

**SOUTHERN REINS CENTER FOR EQUINE THERAPY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**SOUTHERN REINS CENTER FOR EQUINE THERAPY**

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*December 31, 2020*

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## **Independent Auditor's Report**

Board of Directors  
Southern Reins Center for Equine Therapy  
Memphis, Tennessee

We have audited the accompanying financial statements of Southern Reins Center for Equine Therapy (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Reins Center for Equine Therapy as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Frazee Ivy Davis PLC*

Memphis, Tennessee  
February 26, 2021

# SOUTHERN REINS CENTER FOR EQUINE THERAPY

*Statement of Financial Position*

*December 31, 2020*

## ASSETS

Cash and cash equivalents	\$ 1,054,092
Accounts receivable	6,836
Unconditional promises to give, net	46,320
Prepaid expenses	10,326
Property and equipment, net	<u>1,350,158</u>
Total assets	<u>\$ 2,467,732</u>

## LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 19,495
Deferred revenue	5,562
Paycheck Protection Program loan	<u>45,622</u>
Total liabilities	<u>70,679</u>
Net assets	
Without donor restrictions	2,297,149
With donor restrictions	<u>99,904</u>
Total net assets	<u>2,397,053</u>
Total liabilities and net assets	<u>\$ 2,467,732</u>

## SOUTHERN REINS CENTER FOR EQUINE THERAPY

### *Statement of Activities*

*For the year ended December 31, 2020*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Special events			
Jockeys and Juleps	\$ 246,221	\$ -	\$ 246,221
Other events	5,740	-	5,740
Capital campaign	-	40,000	40,000
Contributions	161,559	72,396	233,955
In-kind contributions	19,918	-	19,918
Program service revenue			
Lesson income, net	44,022	-	44,022
Other	2,112	-	2,112
Interest income	727	3,228	3,955
Other income	3,920	-	3,920
	<u>484,219</u>	<u>115,624</u>	<u>599,843</u>
Total revenues and support			
Reclassifications			
Net assets released from restrictions	88,885	(88,885)	-
	<u>573,104</u>	<u>26,739</u>	<u>599,843</u>
Total revenues and support and reclassifications			
Expenses			
Program services	319,884	-	319,884
Management and general	64,520	-	64,520
Fundraising	69,085	-	69,085
	<u>453,489</u>	<u>-</u>	<u>453,489</u>
Total expenses			
Gain on disposal of property and equipment	150,692	-	150,692
Change in net assets	270,307	26,739	297,046
Net assets, beginning of year	2,026,842	73,165	2,100,007
Net assets, end of year	<u>\$ 2,297,149</u>	<u>\$ 99,904</u>	<u>\$ 2,397,053</u>

*See accompanying notes to the financial statements.*

## SOUTHERN REINS CENTER FOR EQUINE THERAPY

### *Statement of Functional Expenses*

*For the year ended December 31, 2020*

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensatory expenses				
Salaries and wages	\$ 163,827	\$ 35,943	\$ 36,158	\$ 235,928
Payroll taxes	13,696	3,005	3,023	19,724
Total compensatory expenses	177,523	38,948	39,181	255,652
Other expenses				
Depreciation	38,838	2,719	1,597	43,154
Occupancy	34,815	2,437	1,431	38,683
Horse care	30,777	-	-	30,777
Insurance	18,678	1,308	768	20,754
Other event expenses	-	-	13,597	13,597
Utilities	11,726	821	482	13,029
Advertising	-	-	11,548	11,548
Office expenses	1,886	8,359	-	10,245
Professional fees	-	7,231	-	7,231
Miscellaneous	3,442	659	481	4,582
Software and technology	-	2,038	-	2,038
Training	1,550	-	-	1,550
Travel and entertainment	649	-	-	649
Total expenses	<u>\$ 319,884</u>	<u>\$ 64,520</u>	<u>\$ 69,085</u>	<u>\$ 453,489</u>

# SOUTHERN REINS CENTER FOR EQUINE THERAPY

## *Statement of Cash Flows*

*For the year ended December 31, 2020*

Operating activities	
Change in net assets	\$ 297,046
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	43,154
Gain on disposal of property and equipment	(150,692)
Contributions restricted for long-term purposes	(114,772)
Changes in operating assets and liabilities:	
Accounts receivable	5,416
Unconditional promises to give	55,980
Prepaid expenses	2,091
Accounts payable and accrued expenses	(4,384)
Deferred revenue	3,362
Net cash provided by operating activities	<u>137,201</u>
Investing activities	
Proceeds from sale of property and equipment	574,391
Purchases of property and equipment	<u>(521,561)</u>
Net cash provided by investing activities	<u>52,830</u>
Financing activities	
Proceeds from contributions restricted for long-term projects	114,772
Proceeds from Paycheck Protection Program loan	<u>45,622</u>
Net cash provided by financing activities	<u>160,394</u>
Change in cash and cash equivalents	<u>350,425</u>
Cash and cash equivalents, beginning of year	<u>703,667</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,054,092</u></u>

## **Note 1 – Organization and Activities**

Southern Reins Center for Equine Therapy (the “Organization”) is a not-for-profit formed to provide equine assisted activities and therapies to individuals with physical, cognitive, and emotional disabilities to empower, inspire, nurture, and succeed. The Organization offers therapeutic riding, horsemanship, barn lessons, equine-assisted psychotherapy, and Equine Services for Heroes.

## **Note 2 – Summary of Significant Accounting Policies**

### *Basis of Accounting*

The accompanying financial statements have been prepared using the accrual basis of accounting. Under this basis of accounting, revenue and support are recognized when earned and expenses are recognized when incurred.

### *Financial Statement Presentation*

Under accounting standards for not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

*Net Assets without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be met in perpetuity.

### *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 and expenses during the reporting period. Actual results could differ from those estimates.

### *Cash Equivalents*

The Organization considers all highly liquid instruments with an initial maturity of three months or less to be cash equivalents.

### *Promises to Give*

Promises to give are recognized when they are determined to be an unconditional promise to give. Accordingly, promises to give that contain donor-imposed conditions are not recognized until the condition is substantially met. However, if the possibility that a condition will not be met is remote, a conditional promise to give is considered unconditional. Promises to give due in more than one year are discounted to the present value of the estimated future cash flows. As of December 31, 2020, management has determined that no allowance for doubtful promises to give was required based on current trends.

**Note 2 – Summary of Significant Accounting Policies (continued)**

*Property, Equipment, and Depreciation*

Property and equipment is stated at estimated fair value at the date of the contribution, if contributed, or at acquisition cost, if purchased. Major renewals and betterments that extend the useful lives of assets are also recorded at cost. Expenditures for normal repair and maintenance are expensed as they occur. Depreciation is determined using the straight-line method over the estimated useful lives of the assets which range from five to thirty-nine years.

The Organization utilizes horses on loan which are not capitalized as it does not expect title to transfer at the end of the agreement and the cost is indeterminable.

*Board Designated Net Assets*

The Organization maintains a board designated deferred maintenance reserve. As of December 31, 2020, the board designated deferred maintenance reserve totaled \$25,015, which is included within net assets without donor restrictions in the accompanying statement of financial position.

*Revenue from Contracts with Customers*

Program related income is generated by the Organization's operational activities and, therefore, considered separate from the Organization's contributed support. The Organization has evaluated its lesson contracts and determined that its contracts qualify for recognizing revenue at the point in time the obligation is fulfilled, which is when services are rendered to the customer. For multiple contracts with a single customer, the Company accounts for each contract separately.

The contract liability, "deferred revenue," represents the Organization's obligation to render services to a customer for which the Organization has been paid by the customer or for which the Organization has billed the customer under the terms of the contract. Revenue for future services reflected in this account are recognized, and the liability is reduced, as the Organization subsequently satisfies the performance obligation under the contract.

*Support*

Contributions received are recognized as support with or without donor restrictions, depending on the existence of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions.

*Donated Materials and Services*

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of property and equipment are recorded as contributions without donor restrictions at the date of donation unless the donor has restricted the donated asset to a specific purpose.

**Note 2 – Summary of Significant Accounting Policies (continued)**

*Tax Status*

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). The Organization files tax returns in the United States federal jurisdiction. The Organization is no longer subject to examination by federal authorities for years prior to 2017.

Based on the evaluation of the Organization’s tax positions, management believes all positions taken would more likely than not be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended December 31, 2020.

*Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

Type of Expense	Method of Allocation
Building occupancy	Square footage
Interest on building loan	Square footage
Salaries	Time and effort
Payroll taxes and benefits	Time and effort

*Subsequent Events*

Management has evaluated subsequent events through February 26, 2021, the date the financial statements were available to be issued.

**Note 3 – Unconditional Promises to Give**

At December 31, 2020, unconditional promises to give were due as follows:

Receivable in less than one year	\$	31,792
Receivable in one to three years		19,000
 Total unconditional promises to give		 50,792
Discount to net present value		(4,472)
 Unconditional promises to give, net		 \$ <u>46,320</u>

Unconditional promises to give due in more than one year are reflected at the net present value of estimated future cash flows using a discount rate of 6% at December 31, 2020.

# SOUTHERN REINS CENTER FOR EQUINE THERAPY

*Notes to the Financial Statements*

*December 31, 2020*

## **Note 4 – Property and Equipment**

Property and equipment consisted of the following at December 31, 2020:

Buildings	\$ 989,722
Land and land improvements	407,973
Furnishings	14,801
Equipment	<u>29,576</u>
Total property and equipment	1,442,072
Accumulated depreciation	<u>(91,914)</u>
Property and equipment, net	<u>\$ 1,350,158</u>
Depreciation expense for the year	<u>\$ 43,154</u>

## **Note 5 – Paycheck Protection Program Loan**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. In April 2020, the Organization received a Small Business Administration (“SBA”) loan in the amount of \$45,622 for the Payroll Protection Program (“PPP”) in order to keep staff employed during the coronavirus pandemic. The terms of the PPP loan indicate that the Organization must utilize the proceeds to fund/offset qualifying expenses over an eight-week period, which can be extended to twenty-four weeks if elected. The terms of the agreement specify that the Organization must repay the principal of the loan back plus interest, which accrues at 1% annually. The loan matures in two years which totals \$912 in interest expense. Upon maturity, the loan and accrued interest payable may be forgiven if the Organization fulfills the agreed upon terms. The Organization has elected to treat the PPP loan in accordance with the FASB *ASC 470, Debt*, model. Under this model, the effects of any anticipated forgiveness of the loan are not recognized in the financial statements until the Organization has been notified by the SBA that the loan, in whole or in part, has been approved for forgiveness. As of December 31, 2020, the Organization has not applied for, nor received, forgiveness for the PPP loan from the SBA.

## **Note 6 – Net Assets with Donor Restrictions**

As of December 31, 2020, net assets with donor restrictions consisted of the following:

Time restrictions	\$ 10,000
Purpose restrictions	
TEACH program	8,854
Scholarships	<u>81,050</u>
Total	<u>\$ 99,904</u>

# SOUTHERN REINS CENTER FOR EQUINE THERAPY

*Notes to the Financial Statements*

*December 31, 2020*

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## **Note 7 – Availability of Resources and Liquidity**

As part of its ongoing liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2020, the Organization's unrestricted financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Unrestricted financial assets at year end:	
Cash and cash equivalents	\$ 1,054,092
Accounts receivable	6,836
Unconditional promises to give	<u>50,792</u>
Total unrestricted financial assets	<u>1,111,720</u>
Less amounts not available to be used within one year:	
Board designated net assets	25,015
Net assets with donor restrictions	99,904
Excluding net assets with restrictions to be met in less than a year	<u>(44,270)</u>
	<u>80,649</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,031,071</u></u>