

**The Red Barn, Inc.**

**Financial Statements**

**December 31, 2017 and 2016**



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**The Red Barn, Inc.**  
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## **Independent Accountants' Review Report**

To the Board of Directors  
The Red Barn, Inc.

We have reviewed the accompanying financial statements of The Red Barn, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Supplementary Information**

The supplementary information included in the schedules of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

*Carly Riggs & Ingram, L.L.C.*

Birmingham, Alabama  
March 26, 2018

**The Red Barn, Inc.**  
**Statements of Financial Position**

<i>December 31,</i>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash	\$ 116,210	\$ 211,387
Prepaid insurance	2,295	2,295
Property and equipment, net	36,500	52,500
<b>Total assets</b>	<b>\$ 155,005</b>	<b>\$ 266,182</b>
 <b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
<b>Total liabilities</b>	<b>-</b>	<b>-</b>
 <b>Net assets</b>		
Temporarily restricted	8,000	8,000
Unrestricted	147,005	258,182
<b>Total net assets</b>	<b>155,005</b>	<b>266,182</b>
<b>Total liabilities and net assets</b>	<b>\$ 155,005</b>	<b>\$ 266,182</b>

See accompanying notes and independent accountants' review report.

**The Red Barn, Inc.**  
**Statements of Activities and Changes in Net Assets**

<i>Year ended December 31,</i>	<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support, revenue, and other income</b>			
Special events	\$ 60,485	\$ -	\$ 60,485
Less: Costs of direct benefits to donors	(21,288)	-	(21,288)
Special events, net	39,197	-	39,197
Contributions	508,511	-	508,511
Foundation and grants	112,750	-	112,750
Program income	61,976	-	61,976
Net assets released from restriction	-	-	-
<b>Total support, revenue and other income</b>	<b>722,434</b>	<b>-</b>	<b>722,434</b>
<b>Expenses</b>			
Program services	647,317	-	647,317
General and administrative	111,920	-	111,920
Fundraising costs	74,374	-	74,374
<b>Total expenses</b>	<b>833,611</b>	<b>-</b>	<b>833,611</b>
<b>Change in net assets</b>	<b>(111,177)</b>	<b>-</b>	<b>(111,177)</b>
<b>Net assets - beginning of year</b>	<b>258,182</b>	<b>8,000</b>	<b>266,182</b>
<b>Net assets - end of year</b>	<b>\$ 147,005</b>	<b>\$ 8,000</b>	<b>\$ 155,005</b>

See accompanying notes and independent accountants' review report.

**The Red Barn, Inc.**  
**Statements of Activities and Changes in Net Assets**

<i>Year ended December 31,</i>	<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support, revenue, and other income</b>			
Special events	\$ 52,683	\$ -	\$ 52,683
Less: Costs of direct benefits to donors	(17,769)	-	(17,769)
Special events, net	34,914	-	34,914
Contributions	681,392	-	681,392
Foundation and grants	119,500	-	119,500
Program income	62,927	-	62,927
Net assets released from restriction	-	-	-
<b>Total support, revenue and other income</b>	<b>898,733</b>	<b>-</b>	<b>898,733</b>
<b>Expenses</b>			
Program services	627,751	-	627,751
General and administrative	79,883	-	79,883
Fundraising costs	42,930	-	42,930
<b>Total expenses</b>	<b>750,564</b>	<b>-</b>	<b>750,564</b>
<b>Change in net assets</b>	<b>148,169</b>	<b>-</b>	<b>148,169</b>
<b>Net assets - beginning of year, as originally stated</b>	<b>107,078</b>	<b>8,000</b>	<b>115,078</b>
<b>Restatement</b>	<b>2,935</b>	<b>-</b>	<b>2,935</b>
<b>Net assets - beginning of year, as restated</b>	<b>110,013</b>	<b>8,000</b>	<b>118,013</b>
<b>Net assets - end of year</b>	<b>\$ 258,182</b>	<b>\$ 8,000</b>	<b>\$ 266,182</b>

See accompanying notes and independent accountants' review report.

**The Red Barn, Inc.**  
**Statements of Cash Flows**

<i>Year ended December 31,</i>	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (111,177)	\$ 148,169
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,000	14,500
Donated horse	-	(15,000)
Assets (increase):		
Prepaid expenses	-	640
<b>Net cash provided by (used by) operating activities</b>	<b>(95,177)</b>	<b>148,309</b>
<b>Net increase (decrease) in cash</b>	<b>(95,177)</b>	<b>148,309</b>
<b>Cash, beginning of year</b>	<b>211,387</b>	<b>63,078</b>
<b>Cash, end of year</b>	<b>\$ 116,210</b>	<b>\$ 211,387</b>
<b>Supplemental Disclosure of Non-cash Investing Activities:</b>		
Donated horse	\$ -	\$ 15,000

See accompanying notes and independent accountants' review report.



**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 and 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 accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

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 are 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, 2017 or 2016. 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.

***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.

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

The Organization has evaluated all of its tax positions and determined that it had no uncertain income tax positions as of December 31, 2017 and 2016.

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 2014.

***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 years ended December 31, 2017 and 2016, the Organization has recorded \$120,000 as an in-kind contribution and rent expense, respectively.

During the 2017 and 2016 fiscal years, the Organization recorded donated assets of \$2,350 and \$15,000 as contribution revenue.

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.

Approximately 8,800 and 8,383 volunteer hours were logged by the Organization in 2017 and 2016, respectively; however, no value for these volunteer hours has been recorded in the Statement of Activities and Changes in Net Assets 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 \$309,000 and \$526,664 during the years ended December 31, 2017 and 2016, respectively. This included donations of rents valued at \$120,000 each year.

**NOTE 4 – CONCENTRATION OF REVENUES**

For the years ending December 31, 2017 and 2016, 87% and 82% of grant revenues came from two grantors. Additionally, 61% and 77% of contribution revenues came from parties related to the Organization for 2017 and 2016, respectively.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	2017	2016
Horses	\$ 80,000	\$ 80,000
Less: accumulated depreciation	(43,500)	(27,500)
Property and equipment, net	\$ 36,500	\$ 52,500

**NOTE 6 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 26, 2018, the date on which the financial statements were available to be issued. Management has not deemed any subsequent events significant enough for disclosure.

**NOTE 7 – RECLASSIFICATION**

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to these reclassifications.

**NOTE 8 – RESTATEMENT**

Net assets as of January 1, 2016 have been restated in the conversion of the Organization from the cash basis of accounting to the accrual basis.

## **Supplementary Information**

**The Red Barn, Inc.**  
**Schedules of Functional Expenses**

<i>Year ended December 31, 2017</i>	Program Services	General and Administrative	Fund Raising Costs	Total
Staffing and related costs	\$ 368,167	\$ 55,005	\$ 41,253	\$ 464,425
Rents	94,800	14,400	10,800	120,000
Horse care	50,911	-	-	50,911
Repair and maintenance	39,967	2,641	1,981	44,589
Office expenses	28,777	6,122	3,245	38,144
Insurance	19,564	3,835	1,159	24,558
Miscellaneous	6,069	6,069	6,069	18,207
Professional fees	2,424	13,238	1,912	17,574
Depreciation	16,000	-	-	16,000
Program expense	9,743	-	-	9,743
Advertising	4,750	-	4,750	9,500
Postage and printing	3,065	2,977	2,977	9,019
Licenses and fees	-	5,819	-	5,819
Training	3,080	1,586	-	4,666
Bank and merchant fees	-	228	228	456
	<u>\$ 647,317</u>	<u>\$ 111,920</u>	<u>\$ 74,374</u>	<u>\$ 833,611</u>

(Continued on the following page.)

See accompanying notes and independent accountants' review report.

**The Red Barn, Inc.**  
**Schedules of Functional Expenses (Continued)**

<i>Year ended December 31, 2016</i>	Program Services	General and Administrative	Fund Raising Costs	Total
Staffing and related costs	\$ 312,856	\$ 40,453	\$ 22,065	\$ 375,374
Rents	99,600	13,200	7,200	120,000
Repair and maintenance	62,877	-	-	62,877
Horse care	54,802	-	-	54,802
Office expenses	20,255	4,160	3,434	27,849
Program expense	26,846	-	-	26,846
Insurance	15,406	3,232	863	19,501
Depreciation	14,500	-	-	14,500
Postage and printing	4,772	4,632	4,632	14,036
Training	10,468	1,387	757	12,612
Professional fees	1,401	9,673	1,215	12,289
Miscellaneous	2,295	2,229	2,229	6,753
Advertising	223	-	223	446
Licenses and fees	1,450	762	157	2,369
Bank and merchant fees	-	155	155	310
	<u>\$ 627,751</u>	<u>\$ 79,883</u>	<u>\$ 42,930</u>	<u>\$ 750,564</u>

See accompanying notes and independent accountants' review report.