THE GENTLE BARN FOUNDATION

FINANCIAL STATEMENTS
For the year ended December 31, 2019

STERN, KORY, SREDEN & MORGAN
An Accountancy Corporation

24961 The Old Road, 2nd Floor
Stevenson Ranch, CA 91381
Tel. (661) 286-1040
Fax (661) 286-1050

THE GENTLE BARN FOUNDATION
Table of Contents

STERN
KORY
SREDEN
& MORGAN
An Accountancy Corporation

sksm@sksm.com
www.sksm.com

24961 The Old Road, 2nd Floor
Stevenson Ranch, CA 91381

Tel: 661-286-1040
Fax: 661-286-1050

MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Gentle Barn Foundation
Newhall, California

We have audited the accompanying financial statements of The Gentle Barn Foundation (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, 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 auditors' 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 statement.

To the Board of Directors of
The Gentle Barn Foundation

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 The Gentle Barn Foundation as of December 31, 2019, 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.

Stern, Kory, Sreden and Morgan

Stern, Kory, Sreden and Morgan, AAC

Stevenson Ranch, California
March 31, 2020

THE GENTLE BARN FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Current Assets	
Cash and cash equivalents	$ 441,498
Inventory	8,867
Prepaid expenses and other	8,957
Total Current Assets	459,322
Property and Equipment, net	2,796,737
Other Asset	
Security deposits	5,000
Total Assets	$ 3,261,059

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 113,538
Accrued expenses	4,906
Credit cards payable	17,215
Sales tax payable	1,341
Accrued vacation	70,233
Security deposits - tenants	3,000
Total Current Liabilities	210,233
Long-Term Liabilities	
Note payable	150,000
Total Liabilities	360,233
Net Assets	
Without donor restrictions	2,900,073
With donor restrictions	753
Total Net Assets	2,900,826
Total Liabilities and Net Assets	$ 3,261,059

THE GENTLE BARN FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 2,543,742	$ 427,000	$ 2,970,742
Sunday program income	454,649	-	454,649
Sales of products and refreshments	154,376	-	154,376
Other income	25	-	25
Net assets released from restrictions	474,246	(474,246)	-
Total Unrestricted Support	3,627,038	(47,246)	3,579,792
EXPENSES			
Program services			
Animal care	2,522,513	-	2,522,513
Sunday operating costs	56,262	-	56,262
Cost of sales	66,267	-	66,267
Total Progam services	2,645,042	-	2,645,042
Support services	583,125	-	583,125
Fundraising	262,453	-	262,453
Total Expenses	3,490,619	-	3,490,619
Change in net assets	136,419	(47,246)	89,173
Net Assets at the Beginning of the Year	2,763,654	47,999	2,811,653
Net Assets at the End of the Year	$ 2,900,073	$ 753	$ 2,900,826

See accompanying notes and independent auditor's report

THE GENTLE BARN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2019

	Program Services	Supporting Services	Fundraising	Total
Advertising fees	$ 310,377	$ -	$ -	$ 310,377
Animal care expenses	339,430	-	-	339,430
Auto expense	18,493	6,164	-	24,657
Bank fees	-	56,905	-	56,905
Consultant fees	131,858	32,965	-	164,823
Cost of sales	66,267	-	-	66,267
Depreciation	68,145	969	-	69,114
Equipment rental	9,940	-	-	9,940
Fundraising expenses	-	-	134,194	134,194
Insurance	112,546	112,546	-	225,092
Meals and entertainment	5,784	5,784	-	11,567
Office expense	114,206	38,069	-	152,275
Payroll expenses	86,203	12,930	8,620	107,754
Professional fees	-	77,364	-	77,364
Property maintenance	93,543	-	-	93,543
Rent	72,216	18,000	-	90,216
Repairs and maintenance	-	32,520	-	32,520
Salaries	947,673	142,151	94,767	1,184,591
Sunday cost	56,262	-	-	56,262
Taxes and licenses	13,742	3,435	-	17,177
Telecommunicatlon and internet	91,482	22,871	-	114,353
Travel expense	25,067	-	24,871	49,938
Utilities	81,808	20,452	-	102,260
TOTAL	$2,645,042	$ 583,125	$ 262,453	$3,490,619

See accompanying notes and independent auditor's report

THE GENTLE BARN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 2019

Cash Flows From Operating Activities	
Increase in net assets	$ 89,173
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	69,114
Decrease (increase) in operating assets	
Marketable securities	1,047
Inventory	10,462
Security deposits	(3,000)
Prepaid expenses	2,119
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	(1,240)
Credit card payable	609
Sales tax payable	(2,050)
Accrued vacation	28,853
Security deposits - tenants	(400)
Net Cash Provided by Operating Activities	194,687
Cash Flows From Investing Activities	
Purchase of property and equipment	(49,657)
Net Cash Used in Investing Activities	(49,657)
Cash Flows From Financing Activities	
Proceeds from note payable	150,000
Net Cash Provided by Financing Activities	150,000
Net Increase in Cash and Cash Equivalents	295,030
Cash and Cash Equivalents at Beginning of Year	146,468
Cash and Cash Equivalents at End of Year	$ 441,498
Supplmentary Information	
Interest expense	$ 25

See accompanying notes and independent auditor's report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Gentle Barn Foundation (the "Organization" or the "Foundation") is a nonprofit corporation established in 1999 under the laws of the state of California. The Organization was created to bring children and animals together in a natural environment for the purpose of helping children to learn the concepts of non-violence, unconditional love, and gain the sense of responsibility toward animals, to each other and the earth. The Organization specifically rescues and shelters animals that are abused, neglected and abandoned and cares for them at its four locations, two in Southern California (Santa Clarita and Agua Dulce), one in Tennessee (Christiana), and one in Missouri (Dittmer). The Organization is host to visiting at-risk children and children with special needs to share an interactive environment with the animals. The Organization opens to the general public every Sunday in California and Missouri and every Saturday in Tennessee.

Basis of Accounting

The Organization utilizes the accrual method of accounting in accordance with generally accepted accounting principles whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards, Financial Statements for Not-for-Profit Organizations. Under these guidelines, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions

Revenue Recognition

Contributions and support are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are considered to be net assets without donor restrictions unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenues are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Membership revenues are recognized when memberships are issued as the benefits provided to members are nominal and the revenues are, in effect, contributions to the Foundation.

In-Kind Support

The Organization's policy is to recognize contributed professional services if the services received create or enhance 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. Contributions of tangible assets and materials are recognized at fair market value when received. In-kind contributions of veterinary services totaled $900 for the year ended December 31, 2019. Other donated services from volunteers are not recognized as contributions for financial statement purposes as the recognition criteria have not been satisfied. The organization estimates that they received more than 83,000 volunteer hours per year.

Shipping Revenue

The Organization sells various types of branded merchandise on its website. Shipping fees billed to customers are considered sales revenue and shipping and handling costs, which include packaging materials and delivery costs, are included in the cost of sales.

Fair Values of Financial Instruments

The Organization's financial instruments consist of the cash and cash equivalents, receivables, payables, and accrued expenses. The carrying amounts reported in the statement of financial position approximate fair values based on quoted market prices or due to the short-term maturities of those instruments.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and disclosures 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalent

For purposes of the statement of cash flows, the Organization considers all demand deposits, money market funds, and unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents.

Inventory

Inventory represents apparel, bags, toys, and other branded merchandise available for sale on the Foundation's website or onsite at the Santa Clarita and Christiana locations, and is stated at the lower of cost or market determined by first-in, first-out method.

Income Taxes

The Organization is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. Accordingly, no provision for income tax is made in the financial statements. The 2017 through 2019 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2016 through 2019 tax years remain subject to examination by the State of California.

Property and Equipment

Property and equipment are recorded at cost. Donations of significant property and equipment are recorded as support at their estimated fair value. Such donations are reported as net assets without donor restrictions support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Maintenance and repairs are expensed in the period incurred. The estimated useful lives of property and equipment are as follows:

Building and improvements	5 - 39	Years
Farm equipment and furniture	5 - 10	Years
Office furniture and equipment	5 - 7	Years
Vehicles	5	Years
Website	3	Years

Advertising Costs

It is the Organization's policy to charge advertising costs to operations when incurred.

Expense Allocation

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Long-Lived Assets

The Organization assesses the impairment of its long-lived assets, including property and equipment, whenever economic events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. Long-lived assets are considered to be impaired when the sum of the expected future operating cash flows, undiscounted and without interest charges, is less than the carrying amounts of the related assets. During the year 2019, the Organization determined that no impairment loss needed to be recognized for any applicable assets.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at several financial institutions within the Santa Clarita Valley area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. Throughout the year cash balances may be in excess of these insured levels. Separate bank accounts are maintained for specific programs and funds designated by the Board for specific purposes.

NOTE 2 - CONCENTRATION OF CREDIT RISK (continued)

For the year ended December 31, 2019, one donor accounted for 17% of the contributions to the Organization.

NOTE 3 - PROPERTY AND EQUIPMENT

At December 31, 2019, property and equipment consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Land	$ 2,299,654	$ -	$ 2,299,654
Building and land improvements	516,987	150,404	366,583
Farm equipment and furniture	91,338	65,840	25,498
Office furniture and equipment	61,588	54,322	7,266
Vehicles	314,562	217,812	96,750
Website	2,465	1,479	986
Property and Equipment, net	$ 3,286,594	$ 489,857	$ 2,796,737

Depreciation expense for the year ended December 31, 2019 was $69,114.

NOTE 4 – ACCRUED VACATION

Accrued vacation consists of the portion of accumulated vacation pay earned through past services rendered by the Organization's employees. Accrued vacation time is a capped based on each employee's number of years in service. The amount of accrued vacation benefits amounts to $70,233 for the year ended December 31, 2019.

Sick benefits are accumulated for each employee. The employees do not gain a vested accumulated sick leave and it is not recognized as a liability of the Organization since payment of such benefits is recorded as expenditures in the period the sick leave is taken.

NOTE 5 – NOTE PAYABLE

The Organization has a note payable due to a major donor for $150,000, non-interest bearing and due December 2022.

NOTE 6 – COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Organization leases approximately six acres of land in Santa Clarita on a month-to-month basis, which includes the corporate office and animal housing, from two employees who are the original founders of the Organization. The monthly rent is $4,500. A formal lease agreement is currently in negotiation between the founders and the Board of Directors.

In March 2019, the Organization signed a non-cancelable lease agreement for office space in Valencia, California, effective April 1, 2019. The lease provides for monthly rental payments of $3,551 through April 30, 2021. The future minimum lease payments under the lease are $42,607 and $14,202 for the years ended December 31, 2020 and 2021, respectively.

Certain employees of the Organization lease residences from the Organization at its properties located in Agua Dulce, CA, Christiana, TN and Dittmer, MO. In exchange for housing, the employees perform certain farm duties. The duties are in addition to the employee's daytime employment with the Organization and are compensated separately by the provision of living quarters. Each lease ends upon the termination of the employee, at which time the employee has a limited time to vacate the residence.

NOTE 7 – RETIREMENT PLAN

The Organization sponsors a 403(b)-pension plan for all regular full-time employees who have completed at least 60 days of employment at the Organization. After a specified period of employment, the plan provided the employee with a vested interest related to their length of employment.

NOTE 8 – NEW PRONOUNCEMENT

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires recognition of rights and obligations from lease contracts longer than one year as assets and liabilities on the balance sheet. The new standard is effective for the Organization starting January 1, 2020. The Organization is evaluating the effect that ASU No. 2016-02 will have on its financial statements and related disclosures.

NOTE 9 - SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operating results. The outbreak of the virus in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses and school districts. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The related financial impact and duration cannot be reasonably estimated at this time.

Management has evaluated subsequent events through March 31, 2020, the date on which the financial statements were available to be issue and concluded that there were no additional subsequent events to report.