

# **Front Range Equine Rescue**

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

**Front Range Equine Rescue**  
**December 31, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2021

**Front Range Equine Rescue**  
**Statements of Financial Position**  
**December 31, 2020 and 2019**

**Assets**

	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash	\$ 704,762	\$ 657,618
Contributions receivable	38,100	28,950
Prepaid expenses and other assets	4,654	-
Short-term investments	3,607,157	3,026,330
Total current assets	4,354,673	3,712,898
<b>Long-term Investments</b>	1,423,884	1,396,281
<b>Property and Equipment</b>		
Buildings and improvements	832,714	832,714
Land	175,000	175,000
Equipment	145,783	145,783
Accumulated depreciation	(257,105)	(231,221)
Total property and equipment	896,392	922,276
Total assets	\$ 6,674,949	\$ 6,031,455

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$ 88,616	\$ 158,467
Accrued liabilities	2,020	9,866
Total current liabilities	90,636	168,333
<b>Net Assets</b>		
Net assets without donor restrictions	6,584,313	5,863,122
Total liabilities and net assets	\$ 6,674,949	\$ 6,031,455

**Front Range Equine Rescue**  
**Statements of Activities**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Revenues, Gains and Other Support, Without Donor Restrictions</b>		
Contributions	\$ 649,819	\$ 1,338,041
Direct mail contributions	765,792	803,095
Grants	60,000	68,000
Program fees	1,200	3,575
	<u>1,476,811</u>	<u>2,212,711</u>
Investment return, net	93,529	149,662
Other income	100,000	-
	<u>193,529</u>	<u>149,662</u>
Total other revenues		
	<u>1,670,340</u>	<u>2,362,373</u>
<b>Expenses</b>		
Program services	832,596	1,122,654
Management and general	65,569	52,636
Fundraising	50,984	83,328
	<u>949,149</u>	<u>1,258,618</u>
Total expenses		
	<u>721,191</u>	<u>1,103,755</u>
<b>Change in Net Assets Without Donor Restrictions</b>		
	<u>5,863,122</u>	<u>4,759,367</u>
<b>Net Assets Without Donor Restrictions, Beginning of Year</b>		
	<u>\$ 6,584,313</u>	<u>\$ 5,863,122</u>
<b>Net Assets Without Donor Restrictions, End of Year</b>		

**Front Range Equine Rescue**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

	Program Services	Support Services		Total
		Management and General	Fundraising	
Accounting	\$ -	\$ 28,639	\$ -	\$ 28,639
Advocacy	69,192	-	-	69,192
Depreciation expense	22,001	3,883	-	25,884
Direct mail expense	65,669	4,104	12,313	82,086
Direct mail postage	126,466	7,904	23,712	158,082
Direct mail printing	49,482	3,093	9,278	61,853
Facility expenses	35,677	554	-	36,231
Feed	63,106	-	-	63,106
Grants	104,000	-	-	104,000
Horse care, supplies and boarding	84,511	-	-	84,511
Information and technology	13,683	2,415	-	16,098
Insurance	11,089	1,957	-	13,046
Miscellaneous expenses	4,117	2,114	51	6,282
Office expense	3,931	682	-	4,613
Payroll taxes	3,982	181	362	4,525
Professional fees	-	6,772	-	6,772
Salaries	55,033	2,501	5,003	62,537
Utilities	4,539	770	265	5,574
Veterinarian care	116,118	-	-	116,118
	<u>\$ 832,596</u>	<u>\$ 65,569</u>	<u>\$ 50,984</u>	<u>\$ 949,149</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	-	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**  
**Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 721,191	\$ 1,103,755
Items not requiring (providing) cash		
Depreciation	25,884	31,640
Unrealized and realized gain	(1,169)	(70,841)
Changes in		
Contributions receivable	(9,150)	166,050
Prepaid expenses and other assets	(4,654)	6,585
Accounts payable and other liabilities	(77,697)	17,507
	<u>654,405</u>	<u>1,254,696</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	-	(66,011)
Proceeds from sale of investments	3,391,000	866,252
Purchase of investments	(3,998,261)	(1,998,382)
	<u>(607,261)</u>	<u>(1,198,141)</u>
<b>Net Increase in Cash</b>	<u>47,144</u>	<u>56,555</u>
<b>Cash, Beginning of Year</b>	<u>657,618</u>	<u>601,063</u>
<b>Cash, End of Year</b>	<u>\$ 704,762</u>	<u>\$ 657,618</u>

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2020 and 2019

### 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.

Direct rescue involves saving horses from abusive situations, providing rehabilitation, training evaluation and adoption to qualified homes. A small number of horses retire with the Organization when they are unlikely to adopt but are still in overall good health. Direct rescue also involves providing humane euthanasia for horses debilitated or suffering from various conditions including disease or severe injury where quality of life is diminished.

A critical aspect of rescue work is to prevent abuse from occurring. This goal can be accomplished through direct rescue efforts, but education of new, potential and existing horse owners (and the general public) is key to eliminating abuse. Providing creative, yet practical solutions for horses is necessary to advance equine welfare. Examples include education horse owners on safe means to re-home their horses; providing short-term assistance to horse owners during financial crisis or natural disasters; provide outlets for former competition horses for second careers instead of dumping into the slaughter pipeline; and utilizing safe, humane alternatives for wild horses other than roundups, warehousing in government pens, or slaughter.

The educational program consists of events and printed materials which provide information on horse care, owner responsibility, wild horse issues, and ending horse slaughter responsibly. Events and clinics have included basic first aid, equine nutrition, round pen basics, under saddle problem solving, trail riding safely, fire/disaster evacuation, trailer loading, natural horsemanship, effectively communicating with horses, and youth camps. National campaigns focus on ending horse slaughter and protection of wild horses. Campaigns include legal action and advocacy when appropriate.

#### *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, 2020, 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.

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2020 and 2019

### ***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. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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

### ***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, 2020 and 2019.

### ***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.

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2020 and 2019

### 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

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 2020 and 2019.

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2020 and 2019

### **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, management and general and fundraising categories based on time and effort, space usage, and other methods.

During 2020, due to the changes in operations, in part, as a result of COVID-19, the Organization summarized certain natural classifications and their presentation on the 2020 statement of functional expenses. These summarizations had no effect on the functional classifications, and thus, were not incorporated into the 2019 statement of functional expenses.

### **Subsequent Events**

Subsequent events have been evaluated through March 24, 2021, 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.

The following table shows financial assets held at December 31, 2020 and 2019 that could be made available during the following fiscal years to meet general expenditures:

	<b>2020</b>	<b>2019</b>
Financial assets at year-end		
Cash	\$ 704,762	\$ 657,618
Contribution receivable	38,100	28,950
Short-term investments	<u>3,607,157</u>	<u>3,026,330</u>
Financial assets available to meet general expenses within one year	<u>\$ 4,350,019</u>	<u>\$ 3,712,898</u>

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2020 and 2019

### 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

#### **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, 2020 and 2019:

	<b>2020</b>			
	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Money market funds	\$ 808,040	\$ 808,040	\$ -	\$ -
Certificates of deposit (short-term)	2,799,117	-	2,799,117	-
Certificates of deposit (long-term)	1,423,884	-	1,423,884	-
	<u>\$ 5,031,041</u>	<u>\$ 808,040</u>	<u>\$ 4,223,001</u>	<u>\$ -</u>

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2020 and 2019

	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>

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, 2020. 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 4: Allocation of Joint Costs

The Organization conducted activities that included requests for contributions, as well as program and management and general components. Those activities include the use of a direct mail service that produces, prints and distributes educational, programmatic and fundraising materials and solicitations. The costs of conducting those activities included a total of \$302,021 and \$429,399 in 2020 and 2019, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Fundraising	\$ 45,303	\$ 73,882
Rescue and education programs	241,617	340,949
Management and general	<u>15,101</u>	<u>14,568</u>
	<u>\$ 302,021</u>	<u>\$ 429,399</u>

The Organization uses the criteria as defined in FASB Accounting Standards Codification 958-720 to identify joint activities and allocate those costs among the particular functional classifications.

### 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, 2020 and 2019 totaled \$104,000 and \$120,000, respectively, and are classified as grants and program expense – other, respectively, in the statements of functional expenses.

### 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 20% of 2020 contributions were received from one donor and approximately 35% of 2019 contributions were received from one donor.

#### **COVID-19**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.