Giant Steps Therapeutic Equestrian Center, Inc.

Financial Statements

Year Ended June 30, 2023

PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

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Independent Auditor's Report

Board of Directors
Giant Steps Therapeutic Equestrian Center, Inc.

Opinion

We have audited the accompanying financial statements of Giant Steps Therapeutic Equestrian Center, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Pisenti & Brinker LLP

Santa Rosa, California
February 15, 2024

		June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	$	321,398
Accounts receivable		425
Prepaid expense		3,777
Total current assets		325,600
Investments		2,843,875
Right-of-use asset for operating lease, net		109,049
Property, equipment and improvements, net		302,199
Total assets	$	3,580,723
Liabilities and net assets		
Current liabilities		
Accounts payable	$	16,347
Accrued liabilities		18,592
Accrued vacation		23,599
Deferred revenue		17,188
Current maturities of operating lease liability		39,427
Total current liabilities		115,153
Operating lease liability, net of current maturities		70,294
Total liabilities		185,447
Net assets		
Without donor restrictions		3,395,276
Total net assets		3,395,276
Total liabilities and net assets	$	3,580,723

See accompanying notes.

Year Ended June 30, 2023

	Without Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Contributions	$ 224,015	$ 326,661	$ 550,676
Program fees, net of discount	193,265	-	193,265
Special event revenue, net of $59,383 of expenses	190,738	-	190,738
In-kind services	5,150	-	5,150
Investment income, net	274,647	-	274,647
Total revenues, gains and other support	887,815	326,661	1,214,476
Net assets released from restrictions:			
Satisfaction of purpose restrictions	327,917	(327,917)	-
Satisfaction of time restrictions	14,400	(14,400)	-
Total revenue, gains and other support	1,230,132	(15,656)	1,214,476
Expenses			
Program services	754,322	-	754,322
General and administrative	241,439	-	241,439
Fundraising	195,681	-	195,681
Total expenses	1,191,442	-	1,191,442
Change in net assets	38,690	(15,656)	23,034
Net assets at beginning of year	3,356,586	15,656	3,372,242
Net assets at end of year	$ 3,395,276	$ -	$ 3,395,276

See accompanying notes.

Year Ended June 30, 2023

	Program Services	General and Administrative	Fundraising	Total
Advertising and promotion	$ 600	$ 58	$ 613	$ 1,271
Communications	4,013	3,146	60	7,219
Depreciation expense	65,866	-	-	65,866
Dues and subscriptions	4,065	2,690	-	6,755
Employee benefits	12,435	6,049	4,454	22,938
Facility and horse management	12,425	-	-	12,425
Insurance	28,427	22,633	9,733	60,793
Legal and professional	3,998	84,295	235	88,528
Loss on disposal of equipment	-	5,389	-	5,389
Meals and entertainment	1,974	1,584	-	3,558
Other	-	9,923	-	9,923
Outside services	-	6,033	1,100	7,133
Payroll and payroll taxes	393,291	79,383	167,751	640,425
Postage and delivery	74	197	556	827
Printing and reproduction	-	1,265	1,105	2,370
Rent	121,470	4,090	1,968	127,528
Repairs and maintenance	7,141	-	-	7,141
Service fees	7,628	578	10	8,216
Supplies and equipment	44,113	9,726	6,796	60,635
Tax and license	-	1,930	105	2,035
Training and conference	14,964	874	105	15,943
Travel	323	1,596	1,090	3,009
Veterinary services	31,515	-	-	31,515
Total	$ 754,322	$ 241,439	$ 195,681	$ 1,191,442

		Year Ended June 30, 2023
		Increase (decrease) in cash and cash equivalents
Cash flows from operating activities		
Change in net assets	$	23,034
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		65,866
Right-of-use asset for operating leases amortization		39,523
Dividends reinvested		(54,361)
Unrealized gain on investments		(220,286)
Loss on disposal of equipment		5,389
(Increase) decrease in operating assets:		
Prepaid expenses		(3,777)
Pledges receivable		14,400
Accounts receivable		15,698
Increase (decrease) in operating liabilities:		
Deferred revenue		(4,530)
Accrued liabilities		(9,060)
Accounts payable		6,694
Operating lease liability		(38,851)
Accrued vacation		(14,555)
Net cash used in operating activities		(174,816)
Net decrease in cash and cash equivalents		(174,816)
Cash and cash equivalents at beginning of year		496,214
Cash and cash equivalents at end of year	$	321,398

Supplemental disclosure of cash flow information

Cash paid during the year for:

Amounts included in the measurement of operating lease liabilities	$	42,544

Noncash investing and financing activities

Right-of-use assets obtained in exchange for operating lease obligations	$	148,572

See accompanying notes.

Note A. Nature of Activities

Giant Steps Therapeutic Equestrian Center, Inc. (the "Organization") was incorporated in 1997 under the laws of the State of California for the charitable purpose of bringing the proven benefits of therapeutic horseback riding to physically, developmentally, and/or cognitively disabled individuals. The Organization has since added groundbreaking programming for individuals living with emotional disabilities. The Organization is open to people of all ages with disabilities who reside in the bay area counties. It is a Premier Accredited Center Member of the Professional Association of Therapeutic Horsemanship ("PATH") which provides safety standards to its members. The Organization's instructors are certified by PATH. The Organization's support comes primarily from special events, individual donors' contributions and private grants. The Organization receives no government funding.

Note B. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Cash and Cash Equivalents

Cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less, except when a restriction is imposed which limits the investment's use to long-term. Cash is held in accounts at a financial institution, and cash balances may exceed the federally insured amounts during the year.

Pledges Receivable

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value which approximates fair value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As of June 30, 2023, the Organization did not have any unconditional promises to give recorded.

Accounts Receivable

Accounts receivable represent amounts billed but not yet collected. The Organization uses the allowance method to reserve for uncollectible accounts. Management periodically evaluates the allowance. As of June 30, 2023, management determined that no allowance was necessary. It is the Organization's policy to write-off uncollectible accounts receivable when management determines the receivable will not be collected.

Note B. Summary of Significant Accounting Policies (continued)

Investments

Investments, which are comprised of exchange traded investments, are reported at fair value in the statement of financial position. Unrealized gains and losses are included in the statement of activities. Interest and dividend income and realized and unrealized gains and losses are recognized as increases or decreases in net assets without donor restriction unless a donor or the law restricts their use.

Property, Equipment and Improvements

Property, equipment and improvements are stated at cost. Depreciation is computed under the straight-line method over the estimated useful lives of the assets, which range from 3 to 20 years. Leasehold improvements are depreciated using the straight-line method over the lesser of the estimated useful lives or the term of the lease agreement during the year of acquisition. Donated property is recorded at the estimated fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted. It is the Organization's policy to capitalize property and equipment over $2,500.

Revenue Recognition and Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restriction unless use of the contributed asset is specifically restricted by the donor. The Organization reports gifts and other assets as restricted support 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current year or is received with permanent donor restrictions. Conditional promises are not recognized until all conditions on which they depend are substantially met.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at fair value in the year received. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in support of its programs and fundraising activities; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated services provided by the farrier were valued at $5,150 for the year ended June 30, 2023. These services are recognized in the statement of activities as in-kind services.

Note B. Summary of Significant Accounting Policies (continued)

Revenue Recognition and Contributions (continued)

The Organization recognizes program fee revenue in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as performance obligations are satisfied

Program fee revenue is recognized as revenue at the time the classes are held. Fees are discounted for select individuals as determined based on need using the United States Department of Housing and Urban Development's definition of Median Family Income for Sonoma County. For the year ended June 30, 2023, discounts amounted to $62,925, which are netted against program fees.

Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization to meet the stipulations or that become unrestricted at the date specified by the donor or net assets subject to donor-imposed stipulations that are maintained permanently by the Organization. The income from these assets is available for either general operations or specific programs as specified by the donor.

Net Assets Released from Restriction – Net assets with donor restrictions are released to net assets without donor restrictions when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relates to the collectability of accounts and pledges receivable, depreciable lives of property, equipment and improvements, and indirect functional expense allocations. Actual results could differ from those estimates.

Note B. Summary of Significant Accounting Policies (continued)

Functional Expense Allocation

The Organization allocates operational costs between program services, general and administrative, and fundraising by utilizing a cost allocation policy that is updated and reviewed annually. The Organization applies several methods for allocating costs. Expenses that can be identified with the program are charged directly to that program as direct costs. Costs common to multiple functions have been allocated among the various functions benefited on the basis of periodic time and effort. General and administrative expenses include those costs that are not directly identifiable with the program, but which provide for the overall support and direction of the Organization. These costs are allocated to the functions using a base that results in an equitable distribution. The allocation is reflected in the statement of functional expenses.

Income Taxes

The Organization is a nonprofit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d). However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, commonly referred to as unrelated business income. No income tax provision has been recorded since management determined that the Organization had no unrelated business income.

The Organization determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of June 30, 2023, the Organization has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Organization's exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for state.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 2016-02, *Leases* ("Topic 842"), to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use ("ROU") asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. For nonpublic companies the new guidance is required for annual reporting periods beginning after December 15, 2021, and interim and annual reporting periods after those reporting periods. The Organization adopted Topic 842 effective July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022.

Note B. Summary of Significant Accounting Policies (continued)

Leases (continued)

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has also elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of Topic 842 as of July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its property, equipment, and improvement asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to the Organization's operating leases of $148,572 at July 1, 2022. The adoption of the standard did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

Note C. Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
Level 2	Inputs to the valuation methodology include: • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

The Organization’s exchange traded investments are considered Level 1 investments. The fair value of the exchange-traded funds is determined by the published closing price on the last business day of the fiscal year.

Note D. Liquidity

Financial assets are considered unavailable due to donor-imposed restrictions or when the governing board has set aside funds for internal designations. Amounts available include donor-restricted amounts that will meet time restrictions within the next twelve months from the statement of financial position date that do not have purpose restrictions. The Organization operates with a balanced budget and anticipates covering its general expenditures with existing working capital and by maintaining and expanding existing programs and relationships with funders who have provided donations without restrictions and are willing to provide multi-year grants.

Note D. Liquidity (continued)

The following reflects the Organization's financial assets reduced by amounts not available for general use within one year of the statement of financial position date:

As of June 30,		2023
Cash and cash equivalents	$	321,398
Accounts receivable		425
Investments		2,843,875
Funds available to meet expenditures within one year		3,165,698
Less funds unavailable to management without Board's approval		(2,843,875)
Funds available to management to meet expenditures within one year	$	321,823

Note E. Property, Equipment and Improvements

Property, equipment and improvements consist of the following:

As of June 30,		2023
Leasehold improvements	$	975,739
Equipment		107,334
Website and software		51,792
Vehicles		50,897
Horses		30,660
Total depreciable assets		1,216,422
Accumulated depreciation		(914,223)
	$	302,199

Depreciation expense for the year ended June 30, 2023 amounted to $65,866.

Note F. Net Assets Classifications

All general operating revenues and expenses related to the program activities of the Organization are included in the change in net assets with donor restrictions. From time-to-time donations received without donor restrictions are designated by the Organization's board of directors as board designated funds. The board designated funds consist of funds with no donor or legal restrictions, but through board resolutions have been set aside for specific purposes. At June 30, 2023, $2,843,875 of net assets are board-designated for operating reserves.

Note G. Leases

The Organization has an operating lease for the riding facility which expires in May 2024. The Organization has a combined five year renewable option to extend the lease to May 2029. Lease payments commence at $3,100 per month, increasing $50 per month on each anniversary date of the lease up to $3,250. In addition, the Organization holds operating leases with variable cost components and terms lasting less than twelve months. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Operating lease cost	$	43,216
Short-term lease cost		17,131
Variable lease cost		67,181
Total lease costs	$	127,528
Weighted-average remaining lease term:		
Operating leases		2.8 years
Weighted-average discount rate:		
Operating leases		2.89%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of June 30, 2023:

Year Ending June 30,		Operating leases
2024	$	41,983
2025		39,100
2026		33,000
Total lease payments		114,083
Less imputed interest		(4,362)
Total present value of lease liabilities		109,721
Less current maturities of lease liabilities		(39,427)
Lease liabilities, net of current maturities	$	70,294

Note H. Subsequent Events

The Organization evaluated subsequent events as of February 15, 2024 the date which the financial statements were available to be issued.