

**BAREFOOT REPUBLIC, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-16

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Barefoot Republic, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Barefoot Republic, Inc. (a Kentucky not-for-profit corporation, the "Organization"), which comprise the statements of financial position as of September 30, 2017 and 2016, the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

Auditors' 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 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 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 financial position of Barefoot Republic, Inc. as of September 30, 2017 and 2016, 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.

Blankenship CPA Group, PLLC
January 23, 2018

BAREFOOT REPUBLIC, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

ASSETS		
	2017	2016
Current assets:		
Cash	\$ 60,987	\$ 106,943
Accounts receivable	73,086	17,389
Contributions receivable	181,149	145,584
Prepaid expenses	-	2,886
Total current assets	<u>315,222</u>	<u>272,802</u>
Noncurrent assets:		
Cash held in endowment	925	9,542
Cash whose use is restricted	9,955	12,511
Contributions receivable	23,333	-
Property and equipment, net	2,049,028	2,036,474
Endowment	<u>62,519</u>	<u>50,648</u>
Total assets	<u><u>\$ 2,460,982</u></u>	<u><u>\$ 2,381,977</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 20,240	\$ 11,994
Accrued expenses	4,487	7,757
Deferred revenue	56,317	40,337
Line of credit	98,565	96,785
Notes payable, current portion	<u>43,105</u>	<u>49,826</u>
Total current liabilities	222,714	206,699
Notes payable, net of current portion	<u>85,304</u>	<u>88,653</u>
Total liabilities	<u>308,018</u>	<u>295,352</u>
Net assets:		
Unrestricted	<u>2,038,317</u>	<u>2,016,089</u>
Restricted net assets:		
Temporarily restricted	56,622	12,511
Permanently restricted	<u>58,025</u>	<u>58,025</u>
Total restricted net assets	<u>114,647</u>	<u>70,536</u>
Total net assets	<u>2,152,964</u>	<u>2,086,625</u>
Total liabilities and net assets	<u><u>\$ 2,460,982</u></u>	<u><u>\$ 2,381,977</u></u>

The accompanying notes are an integral part of these financial statements.

BAREFOOT REPUBLIC, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues:				
Program revenue	\$ 465,697	\$ -	\$ -	\$ 465,697
Facility rentals	207,236	-	-	207,236
Total operating revenues	672,933	-	-	672,933
Public support and other revenues:				
Contributions	286,954	-	-	286,954
Capital funds	81,993	-	-	81,993
Special events	396,776	-	-	396,776
Grants	62,409	56,622	-	119,031
In-kind revenue	32,553	-	-	32,553
Miscellaneous revenue	7,236	-	-	7,236
Net assets released in satisfaction of restrictions	12,511	(12,511)	-	-
Total public support and other revenues	880,432	44,111	-	924,543
Total revenues	1,553,365	44,111	-	1,597,476
Functional expenses:				
Program services	1,120,891	-	-	1,120,891
Supporting services:				
Management and general	218,588	-	-	218,588
Fundraising	191,658	-	-	191,658
Total functional expenses	1,531,137	-	-	1,531,137
Increase in net assets	22,228	44,111	-	66,339
Net assets, beginning of year	2,016,089	12,511	58,025	2,086,625
Net assets, end of year	\$ 2,038,317	\$ 56,622	\$ 58,025	\$ 2,152,964

The accompanying notes are an integral part of these financial statements.

BAREFOOT REPUBLIC, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues:				
Program revenue	\$ 433,457	\$ -	\$ -	\$ 433,457
Facility rentals	194,547	-	-	194,547
Total operating revenues	<u>628,004</u>	<u>-</u>	<u>-</u>	<u>628,004</u>
Public support and other revenues:				
Contributions	271,165	3,511	37,025	311,701
Capital funds	138,990	-	-	138,990
Special events	356,117	-	-	356,117
Grants	29,200	9,000	-	38,200
In-kind revenue	17,002	-	-	17,002
Miscellaneous revenue	3,554	-	-	3,554
Net assets released in satisfaction of restrictions	<u>230,022</u>	<u>(230,022)</u>	<u>-</u>	<u>-</u>
Total public support and other revenues	<u>1,046,050</u>	<u>(217,511)</u>	<u>37,025</u>	<u>865,564</u>
Total revenues	<u>1,674,054</u>	<u>(217,511)</u>	<u>37,025</u>	<u>1,493,568</u>
Functional expenses:				
Program services	873,447	-	-	873,447
Supporting services:				
Management and general	155,789	-	-	155,789
Fundraising	148,475	-	-	148,475
Total functional expenses	<u>1,177,711</u>	<u>-</u>	<u>-</u>	<u>1,177,711</u>
Increase (decrease) in net assets	496,343	(217,511)	37,025	315,857
Net assets, beginning of year	<u>1,519,746</u>	<u>230,022</u>	<u>21,000</u>	<u>1,770,768</u>
Net assets, end of year	<u>\$ 2,016,089</u>	<u>\$ 12,511</u>	<u>\$ 58,025</u>	<u>\$ 2,086,625</u>

The accompanying notes are an integral part of these financial statements.

BAREFOOT REPUBLIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	Program Services	Management and General	Fundraising	Total
Camp expense	\$ 333,966	\$ -	\$ -	\$ 333,966
Payroll, taxes, and benefits	442,483	115,101	88,709	646,293
Facilities and equipment	60,216	-	-	60,216
Occupancy	38,400	11,442	-	49,842
Utilities	32,575	7,186	-	39,761
Insurance	21,712	2,324	-	24,036
Fall banquet	-	-	31,695	31,695
Other events	-	-	32,108	32,108
Merchandise	-	-	11,548	11,548
Professional and contract services	1,458	31,358	13,375	46,191
Office expense	231	6,511	4,784	11,526
Advertising and public relations	4,206	-	-	4,206
Memberships and dues	4,649	335	-	4,984
Travel	929	-	-	929
Interest and bank fees	4,941	19,022	-	23,963
Miscellaneous	5,243	3,671	39	8,953
Contributions	-	10,000	-	10,000
Bad debt expense	-	-	9,400	9,400
In-kind expense	3,203	1,510	-	4,713
Depreciation	166,679	10,128	-	176,807
	<u>\$ 1,120,891</u>	<u>\$ 218,588</u>	<u>\$ 191,658</u>	<u>\$ 1,531,137</u>

The accompanying notes are an integral part of these financial statements.

BAREFOOT REPUBLIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	Program Services	Management and General	Fundraising	Total
Camp expense	\$ 285,347	\$ -	\$ -	\$ 285,347
Payroll, taxes, and benefits	323,896	83,757	60,542	468,195
Facilities and equipment	35,770	-	-	35,770
Occupancy	37,220	11,225	-	48,445
Utilities	26,774	5,643	-	32,417
Insurance	14,368	1,441	-	15,809
Fall banquet	-	-	23,957	23,957
Other events	-	-	31,713	31,713
Merchandise	-	-	11,425	11,425
Professional and contract services	-	12,063	4,853	16,916
Office expense	282	4,822	4,952	10,056
Advertising and public relations	3,403	-	3,540	6,943
Memberships and dues	5,115	485	-	5,600
Travel	1,275	15	-	1,290
Interest and bank fees	5,096	16,756	-	21,852
Miscellaneous	1,854	1,739	471	4,064
Contributions	-	10,000	-	10,000
Bad debt expense	-	-	1,500	1,500
In-kind expense	9,900	1,580	5,522	17,002
Depreciation	123,147	6,263	-	129,410
	<u>\$ 873,447</u>	<u>\$ 155,789</u>	<u>\$ 148,475</u>	<u>\$1,177,711</u>

The accompanying notes are an integral part of these financial statements.

BAREFOOT REPUBLIC, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 66,339	\$ 315,857
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	176,807	129,410
Contributed securities	(6,684)	-
Net unrealized gain on endowment	(2,677)	(2,165)
Contributed property and equipment	(27,840)	-
Change in operating assets and liabilities:		
Accounts receivable	(55,697)	19,316
Contributions receivable	(58,898)	(145,584)
Prepaid expenses	2,886	(969)
Accounts payable	8,246	(21,076)
Accrued expenses	(3,270)	3,185
Deferred revenue	15,980	15,378
Contributions restricted for endowment	-	(37,025)
Contributions restricted for long-term investment	(90,948)	(12,511)
Total adjustments	<u>(42,095)</u>	<u>(52,041)</u>
Net cash provided by operating activities	<u>24,244</u>	<u>263,816</u>
Cash flows from investing activities:		
Purchase of property and equipment	(161,521)	(410,283)
Purchase of securities	-	(27,483)
Sale of securities	<u>(2,510)</u>	<u>-</u>
Net cash used by investing activities	<u>(164,031)</u>	<u>(437,766)</u>
Cash flows from financing activities:		
Collections of contributions restricted for long-term investment	90,948	12,511
Contributions received for endowment	-	37,025
Net borrowings (payments) on line of credit	1,780	(30,000)
Principal payments on notes payable	<u>(10,070)</u>	<u>(8,835)</u>
Net cash provided by financing activities	<u>82,658</u>	<u>10,701</u>
Net decrease in cash	(57,129)	(163,249)
Cash, beginning of year	<u>128,996</u>	<u>292,245</u>
Cash, end of year	<u>\$ 71,867</u>	<u>\$ 128,996</u>

The accompanying notes are an integral part of these financial statements.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Barefoot Republic, Inc. (the "Organization") was founded in 2000 as a Kentucky not-for-profit corporation. The Organization's mission is to facilitate Christ-centered relationships between individuals of diverse racial, cultural and socioeconomic backgrounds, through an equally diverse platform of artistic, athletic and team building programs. Participants in these programs are largely concentrated in the southern Kentucky and middle Tennessee areas.

The Organization operates summer and day camps at a facility located on 55 acres on Barren River Lake at 8824 Brownsford Road, Fountain Run, Kentucky. This facility includes three tree house villages, a multipurpose center building with a commercial kitchen, an amphitheater, athletic fields, a lake, and a skate park. There are currently nine overnight camp sessions and eight day camp sessions. The Organization also rents the facility as a retreat center. The Organization receives its support primarily from public contributions, camp tuition, and rental fees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash consists principally of checking and savings account balances with financial institutions. Restricted cash consists of funds received with donor imposed restrictions. Cash and cash equivalents exclude cash designated or restricted for the endowment fund. As of September 30, 2017 and 2016, there were no cash equivalents.

Accounts Receivable

Accounts receivable is stated at unpaid balances for retreats and camps. The Organization expects to fully collect these items; therefore no allowance for uncollectible accounts has been recorded in the financial statements.

Contributions Receivable

Contributions to be received in one year or less are reported at net realizable value. Contributions to be received after one year, net of an allowance for uncollectible amounts, are initially reported at fair value, estimated by discounting them to their present value at a risk-adjusted rate. Thereafter, amortization of discounts is recorded as additional contribution revenue. The allowance for uncollectible contributions receivable is provided based upon management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor, and other relevant factors.

Property, Equipment and Depreciation

Land, building, equipment and furniture purchases in excess of \$500 are capitalized and stated at acquisition cost or at estimated fair value at the time of the gift, if donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Depreciation (continued)

Depreciation of property and equipment, other than land, is calculated by the straight-line method over estimated useful lives ranging from three to ten years for equipment and furniture and five to forty years for building and improvements.

Investments

Investments are held in the endowment fund and are reported at fair value. Fair value is based on quoted prices for securities traded on public exchanges. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities, or other reasonable valuation methodologies, such as market values estimated by investment advisors or other qualified sources. Investments acquired by gift or bequest are initially recorded at market or appraised value at the date acquired. All investment gains and losses are included in the statements of activities and changes in net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statements of Activities and Changes in Net Assets as net assets released in satisfaction of restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Deferred Revenue

Deferred revenue consists of advance payments received for camp tuition and retreat deposits.

Donated Goods and Services

Donated property and materials are recorded as contributions, or capitalized as property and equipment, in the period received at their estimated fair value, if there is an objective and measurable basis for determining such value. Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by a donor who possess such skills, and would have been purchased by the Organization, if not donated. Such services are recognized at estimated fair value as support and expense in the period the services were performed.

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs. The value of contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS.

The Organization's management has analyzed the tax positions taken by the Organization and has concluded that as of September 30, 2017 no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions for the periods of 2013 to the present; however, there are currently no audits for any tax periods in progress.

Advertising

Advertising is expensed as incurred. Total advertising expense for the years ended September 30, 2017 and 2016, was \$4,206 and \$6,943, respectively.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services – includes the direct cost of operating the Organization's summer and day camps as well as retreat center rentals.

Management and General – includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting, and related purposes.

Fundraising – includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and expenses during the reported period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format.

Adoption of Accounting Standard Update 2016-08

The Organization adopted *Accounting Standards Update* ("ASU") *2016-08 Statement of Cash Flows – Restricted Cash* as of October 1, 2016. Under the newly adopted update, the Statement of Cash Flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This update requires a retrospective adjustment, and restricted cash should be included with cash on the Statement of Cash Flows. The impact to the financial statements is an increase in cash of \$9,542 as of September 30, 2016.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at September 30, 2017 was \$204,482. Of the \$204,482, \$181,149 is due within one year and \$23,333 is due in 2019. As of September 30, 2017, no allowance was considered necessary. As of September 30, 2017, two donors approximate 69% of contributions receivable.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 179,917	\$ 179,917
Buildings and improvements	2,230,715	2,117,876
Leasehold improvements	16,170	16,170
Vehicles	96,191	85,091
Furniture and equipment	249,511	184,089
	<u>2,772,504</u>	<u>2,583,143</u>
Less: accumulated depreciation	<u>(723,476)</u>	<u>(546,669)</u>
	<u>\$ 2,049,028</u>	<u>\$ 2,036,474</u>

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 5 - LINE OF CREDIT

The Organization has a \$150,000 line of credit with Fifth Third Bank. The terms are monthly payments of interest only for 11 months with outstanding principal and interest due in March, 2018. The note is arranged to automatically renew, unless the lender gives 30 days' notice prior to anniversary date. The interest rate is 1% greater than the Prime Rate. The agreement is co-signed by a company owned by the Executive Director and his family and is collateralized by the land which the Organization leases from the Executive Director and his family. The outstanding balance was \$98,565 and \$96,785 at September 30, 2017 and 2016, respectively.

NOTE 6 - NOTES PAYABLE

A summary of notes payable is as follows at September 30:

	<u>2017</u>	<u>2016</u>
The Organization has a note payable to a bank, \$703 payable per month, principal and interest, interest of 5.5%, and is secured by real property located in Scottsville, KY.	\$ -	\$ 6,857
The Organization has a note payable to a bank, \$586 payable per month, principal and interest, with a final balloon payment due July 5, 2021, interest of 4.5%, and is secured by real property located in Franklin, TN.	88,409	91,622
Non-interest bearing, unsecured note payable to an individual, due on demand.	25,000	25,000
Non-interest bearing, unsecured note payable to an individual, due on demand.	15,000	15,000
	<u>128,409</u>	<u>138,479</u>
Less: current portion	<u>(43,105)</u>	<u>(49,826)</u>
Notes payable, net of current portion	<u>\$ 85,304</u>	<u>\$ 88,653</u>

Maturities of notes payable are as follows at September 30, 2017:

2018	\$ 43,105
2019	3,248
2020	3,397
2021	<u>78,659</u>
	<u>\$ 128,409</u>

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 7 - RESTRICTIONS ON NET ASSETS

As of September 30, 2017, temporarily restricted net assets consists of donated funds designated by donors for the purchase of equipment and time-restricted scholarships in the amount of \$9,955 and \$46,667, respectively. As of September 30, 2017, permanently restricted net assets consisted of an endowment fund in the amount of \$58,025. See Note 8.

As of September 30, 2016, temporarily restricted net assets consists of donated funds designated by donors for the purchase of a vehicle and flood damage repairs in the amount of \$9,000 and \$3,511, respectively. As of September 30, 2016, permanently restricted net assets consists of an endowment fund in the amount of \$58,025. See Note 8.

NOTE 8 - ENDOWMENT FUNDS

The Organization's endowment consists of funds established by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Organization's permanently restricted endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about the endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the Organization is subject to UPMIFA.

Interpretation of applicable law – The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy – The Organization has a spending policy of appropriating for distribution each year a payout equal to 100% of the yearly total return, not to exceed 5% of the total endowment balance, for program and administrative expenses unless restricted for specific purposes by the donor(s) or designated by the Board of Directors.

Investment return objective, risk parameters and strategies – The investments shall be allocated between growth and income oriented securities which may include mutual funds, exchange traded funds (ETFs), money market funds, other cash equivalents, and individual equity and fixed income securities. The portfolio allows for 60% investment in equities and a 40% investment in fixed income and cash.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 8 - ENDOWMENT FUNDS (CONTINUED)

A schedule of endowment net asset composition by type of fund as of September 30, 2017, follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds	\$ 5,419	\$ -	\$ 58,025	\$ 63,444

A schedule of endowment net asset composition by type of fund as of September 30, 2016, follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds	\$ 2,165	\$ -	\$ 58,025	\$ 60,190

As of September 30, 2017, the endowment consists of cash of \$925 and \$62,519 of exchange-traded products. As of September 30, 2016, the endowment consists of cash of \$9,542 and \$50,648 of exchange-traded products.

NOTE 9 - CHANGES IN ENDOWMENT FUND NET ASSETS

A schedule of changes in endowment net assets follows for the year ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2016	\$ 2,165	\$ -	\$ 58,025	\$ 60,190
Contributions	-	-	-	-
Investment income	-	776	-	776
Administrative expenses	(199)	-	-	(199)
Net appreciation (realized and unrealized)	2,677	-	-	2,677
Amounts released from restriction	776	(776)	-	-
Endowment net assets, September 30, 2017	\$ 5,419	\$ -	\$ 58,025	\$ 63,444

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 9 - CHANGES IN ENDOWMENT FUND NET ASSETS (CONTINUED)

A schedule of changes in endowment net assets follows for the year ended September 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets,				
October 1, 2015	\$ -	\$ -	\$ 21,000	\$ 21,000
Contributions	-	-	37,025	37,025
Investment income	-	582	-	582
Administrative expenses	(582)	-	-	(582)
Net appreciation (realized and unrealized)	2,165	-	-	2,165
Amounts released from restriction	<u>582</u>	<u>(582)</u>	<u>-</u>	<u>-</u>
Endowment net assets,				
September 30, 2016	<u>\$ 2,165</u>	<u>\$ -</u>	<u>\$ 58,025</u>	<u>\$ 60,190</u>

NOTE 10 - FINANCIAL AID AND DISCOUNTS

The Organization provides financial aid in the form of scholarships, tuition reduction and discounts to campers. The amount of financial aid for each camper is determined by the Executive Director and is based on the need described in a scholarship request letter submitted with the camper's application. Various tuition discounts are also given to returning campers, early registrants and families sending multiple children. Program revenue on the Statement of Activities and Changes in Net Assets is reported net of financial aid. Financial aid was \$493,326 and \$466,115 for the years ended September 30, 2017 and 2016, respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

In 2007, the Organization merged with Masterpiece Ministries, Inc. ("Masterpiece"), a Tennessee not-for-profit corporation, under the name Spectrum Ministries, Inc. and subsequently separated from this corporation in 2011. In a resolution made at the time of the separation, the Organization committed to provide ongoing support for Masterpiece in the form of annual usage rights of the Organization's facilities and \$10,000 per year upon receipt of proper grant requests, provided that Masterpiece establish 501(c)(3) status. During the years ended September 30, 2017 and 2016, the Organization paid \$10,000 each year in expenses related to this commitment.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

NOTE 12 - RELATED PARTIES

The Organization leased office space on a month-to-month basis from the spouse of the Executive Director. Office rental expense for both years ended September 30, 2017 and 2016, amounted to \$8,640.

The Organization also leased a building and other camp facilities on a month-to-month basis from a company owned in part by the Executive Director. As of September 30, 2017 and 2016, rent expense amounted to \$38,400 and \$37,220, respectively. Management estimates the fair rental value of the land to be approximately \$42,000 for the years ended September 30, 2017 and 2016.

The Organization leases the land on which its facilities are located from the Executive Director and his family. The lease is renewable annually at the rate of \$1 per year.

The Executive Director owns a lake house near the camp facilities that he allows the Organization to use free of charge throughout the year for staff and camp events. From time to time, it is rented by attendees of the events. Rental fees owed to the Executive Director were \$0 and \$5,150 as of September 30, 2017 and 2016, respectively.

The Organization owes a total of \$40,000 to the Executive Director and another family member. The notes are non-interest bearing and are payable on demand. See Note 6.

NOTE 13 - SUPPLEMENTAL CASH FLOW DISCLOSURES

Supplemental cash flow disclosures are as follows for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Reconciliation of Cash to Statement of Financial Position:		
Cash - unrestricted	\$ 60,987	\$ 106,943
Cash held in endowment	925	9,542
Cash whose use is restricted	9,955	12,511
	<u>\$ 71,867</u>	<u>\$ 128,996</u>
Other cash flow disclosures:		
Note payable issued to acquire property	\$ -	\$ 92,000
Cash paid during the year for interest	<u>\$ 9,118</u>	<u>\$ 5,804</u>

NOTE 14 - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through January 23, 2018, the date which the financial statements were available to be issued.