

LIFESTRIDERS, INC.
FINANCIAL STATEMENTS
YEARS ENDED
DECEMBER 31, 2016 AND 2015

LifeStriders, Inc.
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Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
LifeStriders, Inc.

We have audited the accompanying financial statements of LifeStriders, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of LifeStriders, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Valerie A. Boylston CPA

Waukesha, Wisconsin
November 2, 2017

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LifeStriders, Inc.
Statements of Financial Position
December 31, 2016 and 2015

Assets

	2016	2015
Current Assets		
Cash	\$ 586,213	\$ 306,213
Accounts receivable	24,387	53,113
Unconditional promises to give	100,000	100,000
Advances to employees	-	212
Prepaid expenses	12,791	5,389
Total Current Assets	723,391	464,927
Property and Equipment	764,152	785,885
Other Assets		
Unconditional promises to give, net	95,694	187,267
Total Assets	\$ 1,583,237	\$ 1,438,079

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ -	\$ 1,329
Accrued payroll	22,505	7,956
Accrued payroll taxes	2,532	895
Total Current Liabilities	25,037	10,180
Total Liabilities	25,037	10,180
Net Assets		
Unrestricted	1,304,206	1,138,832
Temporarily restricted	253,994	289,067
Total Net Assets	1,558,200	1,427,899
Total Liabilities and Net Assets	\$ 1,583,237	\$ 1,438,079

See notes to financial statements.

LifeStriders, Inc.
Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Special events	\$ 38,649	-	\$ -	\$ 38,649
Less: Costs of direct benefits to donors	(3,162)	-	-	(3,162)
Less: Special event expenses	(6,269)	-	-	(6,269)
Individuals	54,753	1,800	-	56,553
Clubs & organizations	5,640	1,500	-	7,140
Corporations	8,974	-	-	8,974
Foundations	82,000	55,000	-	137,000
Program service fees	348,675	-	-	348,675
Net assets released from restrictions	<u>93,373</u>	<u>(93,373)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	622,633	(35,073)	-	587,560
Expenses				
Program services	396,486	-	-	396,486
Management and general	33,990	-	-	33,990
Fundraising	26,783	-	-	26,783
Total Expenses	<u>457,259</u>	<u>-</u>	<u>-</u>	<u>457,259</u>
Change in Net Assets	165,374	(35,073)	-	130,301
Net Assets at Beginning of Year	<u>1,138,832</u>	<u>289,067</u>	<u>-</u>	<u>1,427,899</u>
Net Assets at End of Year	<u>\$ 1,304,206</u>	<u>\$ 253,994</u>	<u>\$ -</u>	<u>\$ 1,558,200</u>

See notes to financial statements.

LifeStriders, Inc.
Statement of Activities
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Special events	\$ 27,572	-	\$ -	\$ 27,572
Less: Costs of direct benefits to donors	(3,415)	-	-	(3,415)
Less: Special event expenses	(1,649)	-	-	(1,649)
Individuals	57,904	1,800	-	59,704
Clubs & organizations	8,171	-	-	8,171
Corporations	9,065	-	-	9,065
Foundations	117,020	-	-	117,020
Program service fees	244,562	-	-	244,562
Net assets released from restrictions	87,629	(87,629)	-	-
Total Public Support and Revenue	546,859	(85,829)	-	461,030
Expenses				
Program services	325,872	-	-	325,872
Management and general	29,773	-	-	29,773
Fundraising	17,169	-	-	17,169
Total Expenses	372,814	-	-	372,814
Change in Net Assets	174,045	(85,829)	-	88,216
Net Assets at Beginning of Year	964,787	374,896	-	1,339,683
Net Assets at End of Year	\$ 1,138,832	\$ 289,067	\$ -	\$ 1,427,899

See notes to financial statements.

LifeStriders, Inc.
Statement of Functional Expenses
Year Ended December 31, 2016

	Supporting Services			Total 12/31/16	
	Program	Management and General	Fundraising		Total
Bank fees	\$ -	\$ 651	\$ -	\$ 651	\$ 651
Business expenses	-	832	-	832	832
Building maintenance	10,312	543	-	543	10,855
Consultants and professional services	102,523	11,391	-	11,391	113,914
Depreciation	20,647	1,086	-	1,086	21,733
Equipment and supply	47,709	-	-	-	47,709
Fees	-	3,584	-	3,584	3,584
Health Insurance	18,280	1,076	2,151	3,227	21,507
Insurance	8,310	923	-	923	9,233
Insurance - workers compensation	5,736	338	675	1,013	6,749
Licenses and certifications	1,695	-	-	-	1,695
Marketing	2,496	-	2,497	2,497	4,993
Miscellaneous	-	2,189	-	2,189	2,189
Office supplies	2,410	134	134	268	2,678
Payroll tax	14,044	826	1,652	2,478	16,522
Postage	-	45	818	863	863
Printing	264	33	363	396	660
Staff development	1,592	-	-	-	1,592
Salaries	153,468	9,027	18,056	27,083	180,551
Utilities	7,000	1,312	437	1,749	8,749
Total Expenses	\$ 396,486	\$ 33,990	\$ 26,783	\$ 60,773	\$ 457,259

See notes to financial statements.

LifeStriders, Inc.
Statement of Functional Expenses
Year Ended December 31, 2015

	Supporting Services			Total 12/31/15	
	Program	Management and General	Fundraising		Total
Bank fees	\$ -	\$ 1,309	\$ -	\$ 1,309	\$ 1,309
Building maintenance	13,456	708	-	708	14,164
Consultants and professional services	99,675	11,075	-	11,075	110,750
Depreciation	19,313	1,016	-	1,016	20,329
Equipment and supply	51,446	-	-	-	51,446
Fees	-	722	-	722	722
Health Insurance	19,320	1,137	2,273	3,410	22,730
Insurance	8,420	935	-	935	9,355
Insurance - workers compensation	5,279	311	621	932	6,211
Licenses and certifications	1,848	-	-	-	1,848
Marketing	1,504	-	1,505	1,505	3,009
Miscellaneous	-	5,464	-	5,464	5,464
Office supplies	4,361	242	242	484	4,845
Payroll tax	7,753	456	912	1,368	9,121
Postage	-	28	513	541	541
Printing	518	65	712	777	1,295
Staff development	1,327	-	-	-	1,327
Salaries	84,547	4,973	9,947	14,920	99,467
Utilities	7,105	1,332	444	1,776	8,881
Total Expenses	\$ 325,872	\$ 29,773	\$ 17,169	\$ 46,942	\$ 372,814

See notes to financial statements.

LifeStriders, Inc.
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 130,301	\$ 88,216
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,733	20,329
Changes in operating assets and liabilities:		
Accounts receivable	28,726	(9,543)
Unconditional promises to give	-	87,629
Advances to employees	212	(212)
Prepaid expenses	(7,402)	5,094
Accounts payable	(1,329)	(4,743)
Accrued payroll	14,549	-
Accrued payroll taxes	1,637	-
	<u>188,427</u>	<u>186,770</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>-</u>	<u>(37,779)</u>
Net Cash Used in Investing Activities	<u>-</u>	<u>(37,779)</u>
Net Increase in Cash	188,427	148,991
Cash - Beginning of Year	<u>306,213</u>	<u>157,222</u>
Cash - End of Year	<u>\$ 494,640</u>	<u>\$ 306,213</u>

See notes to financial statements.

LifeStriders, Inc.
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements:

Nature of Activities

LifeStriders, Inc. (the "Organization") is a non-profit corporation organized exclusively for charitable, scientific and educational purposes. The main purpose of the Organization is to provide therapeutic recreational opportunities for persons with special needs.

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.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets, defined as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The Organization has no permanently restricted net assets.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization other than a private foundation.

The Organization follows accounting for uncertainty in income taxes which describes a recognition and measurement of a tax position taken or expected to be taken and also provides guidance on derecognition, interest and penalties, and disclosure. Management has reviewed all tax positions taken, if any, and those expected to be taken in future tax returns. As of December 31, 2016 and 2015, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

The Organization is no longer subject to U.S. federal income tax examinations for years ending before December 31, 2013.

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates.

LifeStriders, Inc.
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Note 1 - Summary of Significant Accounting Policies - Continued

Promises to Give

Contributions are recognized when the donor makes a promise to give that is unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Management believes all amounts to be fully collectible so an allowance for doubtful accounts has not been recorded.

Property and Equipment

All property and equipment acquisitions in excess of \$2,500 are capitalized, whereas costs of maintenance and repair are charged to expense as incurred. Purchased property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line method. Donated capitalized property is recorded at the estimated fair value at the date of donation.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Expense Allocation

Management has allocated functional expenses based on estimated use of each program or based on the budgets of the program.

Advertising Expense

The Organization expenses advertising costs as incurred. For the years ended December 31, 2016 and 2015 the total expense was \$4,993 and \$3,009, respectively.

Donated Services

Numerous volunteers have donated significant amounts of time to the Organization's expansion campaign and program services. No amounts have been reflected in the financial statements for these services.

LifeStriders, Inc.
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Note 2 - Property and Equipment

Property and equipment at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 307,000	\$ 307,000
Buildings & improvements	506,362	506,362
Machinery & equipment	38,222	38,222
Signs	<u>133</u>	<u>133</u>
Total	851,717	851,717
Less: Accumulated depreciation	<u>(87,565)</u>	<u>(65,832)</u>
Net Property and Equipment	<u>\$ 764,152</u>	<u>\$ 785,885</u>

Note 3 - Unconditional Promises to Give

Unconditional promises to give amounted to \$200,000 and \$300,000 at December 31, 2016 and 2015, respectively. Promises to give expected to be collected after December 30, 2017 and 2016 have been discounted at an effective interest rate of 4.5%. The unamortized discount on promises to give was \$4,306 and \$12,733 at December 31, 2016 and 2015, respectively. No allowance for uncollectible promises to give exists at December 31, 2016 or 2015.

Unconditional promises to give are as follows:

	<u>2016</u>	<u>2015</u>
Promises to give expected to be collected in:		
Less than one year	\$ 100,000	\$ 100,000
One to five years	100,000	200,000
More than five years	<u>-</u>	<u>-</u>
	200,000	300,000
Less: discount on promises to give	<u>(4,306)</u>	<u>(12,733)</u>
Net unconditional promises to give	<u>\$ 195,694</u>	<u>\$ 287,267</u>

LifeStriders, Inc.
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Note 4 - Restrictions on Net Assets

Temporarily restricted net assets – The Organization has net assets temporarily restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give	\$ 195,694	\$ 287,267
Milwaukee Expansion	45,000	-
Occupational Therapy Center	10,000	-
2017 Horse Sponsorship	1,800	-
2017 Tree Project	1,500	-
2016 Horse Sponsorship	-	1,800
	<u>\$ 253,994</u>	<u>\$ 289,067</u>

Note 5 - Concentration of Cash

The Organization maintains a depository relationship with BMO Harris Bank, and the Organization's balances at times exceed the Federal Deposit Insurance Corporations (FDIC) limit of \$250,000. At December 31, 2016 and 2015, the Organization's uninsured cash balances were \$328,517 and \$20,908, respectively.

Note 6 - Subsequent Events

The Organization has reviewed the results of operations for the period of time from its year ended December 31, 2016 through November 2, 2017, the date which the financial statements were available to be issued. It has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.