

Front Range Equine Rescue

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



Front Range Equine Rescue
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Independent Auditor's Report

Board of Directors
Front Range Equine Rescue
Ocala, Florida

Opinion

We have audited the financial statements of Front Range Equine Rescue, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Front Range Equine Rescue as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Front Range Equine Rescue and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Front Range Equine Rescue's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Board of Directors
Front Range Equine Rescue

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Front Range Equine Rescue's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Front Range Equine Rescue's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS, LLP

Colorado Springs, Colorado
March 7, 2023

Front Range Equine Rescue
Statements of Financial Position
December 31, 2022 and 2021

Assets

	2022	2021
Current Assets		
Cash	\$ 1,481,228	\$ 655,834
Prepaid expenses and other assets	12,382	5,584
Short-term investments	5,020,355	3,552,775
Total current assets	6,513,965	4,214,193
Long-term Investments	1,654,827	2,390,079
Property and Equipment		
Buildings and improvements	872,265	854,666
Land	175,000	175,000
Equipment	145,783	135,293
Accumulated depreciation	(307,820)	(271,916)
Total property and equipment	885,228	893,043
Total assets	\$ 9,054,020	\$ 7,497,315

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 124,635	\$ 85,694
Accrued liabilities	554	2,160
Total current liabilities	125,189	87,854
Net Assets		
Net assets without donor restrictions	8,928,831	7,409,461
Total liabilities and net assets	\$ 9,054,020	\$ 7,497,315

Front Range Equine Rescue
Statements of Activities
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues, Gains and Other Support, Without Donor Restrictions		
Contributions	\$ 1,566,643	\$ 883,454
Direct mail contributions	1,079,826	942,182
Grants	50,000	30,000
Program fees	-	350
	<u>2,696,469</u>	<u>1,855,986</u>
Total public support		
	<u>2,696,469</u>	<u>1,855,986</u>
Investment return, net	(67,647)	(3,163)
Gain on sale of property and equipment	-	4,500
	<u>(67,647)</u>	<u>1,337</u>
Total other revenues		
	<u>(67,647)</u>	<u>1,337</u>
Total revenues, gains and other support, without donor restrictions	<u>2,628,822</u>	<u>1,857,323</u>
Expenses		
Program services	942,643	879,293
Management and general	79,095	70,493
Fundraising	87,714	82,389
	<u>1,109,452</u>	<u>1,032,175</u>
Total expenses		
	<u>1,109,452</u>	<u>1,032,175</u>
Change in Net Assets Without Donor Restrictions	<u>1,519,370</u>	<u>825,148</u>
Net Assets Without Donor Restrictions, Beginning of Year	<u>7,409,461</u>	<u>6,584,313</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 8,928,831</u>	<u>\$ 7,409,461</u>

Front Range Equine Rescue
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Support Services		Total
		Management and General	Fundraising	
Accounting	\$ -	\$ 27,556	\$ -	\$ 27,556
Advocacy	30,916	-	-	30,916
Depreciation expense	21,602	3,812	-	25,414
Direct mail expense	163,307	9,606	19,213	192,126
Direct mail postage	199,028	12,439	37,318	248,785
Direct mail printing	151,188	9,449	28,348	188,985
Facility expenses	20,047	1,533	-	21,580
Feed	65,013	-	-	65,013
Grants	115,000	-	-	115,000
Horse care, supplies and boarding	10,055	-	-	10,055
Insurance	13,599	-	-	13,599
Miscellaneous expenses	6,011	1,109	8	7,128
Office expense	32,691	1,721	-	34,412
Payroll taxes	2,908	132	264	3,304
Professional fees	-	9,311	-	9,311
Salaries	41,948	2,097	2,563	46,608
Utilities	6,075	330	-	6,405
Veterinarian care	63,255	-	-	63,255
	<u>\$ 942,643</u>	<u>\$ 79,095</u>	<u>\$ 87,714</u>	<u>\$ 1,109,452</u>

Front Range Equine Rescue
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Support Services		Total
		Management and General	Fundraising	
Accounting	\$ -	\$ 25,785	\$ -	\$ 25,785
Advocacy	12,098	-	-	12,098
Depreciation expense	21,506	3,795	-	25,301
Direct mail expense	125,336	7,834	23,501	156,671
Direct mail postage	177,506	11,094	33,282	221,882
Direct mail printing	104,999	6,562	19,687	131,248
Facility expenses	84,096	1,610	-	85,706
Feed	53,002	-	-	53,002
Grants	113,000	-	-	113,000
Horse care, supplies and boarding	39,171	-	-	39,171
Information and technology	15,894	-	-	15,894
Insurance	13,115	-	-	13,115
Miscellaneous expenses	2,039	1,934	46	4,019
Office expense	3,962	699	-	4,661
Payroll taxes	5,655	257	514	6,426
Professional fees	-	7,657	-	7,657
Salaries	55,616	2,528	5,056	63,200
Utilities	4,382	738	303	5,423
Veterinarian care	47,916	-	-	47,916
	<u>\$ 879,293</u>	<u>\$ 70,493</u>	<u>\$ 82,389</u>	<u>\$ 1,032,175</u>

Front Range Equine Rescue
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 1,519,370	\$ 825,148
Items not requiring (providing) cash		
to net cash flows from operating activities		
Gain on sale of property and equipment	-	(4,500)
Depreciation	25,414	25,301
Unrealized and realized loss on investments	91,309	33,220
Changes in		
Contributions receivable	-	38,100
Prepaid expenses and other assets	(6,798)	(930)
Accounts payable and other liabilities	37,335	(2,782)
	1,666,630	913,557
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	-	4,500
Purchase of property and equipment	(17,599)	(21,952)
Proceeds from sale of investments	3,154,999	3,295,967
Purchase of investments	(3,978,636)	(4,241,000)
	(841,236)	(962,485)
Net cash used in investing activities		
Net Change in Cash	825,394	(48,928)
Cash, Beginning of Year	655,834	704,762
Cash, End of Year	\$ 1,481,228	\$ 655,834

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2022 and 2021

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, by 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 educating 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, 2022, the Organization's cash accounts exceeded federally insured limits by approximately \$700,000. Cash equivalents held for investment purposes are classified as investments for financial reporting purposes.

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021.

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, 2022 and 2021

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
<i>Conditional gifts, with or without restriction</i>	
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
<i>Unconditional gifts, with or without restriction</i>	
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 2022 and 2021.

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2022 and 2021

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.

Subsequent Events

Subsequent events have been evaluated through March 7, 2023, 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 various investments 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, 2022 and 2021 that could be made available during the following fiscal years to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash	\$ 1,481,228	\$ 655,834
Short-term investments	<u>5,020,355</u>	<u>3,552,775</u>
Financial assets available to meet general expenses within one year	<u>\$ 6,501,583</u>	<u>\$ 4,208,609</u>

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021:

	2022			
	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 funds	\$ 613,108	\$ 613,108	\$ -	\$ -
U.S. Treasury securities (short-term)	2,064,843	-	2,064,843	-
U.S. Treasury securities (long-term)	1,177,677	-	1,177,677	-
Certificates of deposit (short-term)	2,342,404	-	2,342,404	-
Certificates of deposit (long-term)	477,150	-	477,150	-
	<u>\$ 6,675,182</u>	<u>\$ 613,108</u>	<u>\$ 6,062,074</u>	<u>\$ -</u>

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2022 and 2021

	2021			
	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	\$ 298,073	\$ 298,073	\$ -	\$ -
Certificates of deposit (short-term)	3,254,702	-	3,254,702	-
Certificates of deposit (long-term)	2,390,079	-	2,390,079	-
	<u>\$ 5,942,854</u>	<u>\$ 298,073</u>	<u>\$ 5,644,781</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, 2022. 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.

Front Range Equine Rescue

Notes to Financial Statements

December 31, 2022 and 2021

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 \$629,896 and \$509,801 in 2022 and 2021, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2022</u>	<u>2021</u>
Fundraising	\$ 84,879	\$ 76,470
Rescue and education programs	513,523	407,841
Management and general	<u>31,494</u>	<u>25,490</u>
	<u>\$ 629,896</u>	<u>\$ 509,801</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. For the years ended December 31, 2022 and 2021, the Organization had accrued grant payments to the affiliated organization for a mission similar to the Organization of \$0 and \$5,000, respectively. The Organization recorded \$115,000 and \$110,000 for the years ended December 31, 2022 and 2021, respectively, to grant expense related to grants made to this affiliated organization.

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 65% and 35% of contributions were received from one donor in 2022 and 2021, respectively.