

# **Front Range Equine Rescue**

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

**Front Range Equine Rescue**  
**December 31, 2021 and 2020**

**Contents**

**Independent Auditor's Report..... 1**

**Financial Statements**

Statements of Financial Position ..... 3  
Statements of Activities..... 4  
Statement of Functional Expenses – 2021 ..... 5  
Statement of Functional Expenses – 2020..... 6  
Statements of Cash Flows ..... 7  
Notes to Financial Statements ..... 8

## 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, 2021 and 2020, 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, 2021 and 2020, 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.

*BKD, LLP*

Colorado Springs, Colorado  
March 10, 2022

**Front Range Equine Rescue**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

**Assets**

	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash	\$ 655,834	\$ 704,762
Contributions receivable	-	38,100
Prepaid expenses and other assets	5,584	4,654
Short-term investments	3,552,775	3,607,157
Total current assets	4,214,193	4,354,673
<b>Long-term Investments</b>	2,390,079	1,423,884
<b>Property and Equipment</b>		
Buildings and improvements	854,666	832,714
Land	175,000	175,000
Equipment	135,293	145,783
Accumulated depreciation	(271,916)	(257,105)
Total property and equipment	893,043	896,392
Total assets	\$ 7,497,315	\$ 6,674,949

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$ 85,694	\$ 88,616
Accrued liabilities	2,160	2,020
Total current liabilities	87,854	90,636
<b>Net Assets</b>		
Net assets without donor restrictions	7,409,461	6,584,313
Total liabilities and net assets	\$ 7,497,315	\$ 6,674,949

**Front Range Equine Rescue**  
**Statements of Activities**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Revenues, Gains and Other Support, Without Donor Restrictions</b>		
Contributions	\$ 883,454	\$ 649,819
Direct mail contributions	942,182	765,792
Grants	30,000	60,000
Program fees	350	1,200
	<u>1,855,986</u>	<u>1,476,811</u>
Investment return (loss), net	(3,163)	93,529
Other income	-	100,000
Gain on sale of property and equipment	4,500	-
	<u>1,337</u>	<u>193,529</u>
Total other revenues	<u>1,337</u>	<u>193,529</u>
Total revenues, gains and other support, without donor restrictions	<u>1,857,323</u>	<u>1,670,340</u>
<b>Expenses</b>		
Program services	879,293	832,596
Management and general	70,493	65,569
Fundraising	82,389	50,984
	<u>1,032,175</u>	<u>949,149</u>
Total expenses	<u>1,032,175</u>	<u>949,149</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<u>825,148</u>	<u>721,191</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>	<u>\$ 7,409,461</u>	<u>\$ 6,584,313</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**  
**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**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 825,148	\$ 721,191
Items not requiring (providing) cash		
to net cash flows from operating activities		
Gain on sale of property and equipment	(4,500)	-
Depreciation	25,301	25,884
Unrealized and realized loss (gain) on investments	33,220	(1,169)
Changes in		
Contributions receivable	38,100	(9,150)
Prepaid expenses and other assets	(930)	(4,654)
Accounts payable and other liabilities	(2,782)	(77,697)
	913,557	654,405
<b>Net cash provided by operating activities</b>		
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of property and equipment	4,500	-
Purchase of property and equipment	(21,952)	-
Proceeds from sale of investments	3,295,967	3,391,000
Purchase of investments	(4,241,000)	(3,998,261)
	(962,485)	(607,261)
<b>Net cash used in investing activities</b>		
<b>Net Change in Cash</b>	(48,928)	47,144
<b>Cash, Beginning of Year</b>	704,762	657,618
<b>Cash, End of Year</b>	\$ 655,834	\$ 704,762

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2021 and 2020

### 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, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$120,000. Cash equivalents held for investment purposes are classified as investments for financial reporting purposes.

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2021 and 2020

### ***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, 2021 and 2020.

### ***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, 2021 and 2020

### 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 2021 and 2020.

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2021 and 2020

### **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 10, 2022, 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, 2021 and 2020 that could be made available during the following fiscal years to meet general expenditures:

	<b>2021</b>	<b>2020</b>
Financial assets at year-end		
Cash	\$ 655,834	\$ 704,762
Contribution receivable	-	38,100
Short-term investments	<u>3,552,775</u>	<u>3,607,157</u>
Financial assets available to meet general expenses within one year	<u>\$ 4,208,609</u>	<u>\$ 4,350,019</u>

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2021 and 2020

### 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, 2021 and 2020:

	2021			
	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	\$ 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>

# Front Range Equine Rescue

## Notes to Financial Statements

December 31, 2021 and 2020

	2020			
	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	\$ 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>

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, 2021. 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, 2021 and 2020

### 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 \$509,801 and \$302,021 in 2021 and 2020, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2021</u>	<u>2020</u>
Fundraising	\$ 76,470	\$ 45,303
Rescue and education programs	407,841	241,617
Management and general	<u>25,490</u>	<u>15,101</u>
	<u>\$ 509,801</u>	<u>\$ 302,021</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, 2021 and 2020, the Organization had accrued grant payments to the affiliated organization for a mission similar to the Organization of \$5,000 and \$20,000, respectively. The Organization recorded \$110,000 and \$104,000 for the years ended December 31, 2021 and 2020, 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 35% of contributions were received from one donor in 2021 and approximately 20% of contributions were received from one donor in 2020.



# **Front Range Equine Rescue**

## **Notes to Financial Statements**

**December 31, 2021 and 2020**

### ***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.