



**The Red Barn, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2021**



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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, 2021, 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.

We are required to be independent of The Red Barn, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **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.*

CARR, RIGGS & INGRAM, LLC

Birmingham, Alabama

September 1, 2022

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

<u>December 31,</u>	<u>2021</u>
<b>Assets</b>	
Current assets	
Cash	\$ 373,773
Prepaid insurance	10,538
<b>Total assets</b>	<b>\$ 384,311</b>
<b>Liabilities and Net Assets</b>	
Current liabilities	
Interest payable	\$ 6,875
Accrued payroll	16,858
Total current liabilities	23,733
Long-term liabilities	
Note payable, less current portion	150,000
Total long-term liabilities	150,000
Total liabilities	173,733
Net Assets	
Without donor restriction	210,578
Total net assets	210,578
<b>Total liabilities and net assets</b>	<b>\$ 384,311</b>

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

**The Red Barn, Inc.**  
**Statement of Activities**

<i>For the year ended December 31,</i>	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>Support, Revenue, and Other Income</b>			
Luncheon	\$ 24,000	\$ -	\$ 24,000
Less costs of direct benefits to donors	(2,532)	-	(2,532)
Special events, net	21,468	-	21,468
Contributions	590,812	-	590,812
In-kind contribution (rents)	120,000	-	120,000
PPP SBA loan forgiveness	110,150	-	110,150
Foundations and grants	298,460	-	298,460
Program income	46,851	-	46,851
<b>Total support, revenue and other income</b>	<b>1,187,741</b>	<b>-</b>	<b>1,187,741</b>
<b>Expenses</b>			
Program services	899,086	-	899,086
Support services	241,531	-	241,531
<b>Total expenses</b>	<b>1,140,617</b>	<b>-</b>	<b>1,140,617</b>
Change in net assets	47,124	-	47,124
<b>Net assets at beginning of year</b>	<b>163,454</b>	<b>-</b>	<b>163,454</b>
<b>Net assets at end of year</b>	<b>\$ 210,578</b>	<b>\$ -</b>	<b>\$ 210,578</b>

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, 2021</i>	Program	Support Services		Total
		General and Administrative	Fundraising Costs	
Salaries, wages and payroll taxes	\$ 435,857	\$ 73,517	\$ 15,755	\$ 525,129
Rents	99,600	16,800	3,600	120,000
Horse care	100,175	-	-	100,175
Repair and maintenance	84,657	-	-	84,657
Professional fees	7,340	18,582	41,620	67,542
Employee benefits	48,466	8,175	1,752	58,393
Office expenses	40,089	7,797	2,666	50,552
Insurance	31,219	3,528	-	34,747
Postage and printing	731	14,199	14,198	29,128
Contract labor	11,300	-	-	11,300
Miscellaneous	1,660	4,226	1,660	7,546
Professional development	6,933	603	-	7,536
Interest Expense	-	6,875	-	6,875
Horse Show	6,832	-	-	6,832
Vehicle expense	5,372	-	-	5,372
Supplies	5,317	-	-	5,317
Licenses and fees	4,756	212	45	5,013
Training	4,998	-	-	4,998
T-shirts and advertising	1,512	1,240	1,240	3,992
Bank and merchant fees	135	-	3,241	3,376
Depreciation	1,500	-	-	1,500
Banquet	489	-	-	489
Background checks	148	-	-	148
<b>Total</b>	<b>\$ 899,086</b>	<b>\$ 155,754</b>	<b>\$ 85,777</b>	<b>\$ 1,140,617</b>

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>	<u>2021</u>
<b>Operating Activities</b>	
Change in net assets	\$ 47,124
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	1,500
Changes in operating assets and liabilities	
(Increase) in prepaid expenses	(1,386)
(Decrease) in accounts payable	(354)
Increase in interest payable	6,875
Increase in accrued payroll	5,645
<b>Net cash provided by (used in) operating activities</b>	<u>59,404</u>
Net change in cash and cash equivalents	59,404
Cash and cash equivalents at beginning of year	<u>314,369</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 373,773</u></u>

**Supplemental Cash Flow Disclosures**

Cash received from PPP loan forgiveness included in operating income	<u>110,150</u>
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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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue 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. Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation expense is computed using the straight-line method.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Assets***

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and capital assets reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity. As of December 31, 2021, 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.

***Revenue Recognition***

Program service fees are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, the Organization recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Donated Assets***

Donated noncash donations are recorded as contributions at their fair values at the date of donation.

***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.

***Advertising***

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the year ended December 2021, advertising costs totaled \$3,992.

***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, 2021.

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 2018.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 1, 2022 and determined that there were no subsequent events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Note 3: LIQUIDITY AND FINANCIAL ASSET 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 \$373,773 at December 31, 2021. As noted in Note 9, the cash is included as collateral for the Organization's long-term debt; however, the Organization is still able to operate normally.

**Note 4: IN-KIND DONATIONS**

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, 2021, 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 5,932 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 \$320,026 during the year ended December 31, 2021. This included donations of rents valued at \$120,000.

**Note 6: CONCENTRATION OF REVENUES**

For the year ended December 31, 2021, 93% of grant revenues came from three grantors. Additionally, 45% 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	(80,000)
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Property and equipment, net	\$ -
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**Note 8: PAYCHECK PROTECTION PROGRAM**

In 2021, the Organization was granted and received a \$110,150 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan was subsequently forgiven on August 19, 2021. The Organization has recognized the \$110,150 PPP SBA loan forgiveness as grant income for the year ended December 31, 2021, which represents 100% of the loan proceeds.

**Note 9: LONG-TERM DEBT**

Long-term debt as of December 31, 2021 consists of the following:

<i>December 31,</i>	<i>2021</i>
Economic Injury Disaster Loan (EIDL) payable to the Small Business Administration (SBA), monthly payments of \$641 beginning in November 2022, interest of 2.75% per annum, maturity of October 2052	\$ 150,000
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Less current portion	-
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Long-term debt, less current portion	\$ 150,000
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The Economic Injury Disaster Loan is collateralized by all tangible and intangible assets including, but not limited to, cash deposit accounts.

In 2022, the SBA modified the EIDL program to allow entities receiving EIDL funds to defer the payments until 30 months after the date of the note. Interest will continue to accrue on the note during the deferment period.

**Note 9: LONG-TERM DEBT (Continued)**

Maturities of long-term debt subsequent to December 31, 2021 are as follows:

*For the years ending December 31,*

2022	\$	-
2023		-
2024		-
2025		894
2026		3,637
Thereafter		145,469
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Total	\$	150,000

**Note 10: 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 the events will affect the amounts reported in future financial statements remains uncertain.