

# **THE GENTLE BARN FOUNDATION**

FINANCIAL STATEMENTS  
For the year ended December 31, 2023

# THE GENTLE BARN FOUNDATION

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Qualified Opinion**

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, 2023, and the related statements of activities, functional expenses and cash flows, for the year then ended, and the related notes to the financial statements.

In our opinion, except for the undetermined matter described in the following Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of The Gentle Barn Foundation as of December 31, 2023, and the results of its activities and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

### **Qualified Basis for Opinion**

As discussed in Note 5, U.S. GAAP requires that The Gentle Barn Foundation use acceptable techniques to determine the proper capitalization and recording of lease commitments. The Company's management has not adopted this lease standard. The effect of this departure from U.S. GAAP on financial position has not been determined, but management believes it has no significant impact on its operations.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of these Financial Statements section of our report. We are required to be independent of The Gentle Barn Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Responsibilities of Management 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, 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 The Gentle Barn Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## INDEPENDENT AUDITOR'S REPORT

(continued)

### 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 The Gentle Barn Foundation'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 The Gentle Barn Foundation'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.

*Wilton Robinson*

Wilton Robinson, CPA  
Culver City, California  
May 9, 2024

**THE GENTLE BARN FOUNDATION**  
(A Not-for-Profit Organization)

**STATEMENT OF FINANCIAL POSITION**  
December 31, 2023

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 501,375
Inventory	116,479
Prepays and other current assets	<u>22,412</u>
<b>Total Current Assets</b>	640,266

<b>Property and Equipment, net</b>	<u>2,742,821</u>
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<b>Total Assets</b>	<u><u>\$ 3,383,087</u></u>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable and accruals	\$ 143,895
Accrued salaries and related	143,017
Line of credit	100,000
Credit cards payable	15,888
Sales tax payable	<u>14,327</u>
<b>Total Current Liabilities</b>	417,127

**Long-Term Liabilities**

Security deposits - tenants	<u>1,500</u>
<b>Total Long-Term Liabilities</b>	<u>1,500</u>
<b>Total Liabilities</b>	418,627

**Net Assets**

Without donor restrictions	2,964,460
With donor restrictions	<u>-</u>
<b>Total Net Assets</b>	<u>2,964,460</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 3,383,087</u></u>

See accompanying notes to financial statements

# THE GENTLE BARN FOUNDATION

(A Not-for-Profit Organization)

## STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>			
Contributions	\$ 2,999,554	\$ -	\$ 2,999,554
Sunday program income	1,262,735	-	1,262,735
Merchandise sales			
Sunday in-store	415,122	-	415,122
Online	88,548	-	88,548
In-kind donation	12,000	-	12,000
Other income (losses)	(28,113)	-	(28,113)
<b>Total Revenues and Support</b>	<u>4,749,846</u>	<u>-</u>	<u>4,749,846</u>
<b>EXPENSES</b>			
Program services			
Animal care	3,430,278	-	3,430,278
Merchandise costs			
Sunday in-store	319,114	-	319,114
Online	20,801	-	20,801
<b>Total Program Services</b>	<u>3,770,193</u>	<u>-</u>	<u>3,770,193</u>
Support services	1,010,147	-	1,010,147
Fundraising	335,718	-	335,718
<b>Total Expenses</b>	<u>5,116,058</u>	<u>-</u>	<u>5,116,058</u>
<b>Changes in net assets</b>	(366,212)	-	(366,212)
Net assets released from restrictions	130,989	(130,989)	-
Net assets at beginning of year	<u>3,199,683</u>	<u>130,989</u>	<u>3,330,672</u>
<b>Net assets at end of year</b>	<u>\$ 2,964,460</u>	<u>\$ -</u>	<u>\$ 2,964,460</u>

See accompanying notes to financial statements

**THE GENTLE BARN FOUNDATION**  
(A Not-for-Profit Organization)

**STATEMENT OF FUNCTIONAL EXPENSES**

For The Year Ended December 31, 2023

	Program Services	Support Services	Fundraising	Total
<b>EXPENSES</b>				
Advertising and promotion	\$ 111,198	\$ -	\$ 96,887	\$ 208,085
Animal care expenses	597,843	-	-	597,843
Auto expense	47,534	5,147	-	52,681
Bank fees	-	77,012	-	77,012
Cost of Sales	20,801	-	-	20,801
Depreciation	54,811	-	-	54,811
Employee benefits and related	156,203	76,944	28,916	262,063
Equipment rental	4,340	-	-	4,340
Insurance	186,451	186,451	-	372,902
Meals and entertainment	5,897	5,897	-	11,794
Office expenses	100,791	54,915	-	155,706
Outside labor	23,003	112,335	-	135,338
Professional fees	-	111,769	-	111,769
Property mainenance	109,163	-	-	109,163
Rent	54,600	18,200	-	72,800
Repairs and maintenance	-	2,130	-	2,130
Salaries	1,717,961	301,623	184,348	2,203,932
Sunday cost	319,114	-	-	319,114
Taxes and licenses	33,426	2,819	-	36,245
Telephone and internet	30,548	10,931	-	41,479
Travel expenses	25,568	-	25,567	51,135
Utilities	170,941	43,974	-	214,915
<b>Total Expenses</b>	<u>\$ 3,770,193</u>	<u>\$ 1,010,147</u>	<u>\$ 335,718</u>	<u>\$ 5,116,058</u>

See accompanying notes to financial statements

**THE GENTLE BARN FOUNDATION**  
(A Not-for-Profit Organization)

**STATEMENT OF CASH FLOWS**  
For The Year Ended December 31, 2023

**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in net assets	\$ (366,212)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	54,811
(Increase) decrease in operating assets:	
Inventory	59,546
Prepays and other current assets	122,528
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(11,296)
Accrued salaries and related	11,115
Credit card payables	(4,533)
Sales tax payable	<u>427</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(133,614)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of equipment	<u>(39,290)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(39,290)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Borrowings from line of credit	<u>100,000</u>
<b>Net cash provided by (used in) financing activities</b>	<u>100,000</u>

<b>Net increase (decrease) in cash and cash equivalents</b>	(72,904)
Cash and cash equivalents at beginning of year	<u>574,279</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 501,375</u></u>

**Supplemental disclosure of cash flow information:**

Cash paid during the year for interest and income taxes were both zero.

See accompanying notes to financial statements



**THE GENTLE BARN FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2023**

**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, Missouri, and 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.

**Financial Statement Presentation**

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, which are described as follows:

*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 pass of time, purpose, or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

*Net Assets Without Donor Restrictions* – Net assets for use in general operations and not subject to donor restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve through a board-designated endowment.

**THE GENTLE BARN FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Revenue Recognition**

Contributions and support are recognized when the donor makes a donation 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.

Membership revenues are recognized when season passes 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. 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 and associated costs billed to customers are considered sales revenue and shipping and handling costs.

**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.

**THE GENTLE BARN FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Cash and Cash Equivalent (Concentration in Credit Risk)**

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.

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.

**Inventory**

Inventory which amounted to \$116,479 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 net realizable value 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 2021 through 2023 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2020 through 2023 tax years remain subject to examination by the State of California.

**Property and Equipment (Long-Lived Assets)**

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.

**THE GENTLE BARN FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and Equipment (Long-Lived Assets) (continued)**

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.

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 2023, the Organization determined that no impairment loss needed to be recognized for any applicable assets.

Depreciation is computed using the straight-line method over the estimated useful life of the assets. 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

**Advertising Costs**

It is the Organization's policy to charge advertising costs to operations when incurred and the costs amounted to \$208,086.

**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.

**THE GENTLE BARN FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2023**

**NOTE 2 - PROPERTY AND EQUIPMENT**

At December 31, 2023, property and equipment consisted of the following:

Land	\$ 2,299,654
Building and land improvements	610,918
Farm equipment and furniture	96,863
Office furniture and equipment	57,214
Vehicles	<u>385,991</u>
	3,450,640
Less: Accumulated depreciation	<u>(707,818)</u>
Property and Equipment, net	<u><u>\$ 2,742,821</u></u>

Depreciation expense for the year ended December 31, 2023 was \$54,811.

Although not included in the table above nor considered an asset value of the Organization under U.S. GAAP, as of date of this report, the Organization estimated that there was approximately \$1.5 million of appreciation in the real estate it owns. Management always has the option to sell its real estate to gain this significant appreciation, but currently has no intention to do so. This additional asset value further supports the good standing and financial stability of the Organization.

**NOTE 3 – LINE OF CREDIT**

The Company has a line of credit agreement with a regional bank totaling \$400,000, with an expiration of November 29, 2024. Borrowings under the line of credit accrue interest at the bank's variable rate (8.5% at December 31, 2023). This line of credit is secured by the Organization's property and equipment. At December 31, 2023, the outstanding balance was \$100,000.

**NOTE 4 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure within one-year December 31, 2023 are as follows:

Cash and cash equivalents	\$ 501,375
Inventory	116,479
Prepaid expenses and other	<u>22,412</u>
Total financial assets	640,266
Amounts not available to be used within one year	<u>0</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 640,266</u></u>

**THE GENTLE BARN FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2023**

**NOTE 5 –RELATED PARTY ARRANGEMENTS**

The Organization leases approximately six acres of land in Santa Clarita, which includes the corporate office and animal housing, from two employees who are the original Founders of the Organization. The lease expires in April 2025. The total rent expense under the lease was \$72,800 for the year ended December 31, 2023.

Under this related party lease arrangement, the Company chose not to adopt the lease capitalization and recording requirements under Accounting Standards Codification (ASC) 842 of U.S. GAAP, which at minimum would have required the recording of a right-of-use asset and lease obligation on the balance sheet.

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 employment, at which time the employee has a limited time to vacate the residence.

Following FASB ASU No. 2018-17, management has elected the private company exemption, and thus is not applying variable-interest entity guidance and related consolidation considerations on these related parties or other commonly controlled entities. It is possible that the terms of certain of the related party transactions noted herein are not the same as those that would result with transactions among wholly unrelated parties.

**NOTE 6 – 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. There are no matching or employer contribution to the plan.

**NOTE 7 - SUBSEQUENT EVENTS**

In November 2022, an initial deposit of \$135,000 was submitted for the purchase of land in New York to expand into this region. The Organization is currently in the process of raising additional capital to fund this expansion project. A proposal was recently submitted to NYC Parks and Recreation to open and manage a Bronx location with the same services and benefits as the Organization's other locations. This agency's committee is reviewing multiple submissions and will be making a decision in the next couple of months for a projected permit date in September 2024.

Management has evaluated subsequent events through May 9, 2024, the date on which the financial statements were available to be issued and concluded that there were no additional subsequent events to report.