

Front Range Equine Rescue

Independent Auditor's Report and Financial Statements

December 31, 2017 and 2016

Front Range Equine Rescue
December 31, 2017 and 2016

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Independent Auditor's Report

Board of Directors
Front Range Equine Rescue
Ocala, Florida

We have audited the accompanying financial statements of Front Range Equine Rescue, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Front Range Equine Rescue

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Front Range Equine Rescue as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Colorado Springs, Colorado
March 9, 2018

Front Range Equine Rescue
Statements of Financial Position
December 31, 2017 and 2016

| | 2017 | 2016 |
|-----------------------------------|--------------|--------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 714,125 | \$ 2,314,319 |
| Prepaid expenses | 892 | 2,466 |
| Short-term investments | 550,017 | 26,642 |
| Total current assets | 1,265,034 | 2,343,427 |
| Long-term Investments | 1,311,405 | - |
| Property and Equipment | | |
| Buildings and improvements | 715,489 | 713,489 |
| Land | 175,000 | 175,000 |
| Equipment | 141,483 | 154,493 |
| Accumulated depreciation | (176,220) | (161,075) |
| Total property and equipment | 855,752 | 881,907 |
| Total assets | \$ 3,432,191 | \$ 3,225,334 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 32,680 | \$ 135,995 |
| Accrued liabilities | 8,402 | 4,525 |
| Total current liabilities | 41,082 | 140,520 |
| Total liabilities | 41,082 | 140,520 |
| Net Assets | | |
| Unrestricted net assets | 3,391,109 | 3,084,814 |
| Total net assets | 3,391,109 | 3,084,814 |
| Total liabilities and net assets | \$ 3,432,191 | \$ 3,225,334 |

Front Range Equine Rescue
Statements of Activities
Years Ended December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Support and Other Revenues | | |
| Contributions, unrestricted | \$ 461,429 | \$ 527,908 |
| Direct mail contributions, unrestricted | 1,033,628 | 1,046,263 |
| Grants | 40,000 | 35,000 |
| Program fees | 8,665 | 1,800 |
| | <u>1,543,722</u> | <u>1,610,971</u> |
| Total public support | | |
| | <u>1,543,722</u> | <u>1,610,971</u> |
| Interest and dividend income | 14,335 | 2,122 |
| Net unrealized and realized gain (loss) on investments | (19,845) | 9,700 |
| Gain (loss) on sale of property and equipment | 9,675 | (165,501) |
| | <u>4,165</u> | <u>(153,679)</u> |
| Total other revenues | | |
| | <u>4,165</u> | <u>(153,679)</u> |
| Total support and other revenues | <u>1,547,887</u> | <u>1,457,292</u> |
| | <u>1,547,887</u> | <u>1,457,292</u> |
| Expenses | | |
| Program activities | 1,101,796 | 1,147,127 |
| Management and general | 49,123 | 67,230 |
| Fundraising | 90,673 | 101,307 |
| | <u>1,241,592</u> | <u>1,315,664</u> |
| Total expenses | | |
| | <u>1,241,592</u> | <u>1,315,664</u> |
| Change in Unrestricted Net Assets | <u>306,295</u> | <u>141,628</u> |
| Net Assets, Beginning of Year | <u>3,084,814</u> | <u>2,943,186</u> |
| Net Assets, End of Year | <u>\$ 3,391,109</u> | <u>\$ 3,084,814</u> |

Front Range Equine Rescue
Statement of Functional Expenses
Year Ended December 31, 2017

| | Program Services | Support Activities | Fundraising Services | Total |
|---|-----------------------------|-------------------------------|---------------------------------|-------------------------|
| Accounting and legal | \$ 27,132 | \$ - | \$ - | \$ 27,132 |
| Auto expense | 3,270 | - | - | 3,270 |
| Bank charges expense | - | 101 | - | 101 |
| Depreciation expense | 27,834 | - | - | 27,834 |
| Direct mail expense | 91,286 | 8,299 | 18,969 | 118,554 |
| Direct mail postage | 205,943 | 19,748 | 56,423 | 282,114 |
| Direct mail printing | 81,872 | 10,234 | 10,234 | 102,340 |
| Direct mail bank charges | - | 6,582 | - | 6,582 |
| Farrier services | 6,435 | - | - | 6,435 |
| Feed | 65,985 | - | - | 65,985 |
| Insurance | 3,550 | 626 | - | 4,176 |
| Licenses, fees and permits | 2,809 | - | - | 2,809 |
| Meetings | 227 | - | - | 227 |
| Office expense | 16,655 | - | - | 16,655 |
| Program expense - | | | | |
| anti-horse slaughter | 37,341 | - | - | 37,341 |
| Save the Wild Horses | 82,868 | - | - | 82,868 |
| Program expense - other | 314,037 | - | - | 314,037 |
| Property taxes | 14,365 | - | - | 14,365 |
| Repairs | 6,810 | - | - | 6,810 |
| Salaries - general | 50,224 | 2,283 | 4,566 | 57,073 |
| Supplies | 10,147 | - | - | 10,147 |
| Taxes - payroll | 3,859 | 172 | 257 | 4,288 |
| State registration - direct mail | - | 309 | - | 309 |
| Stop the Backyard Breeder | 30 | - | - | 30 |
| Telephone | 1,422 | 224 | 224 | 1,870 |
| Trails End | 100 | - | - | 100 |
| Utilities | 3,090 | 545 | - | 3,635 |
| Veterinarian care - other | 44,505 | - | - | 44,505 |
| | <u>44,505</u> | <u>-</u> | <u>-</u> | <u>44,505</u> |
| Total expenses, year ended December 31, 2017 | <u>\$ 1,101,796</u> | <u>\$ 49,123</u> | <u>\$ 90,673</u> | <u>\$ 1,241,592</u> |

Front Range Equine Rescue
Statement of Functional Expenses
Year Ended December 31, 2016

| | Program Services | Support Activities | Fundraising Services | Total |
|---|-----------------------------|-------------------------------|---------------------------------|-------------------------|
| Accounting and legal | \$ 16,757 | \$ - | \$ - | \$ 16,757 |
| Auto expense | 701 | - | - | 701 |
| Bank charges expense | - | 28 | - | 28 |
| Depreciation expense | 63,153 | - | - | 63,153 |
| Direct mail expense | 157,761 | 14,342 | 32,782 | 204,885 |
| Direct mail postage | 181,896 | 17,442 | 49,835 | 249,173 |
| Direct mail printing | 65,790 | 8,224 | 8,224 | 82,238 |
| Direct mail bank charges | - | 8,969 | - | 8,969 |
| Facility account | 201 | - | - | 201 |
| Farrier services | 8,778 | - | - | 8,778 |
| Feed | 85,929 | - | - | 85,929 |
| Interest | - | 8,402 | - | 8,402 |
| Insurance | 6,718 | 1,186 | - | 7,904 |
| Licenses, fees and permits | 57 | - | - | 57 |
| Office expense | 8,152 | 2,045 | - | 10,197 |
| Program expense - anti-horse slaughter | 39,490 | - | - | 39,490 |
| Save the Wild Horses | 92,561 | - | - | 92,561 |
| Program expense - other | 227,191 | - | - | 227,191 |
| Property taxes | 14,420 | - | - | 14,420 |
| Repairs | 3,171 | - | - | 3,171 |
| Salaries - general | 105,412 | 4,791 | 9,583 | 119,786 |
| Supplies | 9,166 | - | - | 9,166 |
| Taxes - payroll | 9,016 | 401 | 601 | 10,018 |
| State registration - direct mail | - | 306 | - | 306 |
| Stop the Backyard Breeder | 5,712 | - | - | 5,712 |
| Telephone | 1,694 | 282 | 282 | 2,258 |
| Trails End | 6,133 | - | - | 6,133 |
| Utilities | 4,602 | 812 | - | 5,414 |
| Veterinarian care - other | 32,666 | - | - | 32,666 |
| Total expenses, year ended December 31, 2016 | <u>\$ 1,147,127</u> | <u>\$ 67,230</u> | <u>\$ 101,307</u> | <u>\$ 1,315,664</u> |

Front Range Equine Rescue
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 306,295 | \$ 141,628 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Loss (gain) on sale of property and equipment | (9,675) | 165,501 |
| Depreciation | 27,834 | 63,153 |
| Net unrealized and realized loss (gain) on investments | 19,845 | (9,700) |
| Changes in assets and liabilities | | |
| Prepaid expenses | 1,574 | (942) |
| Accounts payable and other liabilities | (99,438) | (25,735) |
| | <u>246,435</u> | <u>333,905</u> |
| Net cash provided by operating activities | | |
| Cash Flows from Investing Activities | | |
| Proceeds from sale of property and equipment | 10,000 | 673,776 |
| Purchase of property and equipment | (2,004) | (206,473) |
| Proceeds from sale of investments | 87,563 | 28,317 |
| Purchase of investments | (1,942,188) | - |
| | <u>(1,846,629)</u> | <u>495,620</u> |
| Net cash provided by (used in) investing activities | | |
| Cash Flows from Financing Activities | | |
| Principal payments on long-term debt | - | (217,644) |
| | <u>-</u> | <u>(217,644)</u> |
| Net cash used in financing activities | | |
| Net Increase (Decrease) in Cash | <u>(1,600,194)</u> | <u>611,881</u> |
| Cash, Beginning of Year | <u>2,314,319</u> | <u>1,702,438</u> |
| Cash, End of Year | <u>\$ 714,125</u> | <u>\$ 2,314,319</u> |
| Supplemental Cash Flow Information | | |
| Interest paid | <u>\$ -</u> | <u>\$ 8,402</u> |

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2017 and 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Front Range Equine Rescue (the Organization) is a not-for-profit organization working to prevent the abuse and neglect of horses through rescue and education.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

At December 31, 2017, the Organization's cash accounts exceeded federally insured limits by approximately \$205,000.

Investments and Investment Return

Investments in equity and other securities having a readily determinable fair value are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

Front Range Equine Rescue

Notes to Financial Statements

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The estimated useful lives for each major depreciable classification of property and equipment are as follows:

| | |
|---------------------------|---------------|
| Building and improvements | 20 – 39 years |
| Equipment | 5 – 7 years |

During 2016, the Organization sold one of their locations in North Carolina to an unrelated party and recognized a loss on the sale of approximately \$165,000.

Supplies

The Organization holds various program and fundraising related supplies. The Organization expenses these items upon purchase as the result of additional, future revenues from these materials is not reasonably assured.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Contributed Services

Volunteers have donated significant amounts of time assisting the Organization in achieving its goals and in supporting various program activities. The financial statements do not reflect the value of these donated services as no objective basis is available to measure their value.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. Front Range Equine Rescue has no unrelated business income during the years ended 2017 and 2016.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program services and supporting activities.

Subsequent Events

Subsequent events have been evaluated through March 9, 2018, which is the date the financial statements were available to be issued.

Front Range Equine Rescue
Notes to Financial Statements
December 31, 2017 and 2016

Note 2: Investments

Investments at December 31, 2017 and 2016 consisted of the following:

| | 2017 | 2016 |
|-----------------------------|--------------|-------------|
| Money market fund | \$ 6,324 | \$ - |
| Certificates of deposit | 1,840,765 | - |
| Equity securities | 14,333 | 26,642 |
| | 1,861,422 | 26,642 |
| Less short-term investments | (550,017) | (26,642) |
| Long-term investments | \$ 1,311,405 | \$ - |

Note 3: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2017 and 2016

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016:

| 2017 | | | | | |
|--------------------------------------|---|--|--|-------------|--|
| Fair Value Measurements Using | | | | | |
| Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | | |
| Money market fund | \$ 6,324 | \$ 6,324 | \$ - | \$ - | |
| Certificates of deposit | 1,840,765 | - | 1,840,765 | - | |
| Equity securities | 14,333 | 14,333 | - | - | |
| | <u>\$ 1,861,422</u> | <u>\$ 20,657</u> | <u>\$ 1,840,765</u> | <u>\$ -</u> | |
| 2016 | | | | | |
| Fair Value Measurements Using | | | | | |
| Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | | |
| Equity securities | \$ 26,642 | \$ 26,642 | \$ - | \$ - | |

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2017.

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2017 and 2016

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 investments include a money market fund and various publicly traded equity securities. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models. Such securities are classified in Level 2 of the valuation hierarchy and include certificates of deposit. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization currently holds no Level 3 investments.

Note 4: Related-party Transactions

The President and the Executive Director of the Organization serve on the Board of Directors of an affiliated organization that received contributions from Front Range Equine Rescue. Payments to the affiliated organization for a mission similar to the Organization during the years ended December 31, 2017 and 2016 totaled \$165,059 and \$47,500, respectively, and are classified as program expense – other in the statements of functional expenses.