## The Red Barn, Inc.

### **Financial Statements**

December 31, 2015

## With notes by Joy.

I am not an accountant, so please excuse the layman terms in my notes. They are written to help explain the report to other non-accountant folks. I learned so much through the process and am especially grateful to Carley and Brian at Carr, Riggs, and Ingram for their patience in walking us through the experience. In 2016 we will move to an accrual basis of accounting and complete a review. In 2017 we will have a full audit. I have learned through this compilation that numbers can be reported in numerous ways. I think it's important for our donors to understand how their money is being spent because they are entrusting us to spend the money wisely. If you have questions or concerns about anything that you read in this report, please let me know by emailing Joy@TheRed Barn.org.



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### **Accountants' Compilation Report**

To the Board of Directors The Red Barn, Inc.

Management is responsible for the accompanying financial statements of The Red Barn, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—cash basis as of December 31, 2015, and the related statement of revenues, expenses, and other changes in net assets—cash basis for the year then ended, and the related notes to the financial statements in accordance with the cash basis of accounting, and for determining that the cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The supplementary information contained on the schedule of functional expenses – cash basis is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such supplementary information.

Birmingham, Alabama September 26, 2016

Can, Rigge & Ingram, L.L.C.

## The Red Barn, Inc. Statement of Assets, Liabilities, and Net Assets – Cash Basis

| December 31,                     |     | 2015     |
|----------------------------------|-----|----------|
| Assets                           |     |          |
| Current assets                   | , a |          |
| Cash                             | \$  | 63,078   |
| Property and equipment, net      |     | 52,000 ① |
| Total assets                     | \$  | 115,078_ |
| 10tal 035ct5                     |     |          |
| Liabilities and net assets       |     |          |
| Liabilities                      |     |          |
| Payroll taxes withheld           | \$  |          |
| Total liabilities                |     |          |
| Net assets                       |     |          |
| Temporarily restricted           |     | 8,000 🕲  |
| Unrestricted                     |     | 107,078  |
| Total net assets                 |     | 115,078  |
|                                  |     |          |
| Total liabilities and net assets | \$  | 115,078  |

Jon's Notes:

Note 1: The asset is Tusker. He was appraised at \$65,000 when donated, and is shown depreciated to \$52,000 in 2015. Now you know why he's such an awesome horse! The compilation only includes assets that are each worth more than \$5,000. All of the assets that are owned by the barn (tack, horses, equipment, computers, etc.) are insured for \$20,000, but nothing individually is valued more than \$5,000 so it's not shown on the compilation report. I have learned from this process that the values used for insurance and accounting aren't always the same.

Note 2: This donation was given by Alexis specifically to purchase appropriate horses.

The Red Barn, Inc. Statement of Revenues, Expenses, and Other Changes in Net Assets - Cash Basis

| Year ended December 31,                  |     |            | 2015        |                               |            |
|--|-----|------------|-------------|-------------------------------|------------|
|  |     |            | Temporarily |                               |            |
|  | Uni | restricted | Restricted  |                               | Total      |
| On the state of the state of             |     |            |             |                               |            |
| Support, revenue, and other income       | 4   | CC 7CA     | <u> </u>    | \$                            | 66.764     |
| Special events                           | \$  | 66,764     | \$ -        | Ş                             | 66,764     |
| Less: Costs of direct benefits to donors |     | (25,443)   |             |                               | (25,443)   |
| Special events, net                      |     | 41,321     | -           |                               | 41,321     |
| Contributions                            |     | 472,752    | _           |                               | 472,752(3) |
| Foundation and grants                    |     | 145,500    | -           |                               | 145,500    |
| Program income                           |     | 55,372     | -           |                               | 55,372     |
| Net assets released from restriction     |     | 5,900      | (5,900)     | )                             | _          |
| Total support, revenue and other income  |     | 720,845    | (5,900      | )                             | 714,945    |
|  |     |            |             |                               |            |
| Expenses                                 |     |            |             |                               |            |
| Program services                         |     | 584,824    | -           |                               | 584,824    |
| General and administrative               |     | 58,223     | -           |                               | 58,223     |
| Fundraising costs                        |     | 32,084     | _           |                               | 32,084     |
| Total expenses                           |     | 675,131    |             |                               | 675,131    |
| Change in net assets                     |     | 45,714     | (5,900      | )                             | 39,814     |
| Net assets - beginning of year           |     | 61,364     | 13,900      | inione in the latest property | 75,264     |
| Net assets - end of year                 | \$  | 107,078    | \$ 8,000    | \$                            | 115,078    |

Joy's Notes: Note 3: The contribution number includes in-kind donations of:

Tusker – valued at \$65,000.

Computers – valued at \$3,935.

Trailer – valued at \$3,750.

Run-in Shed built by Eagle Scout – valued at \$2,713.

Rent – valued at \$120,000. See note below about rent.

Note about Rent: The accountants preparing the compilation said that we must include an in-kind value for the use of the property even though our family does not charge the barn anything to use the property. Our personal accountants advise us against deducting the use of the property on our personal income taxes to avoid even the perception that we are personally benefitting from the barn's use of the property. So, even though the compilation shows off-setting entries for rent as in-kind donation and rental expense, we do not charge the barn any rent and we do not deduct any use of the property on our personal income tax. No money exchanges for the use of the property and we do not receive any personal benefit from it. The value was determined as 1% of the property's worth, which is a standard formula for rentals.

# The Red Barn, Inc. Notes to Financial Statements

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of activities

The Red Barn, Inc. is a non-profit organization incorporated under the laws of Alabama for the purpose of promoting and supporting equine-assisted activities to individuals of all abilities and circumstances, especially children. The Organization provides weekly riding lessons for children with physical, cognitive, or emotional disabilities and special circumstances, such as foster care, adoption, social delays, and grief. The Organization also hosts traditional day camps for children, provides riding opportunities for veterans, and hosts training sessions for those who are interested in improving horsemanship skills, becoming an instructor, or forming an agency. The Organization is funded by a combination of corporate and individual grants and donations, fundraising events, and program fees.

### Basis of accounting

The Organization's accounts are maintained on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenues are recognized when collected and expenses are recognized when paid. If the books were maintained on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, all revenues would be recognized when earned and all expenses would be recognized when incurred.

The Organization reports information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions. The categories are permanently restricted, temporarily restricted, and unrestricted net assets. Permanently restricted net assets subject to donor-imposed restrictions that must be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2015. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. Unrestricted net assets are not subject to donor-imposed stipulations and include net assets which have been designated by the Board.

### Cash and cash equivalents

The Organization considers all demand deposits that are available for current use to be cash equivalents.

### **Property and equipment**

Property and equipment are stated at cost, less accumulated depreciation. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, and betterments that prolong the useful lives of assets are capitalized. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Equipment is generally depreciated over five years.

# The Red Barn, Inc. Notes to Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Income taxes

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In accordance with the IRC regulations, the Organization is taxed on unrelated business income, which consists of earnings from activities not related to its tax exempt purpose. The Organization accounts for tax uncertainties based on a more likely than not recognition threshold whereby tax benefits are only recognized when the Organization believes that they have a greater than 50% likelihood of being sustained upon examination by taxing authorities. The Organization has evaluated all of its tax positions and determined that it had no uncertain income tax positions as of December 31, 2015.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2012.

### Allocation of expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting activities.

### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of 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.

#### NOTE 2 - IN KIND DONATIONS

The Organization records at cost or the estimated fair value of donated supplies, assets, and certain services when those gifts are received.

A related party has donated the use of land and buildings to the Organization valued at \$10,000 per month. For the year ended December 31, 2015, the Organization has recorded \$120,000 as an inkind contribution and rent expense.

During the 2015 fiscal year, the Organization recorded donated assets of \$75,398 as contribution revenue. Of this amount, \$3,935 was donated by related parties.

The Organization often leases horses from third parties to be used in program activities. The horses typically have little value and all ownership rights are maintained by the third party. No money is exchanged in these transactions and the value of these transactions is not recorded in the Organization's financial statements.

# The Red Barn, Inc. Notes to Financial Statements

### NOTE 2 - IN KIND DONATIONS (CONTINUED)

Also during the year, approximately 8,879 volunteer hours were logged by the Organization; however, no value for these volunteer hours has been recorded in the Statement of Revenues, Expenses, and Other Changes in Net Assets – Cash Basis because they do not meet the criteria for recognition.

### **NOTE 3 - RELATED PARTY TRANSACTIONS**

Donations from officers, whether paid directly by the officers or companies owned by them, totaled \$259,685 during the year ended December 31, 2015. This included donations of rents valued at \$120,000 and other in-kind gifts valued at \$3,935.

### **NOTE 4 – CONCENTRATION OF REVENUES**



For the year ending December 31, 2015, 69% of grant revenues came from one grantor. Additionally, 55% of contribution revenues came from parties related to the Organization.

### **NOTE 5 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 26, 2016, the date on which the financial statements were available to be issued. Management has not deemed any subsequent events significant enough for disclosure.

Joy's Note'.

Note 4: The one grantor giving 65% of grant revenues was the HillCrest Foundation. The 55% of contribution revenue was from our family and includes the in-kind donation for rent. See note below.

Note about Rent: The accountants preparing the compilation said that we must include an in-kind value for the use of the property even though our family does not charge the barn anything to use the property. Our personal accountants advise us against deducting the use of the property on our personal income taxes to avoid even the perception that we are personally benefitting from the barn's use of the property. So, even though the compilation shows off-setting entries for rent as in-kind donation and rental expense, we do not charge the barn any rent and we do not deduct any use of the property on our personal income tax. No money exchanges for the use of the property and we do not receive any personal benefit from it. The value was determined as 1% of the property's worth, which is a standard formula for rentals.

**Supplementary Information** 

NOTE: Using the compilation financials...

- Program Services is 87% of total expense.
- General and Administrative is 8% of total expense. Note that Joy is not paid a salary.
- Fund Raising is 5% of total expense.

The Red Barn, Inc. Schedule of Functional Expenses - Cash Basis

Year ended December 31, 2015

|   |   | Total            |  |
|---|---|------------------|--|
|   | Fund Raising                                  | Costs            |  |
|   | General and                                   | Administrative   |  |
| These percentages are slightly different than those in our annual report due to | including in-kind donations, especially rent. | Program Services |  |

| mendaming mi-kind donations, especially rent. |           |                  |                |        |       | 0         |         |
|---|-----------|------------------|----------------|--------|-------|-----------|---------|
|   | Program 5 | Program Services | Administrative | ative  | Costs | sts       | Total   |
|   |           |                  |                |        |       |           |         |
| Salaries, wages and payroll taxes             | \$        | 270,770          | \$ 2           | 24,898 | Ŷ     | 15,562 \$ | 311,230 |
| S Rents                                       |           | 104,400          | H              | 10,800 |       | 4,800     | 120,000 |
| Repair and maintenance                        |           | 82,615           |                | ı      |       | ı         | 82,615  |
| Horse care                                    |           | 49,789           |                | i      |       | ı         | 49,789  |
| Insurance                                     |           | 17,634           |                | 2,980  |       | 844       | 21,458  |
| Office expenses                               |           | 13,347           |                | 2,132  |       | 1,706     | 17,185  |
| Depreciation                                  |           | 13,000           |                | í      |       | 3         | 13,000  |
| Postage and printing                          |           | 4,232            |                | 4,233  |       | 4,232     | 12,697  |
| Professional fees                             |           | 1                |                | 8,076  |       | ī         | 8,076   |
| Training                                      |           | 8,000            |                | i      |       | ı         | 8,000   |
| Supplies                                      |           | 7,760            |                | ı      |       | T I       | 7,760   |
| Miscellaneous                                 |           | 1,564            |                | 1,615  |       | 1,615     | 4,794   |
| Employee benefits                             |           | 3,905            |                | 359    |       | 224       | 4,488   |
| Licenses and fees                             |           | 923              |                | 1,422  |       | 1,413     | 3,758   |
| T-shirts and advertising                      |           | 3,503            |                | i      |       | ı         | 3,503   |
| Professional development                      |           | 1                |                | 1,688  |       | 1,688     | 3,376   |
| Contract labor                                |           | 2,580            |                | ı      |       | ı         | 2,580   |
| Vehicle expense                               |           | 763              |                | ı      |       | 1         | 763     |
| Background checks                             |           | 39               |                | ı      |       | 1         | 39      |
| Bank and merchant fees                        |           | 1                |                | 20     |       | 1         | 20      |
|   | \$        | 584,824          | \$ 5           | 58,223 | \$    | 32,084 \$ | 675,131 |

are personally benefitting from the barn's use of the property. So, even though the compilation shows off-setting entries for rent as in-kind donation and rental expense, we do not charge the barn any rent and we do not deduct any use of the property on our personal income tax. No money exchanges for the use of the property and we do not receive anything to use the property. Our personal accountants advise us against deducting the use of the property on our personal income taxes to avoid even the perception that we Note 5: The accountants preparing the compilation said that we must include an in-kind value for the use of the property even though our family does not charge the barn any personal benefit from it. The value was determined as 1% of the property's worth, which is a standard formula for rentals.