

# **Front Range Equine Rescue**

Independent Auditor's Report and Financial Statements

December 31, 2016 and 2015

**Front Range Equine Rescue**  
**December 31, 2016 and 2015**

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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, 2016 and 2015, and the related statements of activities, cash flows and functional expenses 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, 2016 and 2015, 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 13, 2017

**Front Range Equine Rescue**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,314,319	\$ 1,702,438
Prepaid expenses	2,466	1,524
Investments	26,642	45,259
Total current assets	2,343,427	1,749,221
<b>Property and Equipment</b>		
Buildings and improvements	713,489	1,213,586
Land	175,000	325,000
Equipment	154,493	154,493
Accumulated depreciation	(161,075)	(115,215)
Total property and equipment	881,907	1,577,864
Total assets	\$ 3,225,334	\$ 3,327,085
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 135,995	\$ 165,190
Accrued liabilities	4,525	1,065
Current portion of long-term debt	-	20,010
Total current liabilities	140,520	186,265
<b>Long-term Liabilities</b>		
Long-term debt	-	197,634
Total liabilities	140,520	383,899
<b>Net Assets</b>		
Unrestricted net assets	3,084,814	2,943,186
Total net assets	3,084,814	2,943,186
Total liabilities and net assets	\$ 3,225,334	\$ 3,327,085

**Front Range Equine Rescue**  
**Statements of Activities**  
**Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Support and Other Revenues</b>		
Contributions, unrestricted	\$ 527,908	\$ 485,193
Direct mail contributions, unrestricted	1,046,263	1,225,410
Grants	35,000	38,920
Program fees	1,800	5,440
	<u>1,610,971</u>	<u>1,754,963</u>
Total public support		
Interest and dividend income	2,122	1,570
Net unrealized and realized gain (loss) on investments	9,700	(5,831)
Loss on sale of property and equipment	(165,501)	(843,381)
	<u>(153,679)</u>	<u>(847,642)</u>
Total other revenues		
Total support and other revenues	<u>1,457,292</u>	<u>907,321</u>
<b>Expenses</b>		
Program activities	1,147,127	1,462,680
Management and general	67,230	110,497
Fundraising	101,307	145,259
	<u>1,315,664</u>	<u>1,718,436</u>
Total expenses		
<b>Change in Net Assets</b>	<u>141,628</u>	<u>(811,115)</u>
<b>Net Assets, Beginning of Year</b>	<u>2,943,186</u>	<u>3,754,301</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 3,084,814</u></u>	<u><u>\$ 2,943,186</u></u>

**Front Range Equine Rescue**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 141,628	\$ (811,115)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Loss on sale of property and equipment	165,501	843,381
Depreciation	63,153	85,597
Net unrealized and realized loss (gain) on investments	(9,700)	5,831
Changes in assets and liabilities		
Related-party receivable	-	23,694
Prepaid expenses	(942)	(1,524)
Accounts payable and other liabilities	(25,735)	82,632
	<u>333,905</u>	<u>228,496</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of property and equipment	673,776	1,434,825
Purchase of property and equipment	(206,473)	(1,596,492)
Proceeds from sale of investments	28,317	11,123
	<u>495,620</u>	<u>(150,544)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of long-term debt	-	322,000
Principal payments on long-term debt	(217,644)	(104,356)
	<u>(217,644)</u>	<u>217,644</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<u>611,881</u>	<u>295,596</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,702,438</u>	<u>1,406,842</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,314,319</u>	<u>\$ 1,702,438</u>
<b>Supplemental Cash Flow Information</b>		
Interest paid	<u>\$ 8,402</u>	<u>\$ 3,295</u>

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

	<b>Program Services</b>	<b>Support Activities</b>	<b>Fundraising Services</b>	<b>Total</b>
Accounting and legal	\$ 16,757	\$ -	\$ -	\$ 16,757
Auto expense	701	-	-	701
Bank charges expense	-	28	-	28
Contract labor	-	-	-	-
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	-	10,227
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	-	-	32,636
<b>Total expenses, year ended December 31, 2016</b>	<b>\$ 1,147,127</b>	<b>\$ 67,230</b>	<b>\$ 101,307</b>	<b>\$ 1,315,664</b>



**Front Range Equine Rescue**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2015**

	<b>Program Services</b>	<b>Support Activities</b>	<b>Fundraising Services</b>	<b>Total</b>
Accounting and legal	\$ 11,000	\$ 16,112	\$ -	\$ 27,112
Auto expense	2,416	-	-	2,416
Bank charges expense	-	373	-	373
Contract labor	3,402	-	-	3,402
Depreciation expense	85,597	-	-	85,597
Direct mail expense	279,867	25,079	58,516	363,462
Direct mail postage	127,246	23,981	44,536	195,763
Direct mail printing	104,611	13,076	13,076	130,763
Direct mail bank charges	-	14,011	-	14,011
Facility account	64,155	-	-	64,155
Farrier services	6,850	-	-	6,850
Feed	74,765	-	-	74,765
Interest	-	3,295	-	3,295
Insurance	14,742	2,602	-	17,344
Licenses, fees and permits	11,766	-	-	11,766
Meetings	4,192	-	-	4,192
Office expense	2,018	2,467	-	4,485
Program expense - anti-horse slaughter	122,646	-	-	122,646
Save the Wild Horses	117,245	-	-	117,245
Program expense - other	219,281	-	-	219,281
Quickbooks fees	3,390	-	-	3,390
Property taxes	12,974	-	-	12,974
Repairs	14,284	-	-	14,284
Salaries - general	96,912	5,016	28,418	130,346
Supplies	14,636	-	-	14,636
Taxes - payroll	4,059	180	271	4,510
State registration - direct mail	-	2,664	-	2,664
Stop the Backyard Breeder	5,873	-	-	5,873
Telephone	2,652	442	442	3,536
Trails End	5,510	-	-	5,510
Utilities	6,794	1,199	-	7,993
Veterinarian care - other	43,797	-	-	43,797
<b>Total expenses, year ended December 31, 2015</b>	<b>\$ 1,462,680</b>	<b>\$ 110,497</b>	<b>\$ 145,259</b>	<b>\$ 1,718,436</b>

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2016 and 2015

### 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 and Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2016 and 2015, cash equivalents consisted primarily of money market accounts with a bank.

At December 31, 2016, the Organization's cash accounts exceeded federally insured limits by approximately \$2,135,000.

#### ***Investments and Investment Return***

Investments in equity 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.

#### ***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.

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 sale of approximately \$165,000.

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2016 and 2015

### ***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 2016 and 2015.

### ***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 the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2016 and 2015

### Note 2: 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

#### **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, 2016 and 2015:

	2016			
	Fair Value	Fair Value Measurements Using		
		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	\$ -	\$ -

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2016 and 2015

	2015			
	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	\$ 45,259	\$ 45,259	\$ -	\$ -

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, 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 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, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. 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 2 or 3 investments.

### Note 3: Long-term Debt

	2016	2015
Note payable to bank (A)	\$ -	\$ 217,644
Less current portion	-	20,010
	<u>\$ -</u>	<u>\$ 197,634</u>

(A) Due August 2030; payable \$2,550 monthly including interest at 4.95%; secured by property and equipment. No debt issuance cost were capitalized in relation with this note. During 2016, this note was paid in full with a portion of the proceeds from the North Carolina property sale.

# **Front Range Equine Rescue**

## **Notes to Financial Statements**

**December 31, 2016 and 2015**

### **Note 4: Related-party Transactions**

The President and a Board member 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 during the years ended December 31, 2016 and 2015 totaled \$47,500 and \$25,000, respectively. In addition, subsequent to December 31, 2016, the Organization remitted an additional \$50,000 to this affiliated organization.