

MANEGAIT
INCLUDING
3160 PARTNERS, LLC

COMBINED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

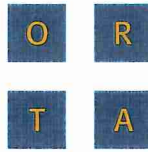
DECEMBER 31, 2014 AND 2013

MANEGAIT
INCLUDING
3160 PARTNERS, LLC

DECEMBER 31, 2014 AND 2013

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LORI K. ORTA, P.C.

Certified Public Accountant

Independent Auditor's Report

To the Board of Directors
ManeGait Including 3160 Partners, LLC

We have audited the accompanying combined financial statements of ManeGait Including 3160 Partners, LLC (the "Organization"), which comprise the combined statement of financial position as of December 31, 2014, and the related combined statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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, we 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of ManeGait Including 3160 Partners, LLC as of December 31, 2014, 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.

Prior Period Combined Financial Statements

The financial statements of ManeGait as of December 31, 2013, were audited by other auditors whose report dated May 6, 2014, expressed an unmodified opinion on those financial statements.

Lori K. Orta, P.C.

Dallas, Texas
May 6, 2015

ManeGait
Including
3160 Partners, LLC
COMBINED STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 52,002	\$ 196,713
Cash and cash equivalents - temporarily restricted	18,850	-
Accounts receivable	43,501	11,495
Grant receivable - temporarily restricted	10,000	-
Prepaid expenses	10,024	8,216
Total current assets	134,377	216,424
 PROPERTY, PLANT AND EQUIPMENT AT COST - net	 1,656,519	 1,605,386
	\$ 1,790,896	\$ 1,821,810

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 11,581	\$ 5,572
Accrued liabilities	18,305	8,459
Deferred rider fees	47,190	15,323
Line of credit	-	50,000
Total current liabilities	77,076	79,354
 NET ASSETS		
Unrestricted	1,684,970	1,717,606
Temporarily restricted	28,850	24,850
	1,713,820	1,742,456
	\$ 1,790,896	\$ 1,821,810

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

ManeGait
Including
3160 Partners, LLC
COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Donations	\$ 124,582	\$ -	\$ 124,582
Special events	616,202	-	616,202
Less direct expenses	<u>(186,539)</u>	<u>-</u>	<u>(186,539)</u>
Net special events	429,663	-	429,663
Grant revenue	113,791	36,500	150,291
Riders fees	146,596	-	146,596
Other program income	34,443	-	34,443
Donated horses	12,900	-	12,900
Net assets released from restrictions	<u>32,500</u>	<u>(32,500)</u>	<u>-</u>
Total support and revenues	<u>894,475</u>	<u>4,000</u>	<u>898,475</u>
EXPENSES			
Program services - riding services	717,716	-	717,716
Supporting services			
Management and general	59,553	-	59,553
Fundraising	<u>149,842</u>	<u>-</u>	<u>149,842</u>
Total expenses	<u>927,111</u>	<u>-</u>	<u>927,111</u>
Increase (decrease) in net assets	(32,636)	4,000	(28,636)
NET ASSETS at beginning of year	<u>1,717,606</u>	<u>24,850</u>	<u>1,742,456</u>
NET ASSETS at end of year	<u>\$ 1,684,970</u>	<u>\$ 28,850</u>	<u>\$ 1,713,820</u>

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

ManeGait
Including
3160 Partners, LLC
COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Donations	\$ 137,469	\$ -	\$ 137,469
Special events	615,073	-	615,073
Less direct expenses	<u>(163,578)</u>	<u>-</u>	<u>(163,578)</u>
Net special events	451,495	-	451,495
Grant revenue	76,000	65,100	141,100
Riders fees	111,455	-	111,455
Other program income	15,824	-	15,824
In-kind revenues	5,970	-	5,970
Net assets released from restrictions	<u>47,250</u>	<u>(47,250)</u>	<u>-</u>
Total support and revenues	<u>845,463</u>	<u>17,850</u>	<u>863,313</u>
EXPENSES			
Program services - riding services	688,361	-	688,361
Supporting services			
Management and general	73,248	-	73,248
Fundraising	<u>155,620</u>	<u>-</u>	<u>155,620</u>
Total expenses	<u>917,229</u>	<u>-</u>	<u>917,229</u>
Increase (decrease) in net assets	(71,766)	17,850	(53,916)
NET ASSETS at beginning of year	<u>1,789,372</u>	<u>7,000</u>	<u>1,796,372</u>
NET ASSETS at end of year	<u>\$ 1,717,606</u>	<u>\$ 24,850</u>	<u>\$ 1,742,456</u>

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

ManeGait
Including
3160 Partners, LLC
COMBINED STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2014	2013
Increase (decrease) in cash		
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (28,636)	\$ (53,916)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities		
Loss on sale of assets	192	5,948
Depreciation	69,590	54,523
Donated horses	(12,900)	(3,750)
Changes in operating assets and liabilities, net		
Accounts receivable	(32,006)	(862)
Grant receivable	(10,000)	-
Prepaid expenses	(1,808)	(5,176)
Accounts payable	6,009	(3,289)
Accrued liabilities	9,846	6,659
Deferred rider fees	31,867	7,088
Net cash provided by (used in) operating activities	32,154	7,225
Cash flows from investing activities		
Change in restricted cash	(18,850)	-
Acquisition of property, plant and equipment	(108,015)	(85,315)
Proceeds from sale of property	-	17,000
Net cash provided by (used in) investing activities	(126,865)	(68,315)
Cash flows from financing activities		
Proceeds from line of credit	-	50,000
Payments on line of credit	(50,000)	-
Proceeds from loan - related party	50,000	-
Payments on loan - related party	(50,000)	-
Net cash provided by (used in) financing activities	(50,000)	50,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(144,711)	(11,090)
Cash and cash equivalents at beginning of year	196,713	207,803
Cash and cash equivalents at end of year	\$ 52,002	\$ 196,713
Supplemental disclosure of cash flow information		
Cash paid during the year for		
Interest	\$ 3,688	\$ 808
Non-cash transactions		
Horses acquired via non-cash contributions	\$ 12,900	\$ 3,750

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

ManeGait
Including
3160 Partners, LLC
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	Program Services		Supporting Services		Total Supporting Services	Total
	Riding	Management and General	Fundraising			
Employee salaries and benefits	\$ 358,712	\$ 40,419	\$ 106,097		\$ 146,516	\$ 505,228
Employee development and training	5,176	583	1,531		2,114	7,290
Program expenses	31,724	-	-		-	31,724
GaitWay program	37,254	-	-		-	37,254
Horse care	59,006	-	-		-	59,006
Volunteer expenses	3,365	-	-		-	3,365
Repairs and maintenance	35,023	3,892	-		3,892	38,915
Equipment expense	5,222	580	-		580	5,802
Utilities	15,131	1,892	1,892		3,784	18,915
Development and marketing	9,465	-	28,422		28,422	37,887
Information technology	4,915	-	-		-	4,915
Accounting	21,771	2,453	6,439		8,892	30,663
Property taxes	9,000	-	-		-	9,000
Legal fees	125	-	-		-	125
Insurance	14,651	1,426	1,426		2,852	17,503
General administration	19,173	2,306	3,664		5,970	25,143
Depreciation	63,959	5,631	-		5,631	69,590
Interest expense	2,967	371	371		742	3,709
Fundraising expenses	20,335	-	-		-	20,335
Bad debt	550	-	-		-	550
Loss on sale of assets	192	-	-		-	192
	<u>\$ 717,716</u>	<u>\$ 59,553</u>	<u>\$ 149,842</u>		<u>\$ 209,395</u>	<u>\$ 927,111</u>

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

ManeGait
Including
3160 Partners, LLC
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Program Services	Supporting Services			Total
	Riding	Management and General	Fundraising	Total Supporting Services	
Employee salaries and benefits	\$ 370,421	\$ 41,738	\$ 109,561	\$ 151,299	\$ 521,720
Employee development and training	2,086	235	617	852	2,938
Program expenses	33,028	-	-	-	33,028
GaitWay program	25,933	-	-	-	25,933
Horse care	62,419	-	-	-	62,419
Volunteer expenses	6,240	-	-	-	6,240
Repairs and maintenance	31,087	3,454	-	3,454	34,541
Equipment expense	4,193	466	-	466	4,659
Utilities	14,338	1,792	1,792	3,584	17,922
Development and marketing	13,794	-	34,966	34,966	48,760
Information technology	12,947	1,459	3,829	5,288	18,235
Accounting	-	6,148	-	6,148	6,148
Property taxes	8,459	-	-	-	8,459
Legal fees	-	10,320	-	10,320	10,320
Insurance	10,755	1,005	1,005	2,010	12,765
General administration	16,882	1,990	3,769	5,759	22,641
Depreciation	49,963	4,560	-	4,560	54,523
Interest expense	646	81	81	162	808
Fundraising expenses	19,222	-	-	-	19,222
Loss on sale of assets	5,948	-	-	-	5,948
	<u>\$ 688,361</u>	<u>\$ 73,248</u>	<u>\$ 155,620</u>	<u>\$ 228,868</u>	<u>\$ 917,229</u>

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

ManeGait Including 3160 Partners, LLC
NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

ManeGait is incorporated under the laws of the State of Texas as a nonprofit organization and is located in McKinney, Texas. ManeGait is a therapeutic horsemanship center offering therapeutic equestrian activities and therapy in a caring, high-integrity environment. ManeGait serves children and adults with disabilities so that they can move beyond their boundaries through the healing power of the horse and the dedication of a professional, caring community. The focus of therapeutic riding lessons is skill development and progression while improving the rider's physical, cognitive, emotional and social skills. ManeGait derives most of their revenues from free-will donations, fundraising events, grants and rider fees.

On December 31, 2012, WPL Partner, Ltd, a Texas limited partnership ("WPL"), manager of 3160 Partners, LLC, a Texas limited liability company ("3160 Partners"), transferred 100% interest in 3160 Partners to ManeGait. 3160 Partners owns the property and land ManeGait's facilities are on. See Note 9.

Principles of Combination

The combined financial statements include the accounts of the ManeGait and 3160 Partners (collectively, the "Organization"). There was minimal activity in 3160 Partners and all significant intercompany balances and transactions have been eliminated.

Basis of Accounting

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

For reporting purposes, resources are classified into three net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. 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.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. There were no permanently restricted net assets at December 31, 2014 and 2013.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. The FDIC deposit insurance insures deposits up to \$250,000 per deposit, per insured bank for each ownership category. There was no uninsured cash at December 31, 2014 and 2013.

Accounts Receivables

Trade accounts receivable consist of rider fees. Management evaluates accounts receivable and writes off account when they are deemed uncollectible.

ManeGait Including 3160 Partners, LLC
NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant, and equipment are recorded at cost if purchased, or at estimated fair value as of the date of donation. The Organization capitalizes expenditures for these assets in excess of \$1,000 and with an estimated useful life greater than one year. The costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed on a straight-line basis over estimated useful lives as follows:

	<u>Estimated Lives</u>
Leasehold improvements	10 - 20 years
Farm equipment	5 - 7 years
Program equipment	5 years
Vehicles	5 - 7 years
Admin equipment	5 years
Horses	5 years
Arena	19 - 20 years

Accrued Expenses

Various expenses of the Organization that were incurred before December 31, 2014 and 2013, respectively but paid afterward have been accrued and reported as accrued expenses.

Contributions

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Contributions are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable in the amount. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed Assets and Services

Contributed assets are reflected as contributions in the accompanying combined financial statements at their estimated values on the dates of receipt. Contributed services are reflected in the combined financial statements at the fair value of the services received if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed assets and services are donated to the Organization by various individuals, corporations, and other organizations. For the years ended December 31, 2014 and 2013, the Organization received \$12,900 and \$5,970 in in-kind goods and services.

In-kind goods and services consist of the following for the years ended December 31,:

	<u>2014</u>	<u>2013</u>
Horses	\$ 12,900	\$ 3,350
Other	-	2,220
	<u>\$ 12,900</u>	<u>\$ 5,970</u>

ManeGait Including 3160 Partners, LLC
NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Assets and Services (Continued)

Approximately 600 individuals volunteered their time and performed a variety of tasks that helped the Organization's programs for the year ended December 31, 2014. Approximately 500 individuals volunteered their time during the year ended December 31, 2013. The value of this contributed time is not reflected in the accompanying combined financial statements because it does not meet the above criteria.

Deferred rider fees

Deferred rider fees arises from advance billing of rider fees for the subsequent riding sessions. Rider fees are reflected as revenue as services are provided.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the combined statement of activities and change in net assets for the years ended December 31, 2014 and 2013. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code, except to the extent it has unrelated business income. For the years ended December 31, 2014 and 2013, the Organization had no material net unrelated business income. Accordingly, no provision for income taxes has been provided in the accompanying combined financial statements. The Organization is not recognized as a private foundation.

The Organization has concluded that it does not have any unrecognized tax benefits resulting from the current or prior period tax positions. Accordingly, no additional disclosures have been made on the combined financial statements regarding ASC 740, *Income Taxes*. The Organization does not have any outstanding interest or penalties, and none have been recorded in the combined statement of activities and change in net assets for the years ended December 31, 2014 and 2013.

Use of Estimates

The preparation of combined 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 and disclosures. Actual results could differ from those estimates.

Reclassification

Certain 2013 items have been reclassified to conform to the 2014 combined financial statements presentations.

ManeGait Including 3160 Partners, LLC
NOTES TO THE COMBINED FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31,:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,043,320	\$ 1,043,320
Buildings	213,199	213,199
Land improvements	173,420	83,652
Farm equipment	44,444	39,145
Program equipment	30,774	25,765
Vehicles	33,220	33,219
Admin Equipment	43,485	42,294
Horses	80,890	62,490
Arena	<u>259,209</u>	<u>259,209</u>
	1,921,961	1,802,293
Less accumulated depreciation	<u>(265,442)</u>	<u>(196,907)</u>
Total property, plant and equipment at cost-net	<u>\$ 1,656,519</u>	<u>\$ 1,605,386</u>

Depreciation expense was \$69,590 and \$54,523 for the years ended December 31, 2014 and 2013, respectively.

3. LINE OF CREDIT

The Organization has a \$100,000 line of credit with a financial institution. The interest rate is Wall Street Journal Prime floating with a floor of 3.25%. Collateral is a first lien deed of trust on the Organization's property at 3160 North Cluster Road, McKinney, Texas. The line of credit is also personally guaranteed by a board member. The line of credit matures in June 2015, unless renewed. As of December 31, 2014 and 2013, the outstanding balance was \$0 and \$50,000, respectively. On August 28, 2014, the line of credit was renewed for \$200,000 with a new maturity date of August 25, 2015.

During 2013, the Organization had a \$50,000 rider accessibility project and improvement loan available that was related to a grant award by McKinney Community Development Corporation. There were no draws on the loan.

For the years ended, December 31, 2014 and 2013, interest expense was \$3,709 and \$808, respectively.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of the following at December 31,:

	<u>2014</u>	<u>2013</u>
Horses and horse care	\$ 8,850	\$ 24,850
Gaitway program	10,000	-
Development of the sensory trail	<u>10,000</u>	<u>-</u>
	<u>\$ 28,850</u>	<u>\$ 24,850</u>

Temporarily restricted net assets were released for the following purposes for the years ended December 31,:

	<u>2014</u>	<u>2013</u>
Horses and horse care	\$ 16,000	\$ 24,150
Electronic rider	-	8,100
Gaitway program	-	15,000
Lighting project	<u>16,500</u>	<u>-</u>
	<u>\$ 32,500</u>	<u>\$ 47,250</u>

ManeGait Including 3160 Partners, LLC
NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. RELATED PARTY

For the year ended December 31, 2014, a board member loaned the Organization \$50,000 at an interest rate of approximately 2%. As of December 31, 2014, the outstanding balance was \$0.

6. SPECIAL EVENTS

The Organization has various fundraising events to help fund current operations. The revenue and related expenses from such events are as follows for the years ended December 31,:

	2014		
	Revenue	Expense	Net Revenue
Golf outing	\$ 96,326	\$ 32,897	\$ 63,429
Gala at the Gait	452,184	149,970	302,214
Gaitapalooza	<u>67,692</u>	<u>3,672</u>	<u>64,020</u>
	<u>\$ 616,202</u>	<u>\$ 186,539</u>	<u>\$ 429,663</u>
	2013		
	Revenue	Expense	Net Revenue
Golf outing	\$ 77,225	\$ 11,819	\$ 65,406
Gala at the Gait	394,374	108,006	286,368
Filly's Fashion	65,576	41,098	24,478
Gaitapalooza	<u>77,898</u>	<u>2,655</u>	<u>75,243</u>
	<u>\$ 615,073</u>	<u>\$ 163,578</u>	<u>\$ 451,495</u>

7. FINANCIAL CONDITION

The Organization depends heavily on donations and special events for its revenue. The ability of the donors to continue giving amounts comparable with prior years may be dependent, among other things, upon current and future overall economic conditions and the continued deductibility for income taxes purposes of donations to the Organization. While management believes the Organization has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

8. SUBSEQUENT EVENTS

Subsequent to year end, 3160 Partners conveyed the land to the Organization under a special warranty deed.

In preparing the combined financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 6, 2015, the date the combined financial statements were available to be issued.