

Mane Stream, Inc.

Audited Financial Statements

Year ended December 31, 2016

Mane Stream, Inc.

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December 31, 2016

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Independent Auditor's Report

Board of Directors
Mane Stream, Inc.

Report on Financial Statements

I have audited the accompanying financial statements of Mane Stream, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows and functional expenses for the year 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 the 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 audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Mane Stream, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited Mane Stream, Inc.'s 2015 financial statements, and in my report dated April 14, 2016, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.



Donna Foxman, CPA

April 12, 2017

Mane Stream, Inc.
Statement of Financial Position
December 31, 2016
With Comparative Totals for 2015

	2016	2015
Assets:		
Cash	\$549,602	\$495,171
Accounts receivable	2,381	5,977
Prepaid expenses	4,995	4,622
Property development costs	-	14,461
Property and equipment, net	<u>1,295,341</u>	<u>1,283,519</u>
Total assets	<u><u>\$1,852,319</u></u>	<u><u>\$1,803,750</u></u>
 Liabilities:		
Accounts payable and accrued expenses	30,200	20,124
Mortgage payable	<u>421,066</u>	<u>433,491</u>
Total liabilities	<u>451,266</u>	<u>453,615</u>
 Net assets:		
Unrestricted net assets	1,214,703	1,129,309
Temporarily restricted net assets	121,350	155,826
Permanently restricted net assets	<u>65,000</u>	<u>65,000</u>
Total net assets	<u>1,401,053</u>	<u>1,350,135</u>
Total liabilities and net assets	<u><u>\$1,852,319</u></u>	<u><u>\$1,803,750</u></u>

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

Mane Stream, Inc.
Statement of Activities
For the year ended December 31, 2016
With Comparative Totals for 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
Revenues and Support:					
Contributions	\$116,488	-	-	116,488	225,928
Bequests	5,435	-	-	5,435	5,677
Program revenue	182,635	-	-	182,635	185,496
Fundraising and special events	533,892	-	-	533,892	474,957
Interest income	600	-	-	600	454
Net assets released in satisfaction of donor restrictions	34,476	(34,476)	-	-	-
Total revenues and support	<u>873,526</u>	<u>(34,476)</u>	<u>-</u>	<u>839,050</u>	<u>892,510</u>
Expenses:					
Program expenses	434,464	-	-	434,464	497,983
Administrative expenses	99,965	-	-	99,965	93,335
Development and fundraising costs	253,703	-	-	253,703	187,857
Subtotal	788,132	-	-	788,132	779,175
Loss on disposal of property (note 8)	-	-	-	-	217,837
Total expenses	<u>788,132</u>	<u>-</u>	<u>-</u>	<u>788,132</u>	<u>997,012</u>
Increase (decrease) in net assets	85,394	(34,476)	-	50,918	(104,502)
Net assets, beginning of year	<u>1,129,309</u>	<u>155,826</u>	<u>65,000</u>	<u>1,350,135</u>	<u>1,454,637</u>
Net assets, end of year	<u>\$1,214,703</u>	<u>121,350</u>	<u>65,000</u>	<u>1,401,053</u>	<u>1,350,135</u>

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

Mane Stream, Inc.
Statement of Cash Flows
For the year ended December 31, 2016
With Comparative Totals for 2015

	2016	2015
Cash flows from operating activities:		
Contributions, program, and fundraising revenue	\$842,046	\$892,002
Interest income	600	454
Cash paid to suppliers and employees	(710,998)	(745,804)
Interest paid	(21,500)	(34,512)
Net cash provided (used) by operating activities	<u>110,148</u>	<u>112,140</u>
Cash flows from investing activities:		
Purchase of building improvements, equipment	(43,292)	(25,132)
Proceeds from sale of property, net	-	392,805
Net cash provided (used) by investing activities	<u>(43,292)</u>	<u>367,673</u>
Cash flows from financing activities:		
Repayment of long term debt	(12,425)	(401,469)
Net cash provided (used) by financing activities	<u>(12,425)</u>	<u>(401,469)</u>
Increase (decrease) in cash	54,431	78,344
Cash at beginning of year	<u>495,171</u>	<u>416,827</u>
Cash at end of year	<u><u>\$549,602</u></u>	<u><u>\$495,171</u></u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$50,918	(\$104,502)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Loss on disposal of property	-	68,093
Depreciation	31,470	27,724
(Increase) decrease in accounts receivable	3,596	(53)
(Increase) decrease in prepaid expenses	(373)	1,382
(Increase) decrease in property development costs	14,461	149,744
Increase (decrease) in accounts payable and accrued expenses	<u>10,076</u>	<u>(30,248)</u>
Net cash provided (used) by operating activities	<u><u>\$110,148</u></u>	<u><u>\$112,140</u></u>

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

Mane Stream, Inc.
Statement of Functional Expenses
For the year ended December 31, 2016
With Comparative Totals for 2015

	Program Expenses	Administrative Expenses	Development & Fundraising	2016 Expenses	2015 Expenses
Salaries	\$231,281	70,977	90,708	392,966	374,655
Payroll taxes	20,908	7,203	8,718	36,829	29,146
Employee benefits	7,678	6,892	2,772	17,342	9,944
Outside services	9,013	959	4,597	14,569	19,058
Advertising	350	44	2,424	2,818	2,506
Bank and credit card fees	3,129	7	8,564	11,700	9,226
Depreciation	30,178	672	620	31,470	27,724
Dues and subscriptions	871	143	147	1,161	2,511
Equipment rental and expenses	1,239	214	198	1,651	3,894
Insurance	31,729	5,347	4,939	42,015	49,438
Interest	19,350	2,150	-	21,500	34,512
Licenses and fees	591	104	70	765	1,040
Meetings, seminars & workshops	1,199	321	130	1,650	5,733
Office & technology expenses	3,968	1,145	1,960	7,073	9,090
Postage	235	418	829	1,482	597
Printing	260	-	446	706	790
Professional fees	3,225	559	516	4,300	4,300
Program expenses	1,881	-	-	1,881	11,176
Animal food & supplies	25,977	-	-	25,977	23,840
Veterinary & farrier fees	19,614	-	-	19,614	17,678
Real estate taxes	553	-	-	553	3,934
Repairs and maintenance	13,154	1,325	1,297	15,776	13,023
Telephone	2,136	370	341	2,847	2,794
Utilities	5,945	1,115	999	8,059	13,340
subtotal	434,464	99,965	130,275	664,704	669,949
Fundraising expenses	-	-	123,428	123,428	109,226
Total expenses	<u>\$434,464</u>	<u>99,965</u>	<u>253,703</u>	<u>788,132</u>	<u>779,175</u>

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

Mane Stream, Inc.
Notes to Financial Statements
For the year ended December 31, 2016

1. Summary of Significant Accounting Policies

a. Organization

In 2011 the Board of Directors approved a change of the organization name from Somerset Hills Handicapped Riding Center, Inc. to Mane Stream, Inc. The organization is a nonprofit corporation founded in 1972 and incorporated in 1973 in the state of New Jersey for the purpose of improving the quality of life for individuals with physical, developmental, emotional, and medical challenges by providing a diverse program of equine assisted activities, equine assisted therapy and educational initiatives. The organization has been accredited by the Professional Association of Therapeutic Horsemanship International (PATH). The organization offers both recreation and medical treatment programs. In adaptive horsemanship children and adults participate in recreational equestrian activities in a safe controlled environment. In equine assisted therapy, New Jersey licensed physical, occupational and speech therapists use the movement of the horse to help clients attain functional goals. The organization's revenues are derived primarily from program fees and from contributions.

b. Basis of Accounting

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

c. Basis of Presentation

Under generally accepted accounting standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

d. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Mane Stream, Inc.
Notes to Financial Statements
For the year ended December 31, 2016

1. Summary of Significant Accounting Policies (continued)

e. Income Taxes

The Organization is qualified as tax exempt under Section 501(c)(3) of the Internal Revenue Code.

f. 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g. Donated Assets

Noncash donated assets are recorded as contributions at their estimated fair values at the date of donation.

h. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

i. Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, during the year approximately 286 individuals provided more than 10,213 hours to assist the Organization in their program activities and various special events and fundraising activities.

j. Advertising

The Organization uses advertising to promote its programs and events in the communities it serves.

k. Subsequent Events

The Organization has evaluated subsequent events through April 12, 2017, which is the date the financial statements were available to be issued.

Mane Stream, Inc.
Notes to Financial Statements
For the year ended December 31, 2016

2. Cash Accounts

The Organization has several bank accounts at two financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times throughout the year balances can exceed the insured limits.

3. Property and Equipment

Property and equipment are carried at cost and, except for land, are depreciated over their estimated useful lives ranging from five to thirty-nine years using straight-line depreciation. Amounts at December 31 were:

Land	\$777,281
Buildings and improvements	886,943
Furniture and equipment	<u>174,342</u>
	1,838,566
Less accumulated depreciation	<u>(543,225)</u>
Property and equipment, net	<u><u>\$1,295,341</u></u>

4. Mortgage Payable

In June, 2011, the Organization obtained a \$900,000 mortgage with First Hope Bank to purchase property in Readington, New Jersey. The loan was payable in monthly payments of \$5,501.80, including interest at 5.375%, through June, 2036. The interest rate changes as of June every five years, based on the five year US Treasury Bill rate plus 250 basis points. The loan is secured by real property. In June, 2015, the buildings in Readington and a portion of the land were sold. \$385,000 was used to pay down the mortgage. The mortgage has been modified to reduce monthly payments to \$2,720.78. In June, 2016 the interest rate changed to 4.5% in accordance with the original agreement (next change due in June, 2021). The balance at December 31, 2016 was \$421,066. See also note 8. The following is a schedule of principal payments for the next five years:

December 31, 2017	\$13,724
2018	14,363
2019	15,032
2020	15,684
2021	16,463
Thereafter	<u>345,800</u>
	<u><u>\$421,066</u></u>

Mane Stream, Inc.
Notes to Financial Statements
For the year ended December 31, 2016

5. Permanently Restricted Net Assets

In May, 2007, the Organization received a contribution to establish the Sheila G. Williams Memorial Endowment. The funds are to be invested under the direction of the Board of Directors' Finance Committee. The income earned on these funds is to be used to fund educational opportunities for the Organization's instructors and staff, including conference attendance and courses of study supportive of and relevant to the Organization's activities and objectives. Total contributions received through December 31 totaled \$65,000.

6. 401K Plan

The Board of Directors approved a 401k plan for all eligible employees, which became effective in August, 2008. Employer contributions to the plan in 2016 were 3% and totaled \$5,966.

7. Income Taxes

Generally accepted accounting principles prescribe how an organization should measure, recognize, present and disclose in its financial statements tax positions that the organization has taken or expects to take on its tax or information returns. The Organization regularly reviews and evaluates its tax positions taken on previously filed returns and as reflected in its financial statements, with regard to issues affecting tax matters. The Organization has concluded that no tax benefits or liabilities are required to be recognized in accordance with generally accepted accounting principles.

The Organization's tax and information returns are generally subject to examination by the taxing authorities for three years, including 2013, 2014 and 2015.

8. Readington Property and Property Development Costs

In June, 2011, the Board of Directors approved the purchase of 35 acres of land and buildings in Readington, New Jersey. The Organization planned to use the purchase to expand and increase the amount and types of program services offered in the communities they serve. However, in July, 2013, the Board of Directors approved a motion to sell this 35 acre property. The decision to sell the property and buildings was made after economic conditions indicated that such an expansion of programs and services was no longer feasible at that location so other appropriate measures were implemented to expand programs and services. The buildings and ten acres of the land were sold in June, 2015 (twenty-five acres remain). The cost of the property sold exceeded the selling price, adjusted for costs associated with the sale, by \$68,093. The Organization had capitalized all development costs associated with the preliminary engineering, environmental assessments and planning fees of the property. The total capitalized costs of \$149,744 were expensed with the sale.

Mane Stream, Inc.
Notes to Financial Statements
For the year ended December 31, 2016

9. Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions received for capital projects and specific program expenses.