



The Red Barn, Inc.

FINANCIAL STATEMENTS

December 31, 2022



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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, 2022, 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

July 14, 2023

The Red Barn, Inc.
Statement of Financial Position

<u>December 31,</u>	<u>2022</u>
Assets	
Current assets	
Cash	\$ 310,193
Accounts receivable	253,055
Prepaid insurance	11,200
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Total assets	\$ 574,448
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Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 3,600
Interest payable	7,449
Accrued payroll	15,357
Current portion of note payable	286
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Total current liabilities	26,692
Long-term liabilities	
Note payable, less current portion	301,414
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Total long-term liabilities	301,414
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Total liabilities	328,106
Net assets	
Without donor restriction	246,342
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Total net assets	246,342
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Total liabilities and net assets	\$ 574,448
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The accompanying notes are an integral part of these financial statements.

The Red Barn, Inc.
Statement of Activities

	2022		
<i>For the year ended December 31,</i>	Without Donor Restrictions	With Donor	Total
Support, Revenue, and Other Income			
Luncheon	\$ 70,294	\$ -	\$ 70,294
Less costs of direct benefits to donors	(12,177)	-	(12,177)
Special events, net	58,117	-	58,117
Contributions	606,500	-	606,500
Other income	253,580	-	253,580
In-kind contribution	128,797	-	128,797
Foundations and grants	151,200	-	151,200
Program income	24,338	-	24,338
Total support, revenue and other income	1,222,532	-	1,222,532
Expenses			
Program services	937,037	-	937,037
Support services	249,731	-	249,731
Total expenses	1,186,768	-	1,186,768
Change in net assets	35,764	-	35,764
Net assets at beginning of year	210,578	-	210,578
Net assets at end of year	\$ 246,342	\$ -	\$ 246,342

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, 2022</i>	Support Services			Total
	Program Services	General and Administrative	Fundraising Costs	
Salaries, wages and payroll taxes	\$ 473,544	\$ 62,759	\$ 34,232	\$ 570,535
Horse care	120,226	-	-	120,226
Rents	99,600	13,200	7,200	120,000
Professional fees	11,364	17,119	44,372	72,855
Employee benefits	57,712	7,648	4,172	69,532
Repair and maintenance	63,999	1,828	1,052	66,879
Office expenses	38,152	5,781	4,132	48,065
Insurance	36,424	4,038	-	40,462
Postage and printing	1,609	4,742	23,816	30,167
T-shirts and advertising	5,328	1,034	1,034	7,396
Interest expense	6,021	798	435	7,254
Professional development	3,907	3,197	-	7,104
Miscellaneous	3,993	777	776	5,546
Licenses and fees	4,254	74	1,153	5,481
Bank and merchant fees	182	-	4,362	4,544
Vehicle expense	4,419	-	-	4,419
Supplies	2,842	-	-	2,842
Contract labor	2,735	-	-	2,735
Banquet	389	-	-	389
Background checks	337	-	-	337
Total	\$ 937,037	\$ 122,995	\$ 126,736	\$ 1,186,768

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

The Red Barn, Inc.
Statement of Cash Flows

For the year ended December 31, 2022

Operating Activities

Change in net assets	\$ 35,764
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities	
Changes in operating assets and liabilities	
(Increase) in prepaid expenses	(662)
(Increase) in accounts receivable	(253,055)
Increase in accounts payable	3,600
Increase in interest payable	574
(Decrease) in accrued payroll	(1,501)

Net cash provided by (used in) operating activities (215,280)

Financing Activities

Proceeds from EIDL loan 151,700

Net cash provided by (used in) financing activities 151,700

Net change in cash and cash equivalents (63,580)

Cash and cash equivalents at beginning of year 373,773

Cash and cash equivalents at end of year \$ 310,193

Schedule of Certain Cash Flow Information

Interest paid \$ 7,254

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, 2022, 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.

Donated Assets

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 31, 2022, advertising costs totaled \$7,396.

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, 2022.

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 2019.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 14, 2023 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 \$310,193 at December 31, 2022. As noted in Note 8, 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, 2022, the Organization has recorded \$120,000 as an in-kind contribution and rent expense. Additionally, the Organization recorded \$8,797 in goods donated as an in-kind contribution.

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 5,574 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 \$397,010 during the year ended December 31, 2022. This included donations of rents valued at \$120,000.

Note 6: CONCENTRATION OF REVENUES

For the year ended December 31, 2022, 82% of grant revenues came from two grantors. Additionally, 54% of contribution revenues came from parties related to the Organization.

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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The Red Barn, Inc.
Notes to Financial Statements

Note 8: LONG-TERM DEBT

Long-term debt as of December 31, 2022 consists of the following:

<i>December 31,</i>	<i>2022</i>
Economic Injury Disaster Loan (EIDL) payable to the Small Business Administration (SBA), monthly payments of \$1,336 beginning in August 2022, interest of 2.75% per annum, maturity of May 2050	\$ 301,700
Less current portion	(286)
Long-term debt, less current portion	\$ 301,414

The Economic Injury Disaster Loan is collateralized by all tangible and intangible assets including, but not limited to, cash deposit accounts.

Maturities of long-term debt subsequent to December 31, 2022 are as follows:

<i>For the years ending December 31,</i>	
2023	\$ 286
2024	7,842
2025	8,060
2026	8,284
2027	8,515
Thereafter	268,713
Total	\$ 301,700

Note 9: EMPLOYEE RETENTION CREDIT

The CARES ACT provides benefits for eligible employers who meet certain reduction in revenue thresholds. The Organization qualified and has filed amended payroll tax returns to claim the credit. As of December 31, 2022, accounts receivable includes \$253,055 due from the United States Treasury (IRS). The income for these credits is included in other income in the Statement of Activities for the year ended December 31, 2022. The Organization subsequently received payment of these credits on July 3, 2023.