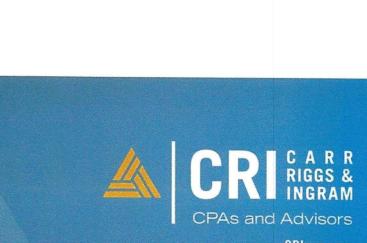
The Red Barn, Inc. **Financial Statements** 

December 31, 2018



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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 statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, 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 review, 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.

#### **Emphasis of a Matter**

As described in Note 1 to the financial statements, management has adopted Financial Accounting Standards Board ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities which resulted in reducing the number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions, providing enhanced disclosures, and various other changes in presentation and disclosure that are described in Note 1. Our conclusion is not modified with respect to this matter.

Birmingham, Alabama

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

June 12, 2019

### The Red Barn, Inc. Statement of Financial Position

December 31,		2018	
Assets			
Current assets			
Cash	\$	61,627	
Prepaid insurance		8,481	
Property and equipment, net		20,500	
Total assets	\$	90,608	
Liabilities and net assets			
Liabilities			
Accrued payroll	\$	6,723	
Total liabilities	-	6,723	
Net assets			
Without donor restriction		83,885	
Total net assets		83,885	
Total liabilities and net assets	\$	90,608	

### The Red Barn, Inc. Statement of Activities and Changes in Net Assets

Year ended December 31,	constant of the		2018		
	Without Donor		With Donor		
	Restriction		Restriction		Total
Support, revenue, and other income					
Special events	\$	32,628	\$	-	\$ 32,628
Less: Costs of direct benefits to donors		(11,104)		_	(11,104)
Special events, net		21,524		-	21,524
Contributions	(	642,960		-	642,960
Foundation and grants		75,000		-	75,000
Program income		48,908		-	48,908
Net assets released from restriction		8,000	(8,	000)	-
Total support, revenue and other income		796,392	(8,	000)	788,392
Expenses					
Program services		705,632		-	705,632
General and administrative		103,963		-	103,963
Fundraising costs		49,917		_	49,917
Total expenses		859,512		-	 859,512
Change in net assets		(63,120)	(8,	000)	(71,120)
					,
Net assets - beginning of year		147,005	8,	000	155,005
Net assets - end of year	\$	83,885	\$	_	\$ 83,885

### The Red Barn, Inc. Statement of Functional Expenses

	Program Services	General and Administrative	Fundraising Costs	Total
				Total
Salaries, wages and payroll taxes	\$ 333,071	\$ 43,616	\$ 19,825	\$ 396,512
Rents	100,800	13,200	6,000	120,000
Repair and maintenance	57,691	814	610	59,115
Horse care	52,848		-	52,848
Employee benefits	38,677		2,302	46,044
Office expenses	35,509	4,892	2,667	43,068
Insurance	22,007	5,958	790	28,755
Professional fees	7,222	17,233	3,808	28,263
Depreciation	16,000		-	16,000
Postage and printing	5,223	5,070	5,070	15,363
Miscellaneous	3,948		3,834	11,616
Professional development	4,959	651	3,000	8,610
Training	7,657	-	-	7,657
Licenses and fees	5,357	1,619	_	6,976
Supplies	5,819	_	_	5,819
T-shirts and advertising	1,914	1,456	1,456	4,826
Contract labor	4,500	-	-	4,500
Vehicle expense	1,858	-	_	1,858
Bank and merchant fees	-	555	555	1,110
Banquet expenses	506	=	_	506
Background checks	66	-	_	66
	\$ 705,632	\$ 103,963	\$ 49,917	\$ 859,512
	82%	127	62	8

### The Red Barn, Inc. Statement of Cash Flows

Year ended December 31,	2018	
Cash flows from operating activities Change in net assets	\$	(71,120)
Adjustment to reconcile change in net		
assets to net cash provided by operating activities:  Depreciation		16,000
Changes in operating assets and liabilities: (Increase) in prepaid expenses		(6,186)
Increase in accrued payroll		6,723
Net cash used by operating activities		(54,583)
Net decrease in cash		(54,583)
Cash, beginning of year		116,210
Cash, end of year	\$	61,627

#### 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.

#### **Basis of Presentation**

The Organization presents its financial statements in accordance with the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958, Financial Statements for Not-For-Profit Organizations. During 2018, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-14: Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications.

Net Assets without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2018, the Organization has no donor-imposed restrictions that are perpetual in nature.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time or purpose for which the resource was restricted has elapsed, been fulfilled, or both.

#### Cash and cash equivalents

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

### The Red Barn, Inc. Notes to Financial Statements

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

#### **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. The Organization has evaluated all of its tax positions and determined that it had no uncertain income tax positions as of December 31, 2018.

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 2015.

#### Functional 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 based on estimates of time, effort, and utilization.

#### 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.

#### Change in Accounting Principle

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

### The Red Barn, Inc. Notes to Financial Statements

#### **NOTE 2 – LIQUIDITY AND AVAILABILITY**

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of cash in the amount of \$61,627 at December 31, 2018.

As a part of the Organization's liquidity management plan, cash in excess of daily requirements are invested in interest bearing deposit accounts at local financial institutions.

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, 2018, the Organization has recorded \$120,000 as an inkind contribution and rent expense.

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.

Also during the year, approximately 8,383 volunteer hours were logged by the Organization; 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.

Donations from officers, whether paid directly by the officers or entities owned by them, totaled \$462,367 during the year ended December 31, 2018. This included donations of rents valued at \$120,000.

For the year ending December 31, 2018, 80% of grant revenues came from one grantor. Additionally, 72% of contribution revenues came from parties related to the Organization.

### The Red Barn, Inc. Notes to Financial Statements

NOTE 6-PROPERTY AND EQUIPMENT See Joy's note

Property and equipment consists of the following:

Horses \$ 80,000
Less: accumulated depreciation (59,500)
Property and equipment, net \$ 20,500

#### NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 12, 2019, 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 Notes to 2018 Financial Review

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-accountants. One thing I have learned through this process is that financial numbers are reported in a variety of ways, so I make these notes to help donors understand how their money has been spent and provide total transparency. I take the responsibility of spending *your* money very seriously. I hope that seeing our family's financial commitment to providing equine therapy to low income children with disabilities provides you with confidence that your donations are also well spent. If you have any questions or concerns about anything in this report, please email me at Joy@TheRedBarn.org.

#### Page 9, Note 3

The Red Barn operates on property that is owned by our family (Little Cahaba Properties, LLC). CRI said that we must include an in-kind value for the use of the property even though The Red Barn only pays \$1/year to use the property. However, 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 review shows off-setting entries for rent as in-kind donation and rental expense, we do not charge this to the barn and we do not deduct any use of the property on our personal income tax. No money exchanges hands for the use of the property and we do not receive any personal benefit from it. In fact, we even pay to board our personal horses at another commercial boarding facility. The value of \$10,000 per month is 1% of the property's value and was determined by a real estate agent as standard for rental property.

The property is owned by Little Cahaba Properties, LLC. A description of the relationship between The Red Barn and Little Cahaba Properties is attached to this document.

As of June 17, 2019, we have 15 horses in our programs. Ten of those have been donated to The Red Barn. The remaining five are leased to The Red Barn from other individuals. This means that The Red Barn may use the horses in our programs and we care for them as if we owned them. However, if the horse ever becomes unable to be used in the programs, it is returned to the owner. Or, the owner may request to have the horse back at any time. There are many reasons that owners may prefer to lease the horse to us rather than donate it. But, usually it is because the horse is very important to them and they want to be able to control the chain of ownership.

#### Page 9, Note 4

Our accountant advised us to "lump" donations every other year, so for now we expect the trend will be larger donations in even years (2016 and 2018), with smaller donations in odd years (2017 and 2019).

See the first paragraph of Note 3 for information about in-kind rent.

#### Page 9, Note 5

The Tum Tum Tree Foundation provided a donation of \$60,000, which was 80% of all grant income. Our family provided 72% of the general contributions, but only 57% of total revenue.

#### Page 10, Note 6

Two horses were donated to us, with appraised values of \$65,000 and \$15,000. Since their values were over \$5,000 each, they have to be shown as depreciated property and equipment.

## Explanation of the Relationship Between The Red Barn and Little Cahaba Properties, LLC January 2019

Little Cahaba Properties owns 33 acres located at 2700, 2718, and 2722 Bailey Road. This includes the white house, two white barns, equipment shed, indoor arena, red house, red barn, classroom, and brick house and outdoor arenas/paddocks.

The Red Barn leases for \$1/year all of the property and land owned by Little Cahaba Properties.

All furniture and large equipment is owned by Little Cahaba, but may be used by The Red Barn. The Red Barn owns some miscellaneous tack and equipment.

The Red Barn is responsible for maintaining these leased areas in all ways that are a direct result of operating programs on the property.

The Red Barn pays the utility bills for the leased areas.

The intent is for The Red Barn to pay for the expenses it would incur regardless of the location it leases.

Little Cahaba provides replacement and liability insurance on the buildings, equipment, and show horses (boarded elsewhere) it owns. The Red Barn provides liability insurance for its activities. Little Cahaba and The Red Barn are additional insured on each other's policy.

Little Cahaba has two employees (Jerry Phillips and Ted Ludvik) that are paid directly by Little Cahaba to provide improvements and repairs to the property that are the landlord's responsibility. Little Cahaba also pays the worker's comp for these employees. The Red Barn does not pay any share of these expenses.

The Red Barn pays all employees that provide its programs, as well as their worker's comp. The Red Barn also pays health care insurance for its full-time employees.