

The Red Barn, Inc.

FINANCIAL STATEMENTS

December 31, 2019



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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 statement of financial position as of December 31, 2019, 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.

Carr, Riggs & Ingram, L.L.C.

Birmingham, Alabama
July 13, 2020

The Red Barn, Inc.
Statement of Financial Position

<i>December 31,</i>	2019
Assets	
Current assets	
Cash	\$ 119,993
Prepaid insurance	8,860
Property and equipment, net	4,500
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Total assets	\$ 133,353
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Liabilities	
Accrued payroll	\$ 7,383
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Total liabilities	7,383
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Net assets	
Without donor restriction	125,970
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Total net assets	125,970
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Total liabilities and net assets	\$ 133,353
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See accompanying notes and independent accountants' review report.

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

<i>Year ended December 31,</i>	2019		Total
	Without Donor Restriction	With Donor Restriction	
Support, revenue, and other income			
Luncheon	\$ 34,872	\$ -	\$ 34,872
Less: Costs of direct benefits to donors	(28,582)	-	(28,582)
Special events, net	6,290	-	6,290
Contributions	788,206	-	788,206
Foundation and grants	183,000	-	183,000
Program income	48,199	-	48,199
Net assets released from restriction	-	-	-
Total support, revenue and other income	1,025,695	-	1,025,695
Expenses			
Program services	784,540	-	784,540
Support services	100,295	-	100,295
Fundraising	98,775	-	98,775
Total expenses	983,610	-	983,610
Change in net assets	42,085	-	42,085
Net assets - beginning of year	83,885	-	83,885
Net assets - end of year	\$ 125,970	\$ -	\$ 125,970

See accompanying notes and independent accountants' review report.

The Red Barn, Inc.
Statement of Functional Expenses

	Support Services			Total
	Program Services	General and Administrative	Fundraising Costs	
Salaries, wages and payroll taxes	\$ 347,659	\$ 42,398	\$ 33,918	\$ 423,975
Rents	98,400	12,000	9,600	120,000
Horse care	80,149	-	-	80,149
Employee benefits	64,223	7,579	6,063	77,865
Repair and maintenance	61,155	1,374	1,099	63,628
Professional fees	7,322	15,929	20,580	43,831
Office expenses	34,204	5,151	4,329	43,684
Insurance	28,746	4,725	1,197	34,668
Postage and printing	2,136	5,380	12,928	20,444
Depreciation	16,000	-	-	16,000
Program equipment	13,472	-	-	13,472
Professional development	7,748	528	528	8,804
T-shirts and advertising	2,582	2,582	3,321	8,485
Licenses and fees	7,058	587	587	8,232
Miscellaneous	2,062	2,062	2,063	6,187
Supplies	4,422	-	-	4,422
Contract labor	2,925	-	-	2,925
Bank and merchant fees	-	-	2,562	2,562
Vehicle expense	1,617	-	-	1,617
Training	1,219	-	-	1,219
Background checks	830	-	-	830
Banquet expenses	611	-	-	611
	\$ 784,540	\$ 100,295	\$ 98,775	\$ 983,610

See accompanying notes and independent accountants' review report.

The Red Barn, Inc.
Statement of Cash Flows

<i>Year ended December 31,</i>	2019
Cash flows from operating activities	
Change in net assets	\$ 42,085
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	(379)
Increase in accrued payroll	660
Net cash provided by operating activities	58,366
Net increase in cash	58,366
Cash, beginning of year	61,627
Cash, end of year	\$ 119,993

See accompanying notes and independent accountants' review report.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Red Barn, Inc. (the "Organization") 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, 2019, the Organization has no donor-imposed restrictions.

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.

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, 2019.

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 2016.

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.

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 \$119,993 at December 31, 2019.

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.

Note 3: 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, 2019, the Organization has recorded \$120,000 as an in-kind contribution and rent expense. In addition, a horse was donated to the Organization and recorded at a value of \$2,500.

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 8,555 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.

Note 4: RELATED PARTY TRANSACTIONS

Donations from officers, whether paid directly by the officers or entities owned by them, totaled \$399,035 during the year ended December 31, 2019. This included donations of rents valued at \$120,000.

Note 5: CONCENTRATION OF REVENUES

For the year ending December 31, 2019, 96% of grant revenues came from two grantors. Additionally, 48% of contribution revenues came from parties related to the Organization.

Note 6: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Horses	\$	80,000
Less: accumulated depreciation		(75,500)
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Property and equipment, net	\$	4,500
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Note 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 13, 2020, the date on which the financial statements were available to be issued.

Certain impacts to public health conditions particular to the coronavirus (COVID-19) outbreak that occurred subsequent to year end may have a significant negative impact on the operations and profitability of the Organization. The extent of the impact will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be predicted. If the financial impact is significant for an extended period, the Organization's profitability may be materially adversely affected.

Management has not deemed any other subsequent events significant enough for disclosure.