u>	<u>\$ 1,381,800</u>

The accompanying notes to financial statements are an integral part of these statements.

EQUINE ADVOCATES, INCORPORATED

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 62,250	\$ (12,369)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	98,397	102,156
(Increase) decrease in Prepaid expenses	(1,966)	11,508
Increase (decrease) in Accounts payable and accrued expenses	<u>6,856</u>	<u>8,298</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>165,537</u>	<u>109,593</u>
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(71,348)</u>	<u>(21,175)</u>
NET INCREASE IN CASH	94,189	88,418
CASH AND CASH EQUIVALENTS, beginning of year	<u>853,580</u>	<u>765,162</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 947,769</u>	<u>\$ 853,580</u>

The accompanying notes to financial statements are an integral part of these statements.

EQUINE ADVOCATES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Equine Advocates, Incorporated is a New York not-for-profit organization incorporated in 1996. The Organization was created to promote equine protection by rescuing equines in distress and by expanding public education regarding equine abuse and slaughter. The Organization is supported by general donations and grants.

The Organization's two major programs are as follows:

Equine Rescue & Sanctuary - To rescue horses from slaughter, abuse, and neglect. To demonstrate and set an example of how horses should be treated and how they should live. To operate a horse sanctuary where we house many of the equines and educate the public about where they came from and why they needed to be rescued.

Equine Education - To educate the public about preventing different forms of equine neglect and abuse, including slaughter, to inform the public about the humane way to care and handle horses, including natural horsemanship, to teach the significance and importance of The Horse to American history and culture and to educate the public, teachers, students and law enforcement officials about recognizing and reporting equine cruelty so that the cruelty laws can be enforced.

Basis of Accounting Presentation

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Non-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. It is the Organization's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class (Note 3).

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that they be maintained by the Organization. There were no permanently restricted net assets as of December 31, 2017 and 2016.

EQUINE ADVOCATES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable New York State laws and has been classified as an organization other than a private foundation.

The Organization adopted the authoritative guidance on accounting for and disclosure of uncertainty in tax positions as required by generally accepted accounting principles with no cumulative adjustment required. The guidance requires the Organization to determine whether a tax position of the Organization is more likely than not to be sustained upon examination by the taxing authorities. Income tax benefits are recognized for income tax positions taken or expected to be taken on a tax return, only when it is deemed that the income tax position will be more likely than not sustained upon examination by taxing authorities. The Organization believes that its income tax positions would be sustained under examination by taxing authorities. There are currently no examinations in progress, and the Organization believes it is no longer subject to income tax examinations for the tax years prior to 2014.

Functional Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment

Property and equipment are reported at cost. Donations of property and equipment are recorded at their estimated fair value at the date of donation. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When assets are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resultant gain or loss is credited or charged to income. Assets are depreciated over periods of 3 to 40 years, which approximates estimated useful lives.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Statement of Cash Flows

For purposes of the statements of cash flow, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash.

EQUINE ADVOCATES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Subsequent Events

Management has evaluated subsequent events through March 9, 2018, the date on which the financial statements were available to be issued.

Reclassifications

Certain amounts for the year ended December 31, 2016, have been reclassified to conform to the presentation for the year ended December 31, 2017.

NOTE 2 - PROPERTY AND EQUIPMENT

Details of the Organization's property and equipment as of December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 2,726,792	\$ 2,660,782
Land and improvements	950,000	950,000
Vehicles and equipment	290,750	294,700
Furniture and fixtures	14,165	14,165
Software	9,619	9,619
Trademark	4,285	4,285
Total	<u>3,995,611</u>	<u>3,933,551</u>
Less: accumulated depreciation	<u>1,221,476</u>	<u>1,132,367</u>
Property and equipment-net	<u>\$ 2,774,135</u>	<u>\$ 2,801,184</u>

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Hay storage building	<u>\$ -</u>	<u>\$ 29,641</u>

EQUINE ADVOCATES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 4 - DONATED ITEMS AND SERVICES

Donated items and services are recorded at their fair value at the date of donation and are as follows:

	<u>2017</u>	<u>2016</u>
<u>Revenues and Support</u>		
Contributions	\$ <u>13,860</u>	\$ <u>4,259</u>
<u>Expenses</u>		
Public relations	\$ 10,000	\$ -
August gala	2,100	3,000
Legal	1,760	-
Equine rescue	<u>-</u>	<u>1,259</u>
	<u>\$ 13,860</u>	<u>\$ 4,259</u>

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of their time is not reflected in these financial statements because it is not susceptible to objective measurement and valuation.

NOTE 5 - ALLOCATION OF JOINT COSTS

During 2017 and 2016, the Organization conducted activities that included the mailing of informational materials as well as requests for contributions.

The cost of conducting the above was \$205,454 and \$204,413 for 2017 and 2016, respectively. These joint costs were allocated as follows:

	<u>2017</u>	<u>2016</u>
Equine education	\$ 143,818	\$ 143,089
Fund raising	<u>61,636</u>	<u>61,324</u>
Total	<u>\$ 205,454</u>	<u>\$ 204,413</u>