

THE GENTLE BARN FOUNDATION

FINANCIAL STATEMENTS

For the year ended December 31, 2020

STERN, KORY, SREDEN & MORGAN

An Accountancy Corporation

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THE GENTLE BARN FOUNDATION
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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, 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.

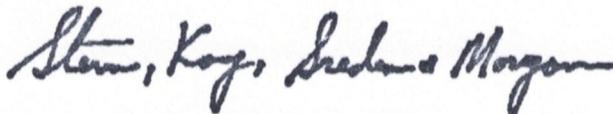
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 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.



Stern, Kory, Sreden and Morgan, AAC

Stevenson Ranch, California
April 20, 2021

**THE GENTLE BARN FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

ASSETS

Current Assets

Cash and cash equivalents	\$ 273,706
Marketable securities	4,918
Inventory	26,532
Accounts receivable	102

Total Current Assets	305,258
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Property and Equipment, net	2,761,267
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Other Asset

Security deposits	5,000
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Total Assets	\$ 3,071,525
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 83,147
Accrued expenses	28,145
Credit cards payable	3,059
Sales tax payable	821
Accrued vacation	113,857
Refundable advance	317,887

Total Current Liabilities	546,916
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Long-Term Liabilities

Security deposits - tenants	3,100
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Total Liabilities	550,016
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Net Assets

Without donor restrictions	2,400,927
With donor restrictions	120,582

Total Net Assets	2,521,509
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Total Liabilities and Net Assets	\$ 3,071,525
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See accompanying notes and independent auditor's report

**THE GENTLE BARN FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,395,017	\$ 45,582	\$ 2,440,599
Sunday program income	234,450	-	234,450
Sales of products and refreshments	69,882	-	69,882
Other income	12,545	-	12,545
Net assets released from restrictions	753	(753)	-
Total Unrestricted Support	2,712,647	44,829	2,757,476
EXPENSES			
Program services			
Animal care	2,331,479	-	2,331,479
Sunday operating costs	27,827	-	27,827
Cost of sales	59,283	-	59,283
Total Program services	2,418,393	-	2,418,393
Support services	572,724	-	572,724
Fundraising	145,676	-	145,676
Total Expenses	3,136,793	-	3,136,793
Change in net assets	(424,146)	44,829	(379,317)
Net Assets at the Beginning of the Year	2,900,073	753	2,900,826
Transfer between funds	(75,000)	75,000	-
Net Assets at the End of the Year	\$ 2,400,927	\$ 120,582	\$ 2,521,509

See accompanying notes and independent auditor's report

**THE GENTLE BARN FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
DECEMBER 31, 2020**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Advertising fees	\$ 59,159	\$ -	\$ -	\$ 59,159
Animal care expenses	371,409	-	-	371,409
Auto expense	16,689	5,563	-	22,252
Bank fees	-	50,485	-	50,485
Consultant fees	53,500	13,375	-	66,875
Cost of sales	59,283	-	-	59,283
Depreciation	60,060	969	-	61,029
Equipment rental	3,483	-	-	3,483
Fundraising expenses	-	-	20,225	20,225
Insurance	125,542	125,542	-	251,084
Meals and entertainment	3,292	3,292	-	6,584
Office expense	146,435	48,812	-	195,246
Payroll expenses	94,196	14,129	9,420	117,745
Professional fees	-	80,169	-	80,169
Property maintenance	83,619	-	-	83,619
Rent	79,672	18,000	-	97,672
Repairs and maintenance	-	12,156	-	12,156
Salaries	1,057,558	158,634	105,756	1,321,947
Sunday cost	27,827	-	-	27,827
Taxes and licenses	23,990	5,998	-	29,988
Telecommunications and internet	41,606	10,402	-	52,008
Travel expense	10,472	-	10,276	20,747
Utilities	100,798	25,199	-	125,997
TOTAL	<u>\$2,418,393</u>	<u>\$ 572,724</u>	<u>\$ 145,676</u>	<u>\$3,136,793</u>

See accompanying notes and independent auditor's report

**THE GENTLE BARN FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 2020**

Cash Flows From Operating Activities

Decrease in net assets	\$ (379,317)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	61,029
Gain on sale of investments	2,482
Forgiveness of note payable	(150,000)
Decrease (increase) in operating assets	
Marketable securities	(7,400)
Accounts receivables	(102)
Inventory	(17,665)
Prepaid expenses	8,957
Increase (decrease) in operating liabilities	
Accounts payable and accrued expenses	(7,152)
Credit card payable	(14,156)
Sales tax payable	(520)
Accrued vacation	43,624
Security deposits - tenants	100

Net Cash Used In Operating Activities (460,120)

Cash Flows From Investing Activities

Purchase of property and equipment	<u>(25,559)</u>
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Net Cash Used in Investing Activities (25,559)

Cash Flows From Financing Activities

Refundable advance	<u>317,887</u>
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Net Cash Provided by Financing Activities 317,887

Net Decrease in Cash and Cash Equivalents (167,792)

Cash and Cash Equivalents at Beginning of Year 441,498

Cash and Cash Equivalents at End of Year \$ 273,706

Supplementary Information

Interest expense	<u>\$ 63</u>
Income tax expense	<u><u>\$ 21,307</u></u>

See accompanying notes and independent auditor's report

**THE GENTLE BARN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020**

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.

**THE GENTLE BARN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020**

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. No membership revenue was recognized in 2020.

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. 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 15,000 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.

**THE GENTLE BARN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020**

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, CA, Dittmer, MO and Christiana, TN 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 2018 through 2020 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2017 through 2020 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.

**THE GENTLE BARN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020**

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 2020, 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.

**THE GENTLE BARN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020**

NOTE 2 - CONCENTRATION OF CREDIT RISK (continued)

For the year ended December 31, 2020, there were no donors that contributed over 10% to the Organization.

NOTE 3 - PROPERTY AND EQUIPMENT

At December 31, 2020, property and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 2,299,654	\$ -	\$ 2,299,654
Building and land improvements	542,546	172,507	370,039
Farm equipment and furniture	91,338	72,552	18,786
Office furniture and equipment	61,588	56,221	5,367
Vehicles	314,562	247,634	66,928
Website	2,465	1,972	493
Property and Equipment, net	<u><u>\$ 3,312,153</u></u>	<u><u>\$ 550,886</u></u>	<u><u>\$ 2,761,267</u></u>

Depreciation expense for the year ended December 31, 2020 was \$61,029.

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 \$113,857 for the year ended December 31, 2020.

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 – REFUNDABLE ADVANCE

The Organization received a Paycheck Protection Program ("PPP") loan on April 26, 2020 in the amount of \$317,887 with an interest rate of 1%. Initially, principal and interest were to be payable on a monthly basis with payments starting on December 1, 2020 and maturing on April 26, 2022. On June 5, 2020, the Payroll Protection Program Flexibility Act modified the terms of PPP loans to extend the coverage period from 8 weeks to 24

**THE GENTLE BARN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020**

NOTE 5 – REFUNDABLE ADVANCE (continued)

weeks and extend the maturity date to five years with repayments beginning no later than 10 months after the last day of the covered period.

Under the terms of the agreement all or part of the loan may be forgiven based upon the usage of proceeds of the loan for forgivable expenses. On January 19, 2021, the Organization applied for loan forgiveness.

NOTE 6 – NOTE PAYABLE

The Organization had a note payable due to a major donor for \$150,000, non-interest bearing and due December 2022. For the year ended December 31, 2020, the note payable was forgiven.

NOTE 7 – 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, 2019 and \$3,657 through March 31, 2021. The lease was terminated on March 31, 2021.

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 8 – 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.

**THE GENTLE BARN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020**

NOTE 9 – RISKS AND UNCERTAINTIES

Due to the outbreak of the COVID-19 coronavirus, in March of 2020 the Government mandated closures of non-essential businesses and schools. In response to this mandate, the Organization has been able to continue rescuing animals but temporarily had to transition their weekend programming to a safe private tour experience instead of a public interactive experience with the animals. The Organization has managed to maintain some programming during this time of uncertainty, despite various levels of movement restrictions. Economic uncertainties still remain which could negatively impact future operating results.

The Organization received a \$317,887 PPP loan (See Note 5) which helped to cover employees' salaries, employee related expenses, rent and utilities for the near future. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and the programmatic and economic impact on the Organization, its donors, and governmental funding streams. Management continues to monitor the situation. The related financial impact and duration cannot be reasonably estimated at this time.

NOTE 10 - SUBSEQUENT EVENTS

The Organization received a second PPP loan on March 13, 2021 in the amount of \$274,642 with an interest rate of 1% and matures on March 13, 2026. Under the terms of the agreement all or part of the loan may be forgiven based upon the usage of proceeds of the loan for forgivable expenses.

Management has evaluated subsequent events through April 20, 2021, the date on which the financial statements were available to be issued and concluded that there were no additional subsequent events to report.