

Front Range Equine Rescue

Independent Auditor's Report and Financial Statements

December 31, 2018 and 2017

Front Range Equine Rescue
December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2018, Front Range Equine Rescue adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Colorado Springs, Colorado
March 22, 2019

Front Range Equine Rescue
Statements of Financial Position
December 31, 2018 and 2017

Assets

	2018	2017
Current Assets		
Cash	\$ 601,063	\$ 714,125
Contribution receivable	195,000	-
Prepaid expenses	6,585	892
Short-term investments	99,402	550,017
Total current assets	902,050	1,265,034
Long-term Investments		
	3,120,238	1,311,405
Property and Equipment		
Buildings and improvements	771,004	715,489
Land	175,000	175,000
Equipment	141,483	141,483
Accumulated depreciation	(199,582)	(176,220)
Total property and equipment	887,905	855,752
Total assets	\$ 4,910,193	\$ 3,432,191

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 142,347	\$ 32,680
Accrued liabilities	8,479	8,402
Total current liabilities	150,826	41,082
Total liabilities	150,826	41,082
Net Assets		
Net assets without donor restrictions	4,759,367	3,391,109
Total net assets	4,759,367	3,391,109
Total liabilities and net assets	\$ 4,910,193	\$ 3,432,191

Front Range Equine Rescue
Statements of Activities
Years Ended December 31, 2018 and 2017

	2018	2017
Support and Other Revenues Without Donor Restrictions		
Contributions	\$ 1,401,357	\$ 461,429
Direct mail contributions	1,029,985	1,033,628
Grants	51,028	40,000
Program fees	4,600	8,665
	<hr/>	<hr/>
Total public support	2,486,970	1,543,722
	<hr/>	<hr/>
Investment return (loss), net	12,182	(5,510)
Gain on sale of property and equipment	-	9,675
	<hr/>	<hr/>
Total other revenues	12,182	4,165
	<hr/>	<hr/>
Total support and other revenues without donor restrictions	2,499,152	1,547,887
	<hr/>	<hr/>
Expenses		
Program services	999,896	1,101,796
Management and general	51,069	49,123
Fundraising	79,929	90,673
	<hr/>	<hr/>
Total expenses	1,130,894	1,241,592
	<hr/>	<hr/>
Change in Net Assets	1,368,258	306,295
	<hr/>	<hr/>
Net Assets, Beginning of Year	3,391,109	3,084,814
	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 4,759,367</u>	<u>\$ 3,391,109</u>

Front Range Equine Rescue
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Support Services		Total
		Management and General	Fundraising	
Accounting	\$ -	\$ 18,416	\$ -	\$ 18,416
Auto expense	2,125	-	-	2,125
Bank charges expense	-	63	-	63
Depreciation expense	23,361	-	-	23,361
Direct mail expense	88,701	8,064	18,432	115,197
Direct mail postage	265,000	3,921	35,284	304,205
Direct mail printing	184,853	8,598	21,494	214,945
Direct mail bank charges	-	6,772	-	6,772
Farrier services	5,028	-	-	5,028
Feed	63,835	-	-	63,835
Insurance	10,348	1,826	-	12,174
Licenses, fees and permits	466	-	-	466
Meetings	543	-	-	543
Office expense	1,106	-	-	1,106
Program expense - anti-horse slaughter	16,328	-	-	16,328
Save the Wild Horses	81,681	-	-	81,681
Program expense - other	102,314	-	-	102,314
Property taxes	7,174	-	-	7,174
Repairs	145	-	-	145
Salaries - general	46,517	2,114	4,229	52,860
Supplies	9,070	-	-	9,070
Taxes - payroll	3,577	159	239	3,975
State registration - direct mail	-	329	-	329
Stop the Backyard Breeder	10,000	-	-	10,000
Telephone	1,590	251	251	2,092
Utilities	3,149	556	-	3,705
Veterinarian care - other	72,985	-	-	72,985
Total expenses, year ended December 31, 2018	\$ 999,896	\$ 51,069	\$ 79,929	\$ 1,130,894

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

	Program Services	Support Services		Total
		Management and General	Fundraising	
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
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,368,258	\$ 306,295
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Gain on sale of property and equipment	-	(9,675)
Depreciation	23,361	27,834
Unrealized and realized losses	30,930	19,845
Changes in assets and liabilities		
Contribution receivable	(195,000)	-
Prepaid expenses	(5,693)	1,574
Accounts payable and other liabilities	109,744	(99,438)
	<u>1,331,600</u>	<u>246,435</u>
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	-	10,000
Purchase of property and equipment	(55,514)	(2,004)
Proceeds from sale of investments	530,000	87,563
Purchase of investments	(1,919,148)	(1,942,188)
	<u>(1,444,662)</u>	<u>(1,846,629)</u>
Net cash provided by operating activities		
	<u>1,331,600</u>	<u>246,435</u>
Net Decrease in Cash	<u>(113,062)</u>	<u>(1,600,194)</u>
Cash, Beginning of Year	<u>714,125</u>	<u>2,314,319</u>
Cash, End of Year	<u>\$ 601,063</u>	<u>\$ 714,125</u>

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2018 and 2017

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, 2018, the Organization's cash accounts exceeded federally insured limits by approximately \$150,000.

Contribution Receivable

At December 31, 2018, the Organization's contribution receivable consisted of one donation from a trust which was for general operating expenses. A substantial portion of the balance was received in cash after year-end.

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, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restriction. Other investment return is reflected in the statements of activities with or without donor restrictions restricted based upon the existence and nature of any donor or legally imposed restrictions.

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

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2018 and 2017

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.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 revenue and net assets without donor restrictions.

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 2018 and 2017.

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 categories benefited based on the relative efforts expended on each activity.

Subsequent Events

Subsequent events have been evaluated through March 22, 2019, which is the date the financial statements were available to be issued.

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2018 and 2017

Note 2: Change in Accounting Principle

In 2018, the Organization adopted the Financial Accounting Standards Board Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes to the Organization's financial statements are as follows:

Statements of Financial Position

The statements of financial position present net assets without donor restrictions. These were formerly presented as unrestricted net assets. The Organization currently holds no net assets with donor restrictions.

Notes to the Financial Statements

Disclosure of the expenses netted against investment return is no longer required.

Enhanced quantitative and qualitative disclosures to provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the 2018 statement of financial position.

This change had no impact on previously reported total change in net assets.

Note 3: Liquidity and Availability

The Organization receives significant contributions from donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenses.

As part of the Organization's liquidity management, it has a policy to invest its cash in excess of operating requirements and the liquidity reserve of \$600,000 in interest bearing certificates of deposits to be used for general expenses, liabilities and other obligations that come due.

The liquidity reserve is a fund established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities.

The following table shows financial assets held at December 31, 2018 that could be made available during the year ended December 31, 2019 to meet general expenditures:

	2018
Financial assets at year-end	
Cash	\$ 601,063
Contribution receivable	195,000
Short-term investments	99,402
Financial assets available to meet general expenses within one year	<u>\$ 895,465</u>

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2018 and 2017

Note 4: Disclosures About Fair Value of Assets

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 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, 2018 and 2017:

	2018			
	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)
Money market fund	\$ 2,063	\$ 2,063	\$ -	\$ -
Certificates of deposit (long-term)	3,120,238	-	3,120,238	-
Equity securities	97,339	97,339	-	-
	<u>\$ 3,219,640</u>	<u>\$ 99,402</u>	<u>\$ 3,120,238</u>	<u>\$ -</u>

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2018 and 2017

	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 (short-term)	529,360	-	529,360	-
Certificates of deposit (long-term)	1,311,405	-	1,311,405	-
Equity securities	14,333	14,333	-	-
	<u>\$ 1,861,422</u>	<u>\$ 20,657</u>	<u>\$ 1,840,765</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets 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 pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018. The Organization holds no liabilities reported at fair value on a recurring basis nor any assets or liabilities reported at fair value on a non-recurring basis.

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 5: 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, 2018 and 2017 totaled \$80,000 and \$165,069, respectively, and are classified as program expense – other in the statements of functional expenses.

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2018 and 2017

Note 6: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 15% of contributions without donor restriction on the 2018 statement of activities were received from one donor. No concentration existed during 2017.