

Colorado Horse Rescue
FINANCIAL STATEMENTS
December 31, 2017

Michael Sczekan & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Directors
Colorado Horse Rescue
Longmont, Colorado

We have audited the accompanying financial statements of Colorado Horse Rescue (a nonprofit corporation), which comprise the statement of assets, liabilities and net assets as of December 31, 2017, and the related statements of activities and fund balances 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Colorado Horse Rescue as of December 31, 2017, and its support, revenue, and expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supporting data included in the report on pages 11, 12 and 13 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the same auditing procedures applied in the examination of the basic financial statements and, in our opinion, are presented fairly in all material respects in relation to the financial statements taken as a whole.

Respectfully Submitted,

Michael Sczekan & Co.

Michael Sczekan & Co.
Certified Public Accountants
Centennial, Colorado
July 26, 2018

Colorado Horse Rescue
Statement of Assets, Liabilities and Net Assets
As of December 31, 2017

ASSETS

Current Assets

Cash		\$	544,644
Inventory			<u>20,911</u>
Total Current Assets		\$	565,555

Fixed Assets

Office equipment		\$	9,726
Horse trailers			33,700
Farm equipment			42,091
Farm sheds			46,022
Farm buildings			939,111
Land			<u>266,129</u>
Total		\$	1,336,779
Less: Accumulated depreciation			<u>(443,285)</u>
Net Fixed Assets - Cost less Accumulated Depreciation			893,494

Investments

Marketable securities held in investment account			<u>1,488,698</u>
TOTAL ASSETS		\$	<u>2,947,747</u>

The Accompanying Notes are an Integral Part of These Statements.

Colorado Horse Rescue
Statement of Assets, Liabilities and Net Assets
As of December 31, 2017

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 21,804
Payroll taxes payable	<u>8,904</u>
Total Current Liabilities	\$ 30,708

Net Assets

Unrestricted	\$ 2,910,370
Temporarily restricted	<u>6,669</u>
NET ASSETS	<u>2,917,039</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,947,747</u>

The Accompanying Notes are an Integral Part of These Statements.

Colorado Horse Rescue
Statement of Activities and Net Assets
For the Year Ended December 31, 2017

SUPPORT AND REVENUES

Donation and program services revenues	\$	607,049
Gross Profit From Merchandise Sales		33,026
Net investment income		<u>162,689</u>

Total Support and Revenues \$ 802,764

COST OF OPERATIONS

Program Expenses

Farm expenses	\$	121,768
Horse management expenses		261,722

Fundraising, Newsletters and Administrative Expenses

Fundraising and newsletters	108,379
Administrative expenses	<u>99,700</u>

Total Operating Expenses 591,569

Increase in Net Assets \$ 211,195

Beginning Net Assets 2,705,844

Ending Net Assets \$ 2,917,039

The Accompanying Notes are an Integral Part of These Statements.

Colorado Horse Rescue
Statement of Cash Flows
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Support and other revenues	\$ 661,389
Program expenses	(354,431)
Support, fundraising and newsletters	<u>(208,079)</u>
Cash Flows from Operating Activities	\$ 98,879

CASH FLOWS FROM INVESTING ACTIVITIES

Withdrawals from investments	\$ 23,093
Purchase of fixed assets	<u>(76,665)</u>
Cash Flows from Investing Activities	(53,572)

NET CASH FLOW **\$ 45,307**

Cash - Beginning of year 499,337

Cash - End of year **\$ 544,644**

Reconciliation of Net Asset Change to Net Cash From Operations

Increase in Net Assets	\$ 211,195
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operations	
Depreciation	34,663
Investment account earnings and losses	(162,405)
Change in inventory	7,494
Change in accounts payable	1,553
Other current liabilities	-
Change in other payables	<u>6,379</u>
Cash Flows from Operating Activities	\$ <u>98,879</u>

The Accompanying Notes are an Integral Part of These Statements.

Colorado Horse Rescue
Notes to the Financial Statements
December 31, 2017

NOTE 1 - Significant Accounting Policies

A. Organization – Colorado Horse Rescue (the Organization) is a Section 501(c)(3) organization and is incorporated under the laws of the State of Colorado.

B. Nature of Activities – The Organization’s mission is to:

Provide a humane alternative for the survival of abandoned, abused and neglected horses.

Provide medical care, food and shelter to horses in need of such care.

To obtain legal ownership of abandoned, abused and neglected horses.

To find and screen potential adoptive homes and the subsequent placement in adoptive homes of abandoned, abused and neglected horses in which the Organization has acquired ownership and to assist in the placement by others of horses into humane environments.

To provide community education on the care and handling of horses.

C. Depreciation – Fixed assets are stated at cost and are depreciated over their estimated useful lives primarily using the straight-line method of depreciation over their estimated useful lives: Five to ten years for equipment and vehicles and forty years for real estate. Improvements are capitalized, while expenditures for maintenance and repairs under \$5,000 are charged to expense as incurred.

D. Income Taxes – The Organization is exempt from income taxes on its charitable activities, and the organization qualifies for the 50% charitable contributions deduction for individual donors.

E. Cash and Cash Equivalent – For purposes of the cash flow statement, the Organization considers all unrestricted highly liquid investments with initial maturities of six months or less to be cash equivalents.

F. Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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.

Colorado Horse Rescue

Notes to the Financial Statements

December 31, 2017

NOTE 1 - Significant Accounting Policies (continued)

G. Financial Statement Presentation – The Organization has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit”. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of Cash Flows.

H. Contributions – The Organization adopted SFAS No. 116, “Accounting for Contributions Received and Contributions Made”. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. SFAS No. 116 also requires the value of donated materials and specialized services to be reported. The Organization is able to reasonably estimate the value of these donations.

I. Subsequent Events - Management has evaluated events and transactions occurring after December 31, 2017 through July 10, 2018, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events or transactions that required recognition or disclosure in the financial statements.

NOTE 2 - Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market. The inventory at year end consisted of the following:

Merchandise	\$	7,847
Hay		<u>13,065</u>
Total Inventory	\$	<u><u>20,912</u></u>

Colorado Horse Rescue

Notes to the Financial Statements

December 31, 2017

NOTE 3 - Restrictions on Assets

A. Permanently Restricted - During the year, the Organization did not have any permanently restricted net assets.

B. Temporarily Restricted – The Organization received a grant to fund specific activities of the organization. Some of the funding will carry over to support next year's activities.

C. Unrestricted – The Organization also received temporarily restricted support for on-going operations whose restrictions have been met within the year. The Organization's policy is to recognize such support in the year received as unrestricted support. For example, support may be restricted to provide funding for on-going educational activities. Because such funds were expended during the year, this support is reported as unrestricted in the financial statements.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Net Assets</u>
Net Assets at January 1, 2017	\$ 2,699,175	\$ 6,669	\$ 2,705,844
Change in Net Assets from Activities	<u>211,195</u>	<u>-</u>	<u>211,195</u>
Net Assets at December 31, 2017	\$ 2,910,370	\$ 6,669	\$ 2,917,039
Restrictions Satisfied by Expenditures lifted by Management			
None during 2017	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets at December 31, 2017	\$ <u>2,910,370</u>	\$ <u>6,669</u>	\$ <u>2,917,039</u>

NOTE 4 - Non-Cash Activity

The organization holds investments at Charles Schwab & Co. Inc. Interest and dividends of \$43,598 were added to the investment holdings. Adjustments to current market values of held investments resulted in a gain of \$119,091 during 2017.

Colorado Horse Rescue
Notes to the Financial Statements
December 31, 2017

NOTE 5 - Concentrations of Risk

Geographic Concentration - Colorado Horse Rescue operations are concentrated in Colorado. The Organization operates from a property located in Longmont, Colorado, providing care and shelter for its horses.

The Organization maintains cash balances at a financial institution located in Colorado. Accounts at the institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation. As of the balance sheet date, the Company had accounts totaling \$520,000 at one bank.

NOTE 6 - Contributed Services

Colorado Horse Rescue includes the value of contributed specialized services as income. During the current year, there were no contributed professional services.

NOTE 7 - Retirement Plan

The Organization maintains a SIMPLE retirement plan for the benefit of its employees. Under the plan, the Company is obligated to contribute between 1% to 3% of an employee's wages for those employees who meet the plan's participation requirements and choose to defer a portion of their salary under the plan. The retirement funds are held in individual retirement accounts and are under the control of the respective employees.

Colorado Horse Rescue
Schedule of Support and Other Revenues
For the Year Ended December 31, 2017

Unrestricted Support and Revenues		
Donations	\$	551,981
Memorials		10,875
Adoption fees		25,320
Education		14,473
Miscellaneous program income		<u>4,400</u>
Total Donations and Program Fees	\$	607,049
Sale of Merchandise		
Merchandise revenue	\$	54,056
Less: Cost of merchandise sold		<u>(21,030)</u>
Gross Profit From Merchandise Sales		33,026
Investment income		
Interest, dividend and investment income	\$	43,598
Unrealized gains and losses on investments		<u>119,091</u>
Investment Income		<u>162,689</u>
Total Support and Other Revenues	\$	<u><u>802,764</u></u>

The Accompanying Notes are an Integral Part of These Statements.

Colorado Horse Rescue
Schedule of Functional Program Expenses
For the Year Ended December 31, 2017

FARM EXPENSES

Fencing	\$ 1,939
Gas and oil	4,349
Insurance	18,139
Repairs and maintenance	34,567
Property maintenance	10,961
Depreciation	34,663
Utilities	15,362
Vehicles	<u>1,788</u>
Total Farm Expenses	\$ 121,768

OTHER PROGRAM EXPENSES

Horse Management Expenses

Employee wages	\$ 140,023
Payroll taxes - Horse management	10,711
Feed, hay and supplements for animals	66,544
Farrier	11,694
Veterinary	14,191
Other horse management expenses	<u>18,559</u>
Total Horse Management Expenses	<u>261,722</u>

Total Farm and Other Program Expenses	<u><u>\$ 383,490</u></u>
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The Accompanying Notes are an Integral Part of These Statements.

Colorado Horse Rescue
Schedules of Fundraising and Operating Expenses
For the Year Ended December 31, 2017

Fundraising

Fundraising wages	\$ 42,216
Fund raising and special events expenses	35,681
Grant writing	6,212
Advertising	1,384
Marketing materials	15,500
Payroll taxes - Fundraising	3,246
Printing and mailing costs	1,903
Other fundraising costs	<u>2,237</u>

Total Fundraising Expenses \$ 108,379

Operating Expenses

Bank service and credit card fees	\$ 7,677
Employee benefits	872
Administrative wages	29,910
Information technology	4,066
Investment expenses	10,626
Office supplies	9,169
Other administrative expenses	9,545
Outside services	15,500
Payroll taxes - Administrative	2,272
Pension plan contributions	4,521
Printing	1,256
Professional fees	<u>4,286</u>

Total Administrative Expenses 99,700

Total Operating Expenses \$ 208,079