

EQUINE ADVOCATES, INCORPORATED

CHATHAM, NEW YORK

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

December 31, 2018 and 2017

Robert J. Palmerino
Certified Public Accountant

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Robert J. Palmerino, CPA

79 North Pearl Street
Albany, NY 12207

Tel: 518-432-4930
Fax: 518-433-7398
E-mail: bob@robertjpalmerinocpa.com

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, 2018 and 2017, 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, 2018 and 2017, 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 CPA

Albany, New York
April 12, 2019

EQUINE ADVOCATES, INCORPORATED

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 467,429	\$ 947,769
Certificates of deposit	494,962	-
Prepaid expenses	<u>15,486</u>	<u>13,845</u>
Total current assets	<u>977,877</u>	<u>961,614</u>
PROPERTY AND EQUIPMENT , net of accumulated depreciation	<u>2,690,809</u>	<u>2,774,135</u>
TOTAL ASSETS	<u>\$ 3,668,686</u>	<u>\$ 3,735,749</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 37,603</u>	<u>\$ 39,280</u>
NET ASSETS		
Without donor restrictions	3,589,533	3,696,469
With donor restrictions	<u>41,550</u>	<u>-</u>
Total net assets	<u>3,631,083</u>	<u>3,696,469</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,668,686</u>	<u>\$ 3,735,749</u>

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

EQUINE ADVOCATES, INCORPORATED

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and support:		
Donations and grants	\$ 1,332,444	\$ 1,314,888
Special event		
August gala	150,958	205,955
Less food and entertainment	<u>(16,997)</u>	<u>(17,159)</u>
Net revenue from special event	133,961	188,796
Interest	5,777	2,187
In-kind donations	2,483	13,860
Net assets released from restrictions	<u>-</u>	<u>29,641</u>
Total revenues and support without donor restrictions	<u>1,474,665</u>	<u>1,549,372</u>
Expenses:		
Program services		
Equine rescue and sanctuary	923,278	900,280
Equine education	<u>314,830</u>	<u>238,808</u>
Total program services	<u>1,238,108</u>	<u>1,139,088</u>
Supporting Services:		
Management and general	192,533	174,874
Fund raising	<u>150,960</u>	<u>143,519</u>
Total supporting services	<u>343,493</u>	<u>318,393</u>
Total expenses	<u>1,581,601</u>	<u>1,457,481</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(106,936)</u>	<u>91,891</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Hay storage building	-	(29,641)
Horse trailer (raised at August gala)	<u>41,550</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>41,550</u>	<u>(29,641)</u>
INCREASE (DECREASE) IN NET ASSETS	(65,386)	62,250
NET ASSETS, beginning of year	<u>3,696,469</u>	<u>3,634,219</u>
NET ASSETS, end of year	<u>\$ 3,631,083</u>	<u>\$ 3,696,469</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, 2018

	<u>Program Services</u>			<u>Supporting Services</u>			
	<u>Equine</u>		<u>Total</u>	<u>Management</u>	<u>Fund</u>	<u>Total</u>	
	<u>Rescue and</u>	<u>Equine</u>	<u>Program</u>	<u>and General</u>	<u>Raising</u>	<u>Supporting</u>	<u>Total</u>
	<u>Sanctuary</u>	<u>Education</u>	<u>Services</u>			<u>Services</u>	
Payroll	\$ 359,377	\$ 65,613	\$ 424,990	\$ 96,484	\$ 30,573	\$ 127,057	\$ 552,047
Feed, medications, and supplies	111,980	-	111,980	-	-	-	111,980
Farm maintenance and supplies	83,320	-	83,320	-	-	-	83,320
Veterinary services	66,506	-	66,506	-	-	-	66,506
Hay	50,161	-	50,161	-	-	-	50,161
Farrier (Blacksmith) services	28,151	-	28,151	-	-	-	28,151
Travel	707	393	1,100	79	393	472	1,572
Informational publications/seminars	-	196,797	196,797	-	84,342	84,342	281,139
Depreciation	61,233	11,250	72,483	24,640	224	24,864	97,347
Health insurance	36,343	6,635	42,978	9,757	3,092	12,849	55,827
Payroll taxes	28,695	5,239	33,934	7,704	2,441	10,145	44,079
Utilities	24,589	3,043	27,632	5,306	590	5,896	33,528
Insurance	20,191	3,686	23,877	5,421	1,718	7,139	31,016
Public relations	23,895	5,974	29,869	-	-	-	29,869
Administrative services	-	7,963	7,963	9,101	5,688	14,789	22,752
Fundraising events	-	-	-	-	17,406	17,406	17,406
Professional fees	-	-	-	15,687	-	15,687	15,687
Office supplies	8,576	1,566	10,142	2,302	730	3,032	13,174
Postage and delivery	6,852	1,251	8,103	1,839	583	2,422	10,525
Telephone and internet	6,056	1,106	7,162	1,626	515	2,141	9,303
Credit card and bank fees	4,545	830	5,375	1,220	387	1,607	6,982
Books and subscriptions	-	450	450	2,593	2099	4,692	5,142
Filing fees	-	-	-	4,616	-	4,616	4,616
Real estate taxes	-	-	-	3,594	-	3,594	3,594
Payroll service	2,101	384	2,485	564	179	743	3,228
Contributions	-	2,650	2,650	-	-	-	2,650
TOTAL EXPENSES	<u>\$ 923,278</u>	<u>\$ 314,830</u>	<u>\$ 1,238,108</u>	<u>\$ 192,533</u>	<u>\$ 150,960</u>	<u>\$ 343,493</u>	<u>\$ 1,581,601</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

	<u>Program Services</u>			<u>Supporting Services</u>			
	<u>Equine</u>	<u>Equine</u>	<u>Total</u>	<u>Management</u>	<u>Fund</u>	<u>Total</u>	<u>Total</u>
	<u>Rescue and</u>	<u>Education</u>	<u>Program</u>	<u>and General</u>	<u>Raising</u>	<u>Supporting</u>	
	<u>Sanctuary</u>		<u>Services</u>			<u>Services</u>	
Payroll	\$ 339,197	\$ 50,202	\$ 389,399	\$ 83,864	\$ 29,891	\$ 113,755	\$ 503,154
Feed, medications, and supplies	117,638	-	117,638	-	-	-	117,638
Farm maintenance and supplies	59,753	-	59,753	-	-	-	59,753
Veterinary services	74,713	-	74,713	-	-	-	74,713
Hay	71,358	-	71,358	-	-	-	71,358
Farrier (Blacksmith) services	27,155	-	27,155	-	-	-	27,155
Travel	316	176	492	35	176	211	703
Informational publications/seminars	-	143,818	143,818	-	61,636	61,636	205,454
Depreciation	62,533	11,250	73,783	24,403	211	24,614	98,397
Health insurance	36,724	5,435	42,159	9,080	3,236	12,316	54,475
Payroll taxes	27,516	4,072	31,588	6,803	2,425	9,228	40,816
Utilities	22,257	2,754	25,011	4,803	535	5,338	30,349
Insurance	20,438	3,025	23,463	5,053	1,801	6,854	30,317
Public relations	17,176	4,294	21,470	-	-	-	21,470
Administrative services	-	7,203	7,203	8,232	5,145	13,377	20,580
Fundraising events	-	-	-	-	35,097	35,097	35,097
Professional fees	-	-	-	17,824	-	17,824	17,824
Office supplies	7,574	1,121	8,695	1,873	667	2,540	11,235
Postage and delivery	4,670	691	5,361	1,155	412	1,567	6,928
Telephone and internet	5,032	745	5,777	1,244	443	1,687	7,464
Credit card and bank fees	4,506	667	5,173	1,114	397	1,511	6,684
Books and subscriptions	-	450	450	75	1,295	1,370	1,820
Filing fees	-	-	-	5,325	-	5,325	5,325
Real estate taxes	-	-	-	3,565	-	3,565	3,565
Payroll service	1,724	255	1,979	426	152	578	2,557
Contributions	-	2,650	2,650	-	-	-	2,650
TOTAL EXPENSES	\$ 900,280	\$ 238,808	\$ 1,139,088	\$ 174,874	\$ 143,519	\$ 318,393	\$ 1,457,481

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

EQUINE ADVOCATES, INCORPORATED

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (65,386)	\$ 62,250
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	97,347	98,397
(Increase) decrease in Prepaid expenses	(1,641)	(1,966)
Increase (decrease) in Accounts payable and accrued expenses	<u>(1,677)</u>	<u>6,856</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>28,643</u>	<u>165,537</u>
CASH FLOWS USED BY INVESTING ACTIVITIES		
Certificates of deposit	(494,962)	-
Purchase of property and equipment	<u>(14,021)</u>	<u>(71,348)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(508,983)</u>	<u>(71,348)</u>
NET INCREASE (DECREASE) IN CASH	(480,340)	94,189
CASH AND CASH EQUIVALENTS, beginning of year	<u>947,769</u>	<u>853,580</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 467,429</u>	<u>\$ 947,769</u>

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

EQUINE ADVOCATES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

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.

Program Services:

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. To offer Humane Education classes and field trips from Pre-K through Middle School (taught by an educator), in addition to offering classes and seminars to High School and College students, as well as to Chapters of National Children's groups and other organizations. The main goal is to help instill empathy, compassion, understanding and a sense of responsibility for having an equine in one's life, as well as developing an appreciation of an animal that has played such an integral role to the development and evolution of our country.

Supporting Services:

General and Administrative

This supporting service category includes the functions necessary to secure proper administrative functioning of the Organization's governing board, maintain an adequate working environment, and manage financial responsibilities of the Organization.

Fundraising

This supporting service category includes expenditures which provide the structure necessary to encourage and secure financial support for the Organization's operations.

Basis of Accounting Presentation

The financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

EQUINE ADVOCATES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting Presentation - Continued

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions

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 2015.

Contribution Revenue

The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions.

EQUINE ADVOCATES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on the percentage of time employees spend on program and supporting services.

Intermediate Measure of Operations

The Organization has presented the statements of activities based on an intermediate measure of operations. The operating excess/(loss), after transfers in the statements of activities includes all revenues and expenses that are an integral part of the Organization's programs and supporting activities, net assets released from restrictions to support operating expenditures, and transfers from/to Board designated and other non-operating funds to support current operating activities or set aside to support future operating activities.

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.

Certificates of Deposits

Certificates of deposit are stated at cost because that approximates market value and are included in cash and cash equivalents.

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.

Subsequent Event

Management has evaluated subsequent events through April 12, 2019, the date on which the financial statements were available to be issued.

EQUINE ADVOCATES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Reclassifications

Certain amounts for the year ended December 31, 2017, have been reclassified to conform to the presentation for the year ended December 31, 2018.

Accounting Pronouncement Adopted

In August 2016, the FASB issued ASU 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*” (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions,” (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lives assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method).

NOTE 2 - PROPERTY AND EQUIPMENT

Details of the Organization’s property and equipment as of December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 2,733,499	\$ 2,726,792
Land and improvements	952,064	950,000
Vehicles and equipment	295,250	290,750
Furniture and fixtures	14,915	14,165
Software	9,619	9,619
Trademark	4,285	4,285
Total	<u>4,009,632</u>	<u>3,995,611</u>
Less: accumulated depreciation	<u>1,318,823</u>	<u>1,221,476</u>
Property and equipment-net	<u>\$ 2,690,809</u>	<u>\$ 2,774,135</u>

EQUINE ADVOCATES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 are restricted for the following purpose:

	<u>2018</u>
Horse trailer	\$ <u>41,550</u>

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>2018</u>	<u>2017</u>
<u>Revenues and Support</u>		
Contributions	\$ <u>2,483</u>	\$ <u>13,860</u>
<u>Expenses</u>		
August gala	\$ 2,483	\$ 2,100
Public relations	-	10,000
Legal	-	1,760
Equine rescue	<u>-</u>	<u>-</u>
	\$ <u>2,483</u>	\$ <u>13,860</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 2018 and 2017, the Organization conducted activities that included the mailing of informational materials as well as requests for contributions.

The cost of conducting the above was \$281,139 and \$205,454 for 2018 and 2017, respectively. These joint costs were allocated as follows:

	<u>2018</u>	<u>2017</u>
Equine education	\$ 196,797	\$ 143,818
Fund raising	<u>84,342</u>	<u>61,636</u>
Total	\$ <u>281,139</u>	\$ <u>205,454</u>

EQUINE ADVOCATES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6 - LIQUIDITY

The Organization's financial assets available within one year of the statement of financial position for general expenditures are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 467,429	\$ 947,769
Certificates of deposit	494,962	-
Restricted by donors with purpose restrictions	<u>(41,550)</u>	<u>-</u>
Total financial assets available for general expenditures	<u>\$ 920,841</u>	<u>\$ 947,769</u>