

The Red Barn, Inc.

FINANCIAL STATEMENTS

December 31, 2020



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INGRAM

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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.
Leeds, Alabama

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, 2020, and the related statements of activities, 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, LLC

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama
July 2, 2021

The Red Barn, Inc.
Statement of Financial Position

<i>December 31,</i>	<i>2020</i>
<hr/>	
Assets	
Current assets	
Cash	\$ 314,369
Prepaid insurance	9,151
Property and equipment, net	1,500
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Total assets	\$ 325,020
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Liabilities	
Accounts payable	\$ 354
Note payable	150,000
Accrued payroll	11,212
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Total liabilities	161,566
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Net Assets	
Without donor restriction	163,454
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Total net assets	163,454
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Total liabilities and net assets	\$ 325,020
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The accompanying notes are an integral part of these financial statements.

The Red Barn, Inc.
Statement of Activities

	2020		
<i>For the year ended December 31,</i>	Without Donor Restriction	With Donor Restriction	Total
Support, Revenue, and Other Income			
Luncheon	\$ 41,927	\$ -	\$ 41,927
Special events, general events	1,000	-	1,000
Less costs of direct benefits to donors	(7,653)	-	(7,653)
Special events, net	35,274	-	35,274
Contributions	501,226	-	501,226
In-kind contribution (rents)	120,000	-	120,000
Foundations and grants	417,424	-	417,424
Program income	15,361	-	15,361
Total support, revenue and other income	1,089,285	-	1,089,285
Expenses			
Program services	844,197	-	844,197
Support services	207,604	-	207,604
Total expenses	1,051,801	-	1,051,801
Change in net assets	37,484	-	37,484
Net assets, beginning of year	125,970	-	125,970
Net assets, end of year	\$ 163,454	\$ -	\$ 163,454

The accompanying notes are an integral part of these financial statements.

The Red Barn, Inc.
Statement of Functional Expenses

<i>For the year ended December 31, 2020</i>	Program Services	Support Services		Total
		General and Administrative	Fundraising Costs	
Salaries, wages and payroll taxes	\$ 400,870	\$ 53,128	\$ 28,979	\$ 482,977
Rents	99,600	13,200	7,200	120,000
Repair and maintenance	100,136	-	-	100,136
Horse care	87,573	-	-	87,573
Employee benefits	47,409	6,283	3,427	57,119
Professional fees	5,060	21,914	29,249	56,223
Office expenses	38,857	5,475	3,583	47,915
Insurance	30,417	3,228	-	33,645
Postage and printing	136	7,993	15,726	23,855
Supplies	11,112	-	-	11,112
Vehicle expense	5,998	-	-	5,998
Licenses and fees	5,612	188	103	5,903
Training	4,555	-	-	4,555
Bank and merchant fees	-	-	3,057	3,057
Depreciation	3,000	-	-	3,000
Contract labor	1,787	512	511	2,810
Miscellaneous	894	894	894	2,682
Professional development	726	250	1,526	2,502
T-shirts and advertising	104	104	180	388
Background checks	351	-	-	351
Total	\$ 844,197	\$ 113,169	\$ 94,435	\$ 1,051,801

The accompanying notes are an integral part of these financial statements.

The Red Barn, Inc.
Statement of Cash Flows

<i>For the year ended December 31,</i>	2020
Operating Activities	
Change in net assets	\$ 37,484
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	3,000
Changes in operating assets and liabilities	
(Increase) in prepaid expenses	(291)
Increase in accounts payable	354
Increase in accrued payroll	3,829
Net cash provided by (used in) operating activities	44,376
Financing Activities	
Proceeds from EIDL loan	150,000
Net cash provided by (used in) financing activities	150,000
Net change in cash and cash equivalents	194,376
Cash and cash equivalents, beginning of year	119,993
Cash and cash equivalents, end of year	\$ 314,369

The accompanying notes are an integral part of these financial statements.

Note 1: DESCRIPTION OF THE ORGANIZATION

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2020, 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The Organization has evaluated all of its tax positions and determined that it had no uncertain income tax positions as of December 31, 2020.

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 2017.

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.

Note 3: 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 \$314,369 at December 31, 2020.

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 4: 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, 2020, the Organization has recorded \$120,000 as an in-kind 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 4,791 volunteer hours were logged by the Organization; however, no value for these volunteer hours has been recorded in the Statement of Activities because they do not meet the criteria for recognition.

Note 5: RELATED PARTY TRANSACTIONS

Donations from officers, whether paid directly by the officers or entities owned by them, totaled \$224,574 during the year ended December 31, 2020. This included donations of rents valued at \$120,000.

Note 6: CONCENTRATION OF REVENUES

For the year ended December 31, 2020, 95% of grant revenues came from three grantors. Additionally, 36% of contribution revenues came from parties related to the Organization.

The Red Barn, Inc.
Notes to Financial Statements

Note 7: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Horses	\$ 80,000
Less accumulated depreciation	(78,500)
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Property and equipment, net	\$ 1,500
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Note 8: LONG-TERM DEBT

In April 2020, the Organization received loan proceeds of \$101,100 from the Small Business Administration (SBA) under the Paycheck Protection Program established as part of Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan is eligible for forgiveness subject to certain conditions related to qualified expenses, employee headcounts and wage amounts. At this time, management expects the full amount of the loan to be forgiven; however, the timing of that decision by the SBA and lending instructions is uncertain. If any amount of the loan is not forgiven, payments are deferred until April 2021 and payable over a two-year period including interest at 1%. Because of the uncertainty surrounding the timing and amount of forgiveness, this loan is classified as noncurrent note payable on the Organization's balance sheet. See Note 10 for details on loan forgiveness since year-end.

Long-term debt as of December 31, 2020 consists of the following:

<i>December 31,</i>	<i>2020</i>
Economic Injury Disaster Loan (EIDL) payable to the Small Business monthly payments of \$641 beginning in May 2021, interest of 2.75% per annum, maturity of April 2051	\$ 150,000
Less unamortized debt issuance costs	-
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Long-term debt less unamortized debt issuance costs	150,000
Less current portion	-
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Long-term debt, less current portion	\$ 150,000
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The Red Barn, Inc.
Notes to Financial Statements

Note 8: LONG-TERM DEBT

Maturities of long-term debt subsequent to December 31, 2020 are as follows:

For the years ending December 31,

2021	\$	-
2022		1,831
2023		3,663
2024		3,765
2025		3,870
Thereafter		136,871
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Total	\$	150,000

Note 9: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. The extent to which these events will affect the amounts reported in future financial statements remains uncertain.

Note 10: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2020 through July 2, 2021, the date the Organization's financial statements were available to be issued. The following items occurred:

On March 12, 2021, the Organization received notification from the lender that the SBA had remitted forgiveness of \$101,100 for the PPP loan received in April 2020.