

Front Range Equine Rescue

Independent Auditor's Report and Financial Statements

December 31, 2019 and 2018

Front Range Equine Rescue
December 31, 2019 and 2018

Contents

Independent Auditor’s Report..... 1

Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statement of Functional Expenses – 2019..... 5
Statement of Functional Expenses – 2018..... 6
Statements of Cash Flows 7
Notes to Financial Statements 8

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, 2019 and 2018, 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, 2019 and 2018, 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 24, 2020

Front Range Equine Rescue
Statements of Financial Position
December 31, 2019 and 2018

Assets

	2019	2018
Current Assets		
Cash	\$ 657,618	\$ 601,063
Contribution receivable	28,950	195,000
Prepaid expenses	-	6,585
Short-term investments	3,026,330	99,402
Total current assets	3,712,898	902,050
Long-term Investments	1,396,281	3,120,238
Property and Equipment		
Buildings and improvements	832,714	771,004
Land	175,000	175,000
Equipment	145,783	141,483
Accumulated depreciation	(231,221)	(199,582)
Total property and equipment	922,276	887,905
Total assets	\$ 6,031,455	\$ 4,910,193

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 158,467	\$ 142,347
Accrued liabilities	9,866	8,479
Total current liabilities	168,333	150,826
Net Assets		
Net assets without donor restrictions	5,863,122	4,759,367
Total liabilities and net assets	\$ 6,031,455	\$ 4,910,193

Front Range Equine Rescue
Statements of Activities
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues, Gains and Other Support, Without Donor Restrictions		
Contributions	\$ 1,338,041	\$ 1,401,357
Direct mail contributions	803,095	1,029,985
Grants	68,000	51,028
Program fees	3,575	4,600
	<u>2,212,711</u>	<u>2,486,970</u>
Total public support		
	<u>2,212,711</u>	<u>2,486,970</u>
Investment return, net	149,662	12,182
	<u>149,662</u>	<u>12,182</u>
Total revenues, gains and other support, without donor restrictions	<u>2,362,373</u>	<u>2,499,152</u>
Expenses		
Program services	1,122,654	999,896
Management and general	52,636	51,069
Fundraising	83,328	79,929
	<u>1,258,618</u>	<u>1,130,894</u>
Total expenses		
	<u>1,258,618</u>	<u>1,130,894</u>
Change in Net Assets Without Donor Restrictions	<u>1,103,755</u>	<u>1,368,258</u>
Net Assets Without Donor Restrictions, Beginning of Year	<u>4,759,367</u>	<u>3,391,109</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 5,863,122</u>	<u>\$ 4,759,367</u>

Front Range Equine Rescue
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Support Services		Total
		Management and General	Fundraising	
Accounting	\$ -	\$ 23,888	\$ -	\$ 23,888
Auto expense	2,733	-	-	2,733
Bank charges expense	-	162	-	162
Depreciation expense	31,640	-	-	31,640
Direct mail expense	88,586	8,053	18,407	115,046
Direct mail postage	155,730	2,020	44,239	201,989
Direct mail printing	96,633	4,495	11,236	112,364
Direct mail bank charges	-	8,425	-	8,425
Facility account	1,704	-	-	1,704
Farrier services	5,930	-	-	5,930
Feed	85,668	-	-	85,668
Insurance	10,800	1,906	-	12,706
Licenses, fees and permits	39,699	-	4,411	44,110
Meetings	43	-	-	43
Office expense	9,454	-	-	9,454
Program expense -				
anti-horse slaughter	121,596	-	-	121,596
Save the Wild Horses	133,077	-	-	133,077
Program expense - other	141,437	-	-	141,437
Property taxes	5,826	-	-	5,826
Repairs	7,391	-	-	7,391
Salaries - general	49,148	2,234	4,468	55,850
Supplies	7,186	-	-	7,186
Taxes - payroll	4,444	197	296	4,937
State registration - direct mail	-	449	-	449
Stop the Backyard Breeder	5,000	-	-	5,000
Telephone	1,717	271	271	2,259
Utilities	3,040	536	-	3,576
Veterinarian care - other	114,172	-	-	114,172
	<u>\$ 1,122,654</u>	<u>\$ 52,636</u>	<u>\$ 83,328</u>	<u>\$ 1,258,618</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
	<u>\$ 999,896</u>	<u>\$ 51,069</u>	<u>\$ 79,929</u>	<u>\$ 1,130,894</u>

Front Range Equine Rescue
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 1,103,755	\$ 1,368,258
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	31,640	23,361
Unrealized and realized loss (gain)	(70,841)	30,930
Changes in assets and liabilities		
Contribution receivable	166,050	(195,000)
Prepaid expenses	6,585	(5,693)
Accounts payable and other liabilities	17,507	109,744
Net cash provided by operating activities	1,254,696	1,331,600
Cash Flows from Investing Activities		
Purchase of property and equipment	(66,011)	(55,514)
Proceeds from sale of investments	866,252	530,000
Purchase of investments	(1,998,382)	(1,919,148)
Net cash used in investing activities	(1,198,141)	(1,444,662)
Net Change in Cash	56,555	(113,062)
Cash, Beginning of Year	601,063	714,125
Cash, End of Year	\$ 657,618	\$ 601,063

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2019 and 2018

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, 2019, the Organization's cash accounts exceeded federally insured limits by approximately \$180,000. Cash equivalents held for investment purposes are classified as investments for financial reporting purposes.

Investments and Investment Return

The Organization measures securities 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, 2019 and 2018

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2019 and 2018.

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

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2019 and 2018

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded 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 2019 and 2018.

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 24, 2020, which is the date the financial statements were available to be issued.

Note 2: 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.

Front Range Equine Rescue
Notes to Financial Statements
December 31, 2019 and 2018

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

	2019	2018
Financial assets at year-end		
Cash	\$ 657,618	\$ 601,063
Contribution receivable	28,950	195,000
Short-term investments	<u>3,026,330</u>	<u>99,402</u>
Financial assets available to meet general expenses within one year	<u>\$ 3,712,898</u>	<u>\$ 895,465</u>

Note 3: 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

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018:

	2019			
	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 funds	\$ 136,780	\$ 136,780	\$ -	\$ -
Certificates of deposit (short-term)	2,889,550	-	2,889,550	-
Certificates of deposit (long-term)	1,396,281	-	1,396,281	-
	<u>\$ 4,422,611</u>	<u>\$ 136,780</u>	<u>\$ 4,285,831</u>	<u>\$ -</u>
	2018			
	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 funds	\$ 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>

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, 2019. 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.

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018 totaled \$120,000 and \$80,000, respectively, and are classified as program expense – other in the statements of functional expenses.

Note 5: 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 35% of 2019 contributions were received from two donors and approximately 15% of 2018 contributions were received from one donor.