

**BAREFOOT REPUBLIC, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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FINANCIAL STATEMENTS
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YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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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, 2018 and 2017, the related statements of activities, 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, 2018 and 2017, 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.

Brentwood, Tennessee
February 27, 2019

BAREFOOT REPUBLIC, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

ASSETS

	2018	2017
Current assets:		
Cash	\$ 13,790	\$ 60,987
Accounts receivable	66,537	73,086
Due from related party	525	-
Contributions receivable	115,152	181,149
Total current assets	<u>196,004</u>	<u>315,222</u>
Noncurrent assets:		
Cash restricted by donors for long-term assets	221,726	9,955
Contributions receivable, net	59,925	23,333
Property and equipment, net	1,937,551	2,049,028
Investments	<u>75,189</u>	<u>63,444</u>
Total assets	<u><u>\$ 2,490,395</u></u>	<u><u>\$ 2,460,982</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 30,974	\$ 20,240
Accrued expenses	3,883	4,487
Deferred revenue	51,179	56,317
Line of credit	101,906	98,565
Notes payable, current portion	<u>43,248</u>	<u>43,105</u>
Total current liabilities	231,190	222,714
Notes payable, net of current portion	82,144	85,304
Total liabilities	<u>313,334</u>	<u>308,018</u>
Net assets:		
Unrestricted	1,732,398	2,038,317
Restricted net assets:		
Temporarily restricted	379,160	56,622
Permanently restricted	<u>65,503</u>	<u>58,025</u>
Total net assets	<u>2,177,061</u>	<u>2,152,964</u>
Total liabilities and net assets	<u><u>\$ 2,490,395</u></u>	<u><u>\$ 2,460,982</u></u>

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

BAREFOOT REPUBLIC, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues:				
Program revenue, net	\$ 505,192	\$ -	\$ -	\$ 505,192
Facility rentals	<u>191,924</u>	<u>-</u>	<u>-</u>	<u>191,924</u>
Total operating revenues	<u>697,116</u>	<u>-</u>	<u>-</u>	<u>697,116</u>
Public support and other revenues:				
Contributions	313,544	-	7,478	321,022
Capital funds	8,122	349,469	-	357,591
Special events	266,218	-	-	266,218
Grants	64,945	6,357	-	71,302
In-kind revenue	11,250	-	-	11,250
Miscellaneous revenue	9,661	-	-	9,661
Loss on sale of equipment	(1,200)	-	-	(1,200)
Net assets released in satisfaction of restrictions	<u>33,288</u>	<u>(33,288)</u>	<u>-</u>	<u>-</u>
Total public support and other revenues	<u>705,828</u>	<u>322,538</u>	<u>7,478</u>	<u>1,035,844</u>
Total revenues	<u>1,402,944</u>	<u>322,538</u>	<u>7,478</u>	<u>1,732,960</u>
Functional expenses:				
Program services	1,178,282	-	-	1,178,282
Supporting services:				
Management and general	262,206	-	-	262,206
Fundraising	<u>268,375</u>	<u>-</u>	<u>-</u>	<u>268,375</u>
Total functional expenses	<u>1,708,863</u>	<u>-</u>	<u>-</u>	<u>1,708,863</u>
(Decrease) Increase in net assets	(305,919)	322,538	7,478	24,097
Net assets, beginning of year	<u>2,038,317</u>	<u>56,622</u>	<u>58,025</u>	<u>2,152,964</u>
Net assets, end of year	<u>\$ 1,732,398</u>	<u>\$ 379,160</u>	<u>\$ 65,503</u>	<u>\$ 2,177,061</u>

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues:				
Program revenue, net	\$ 465,697	\$ -	\$ -	\$ 465,697
Facility rentals	207,236	-	-	207,236
Total operating revenues	<u>672,933</u>	<u>-</u>	<u>-</u>	<u>672,933</u>
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	<u>12,511</u>	<u>(12,511)</u>	<u>-</u>	<u>-</u>
Total public support and other revenues	<u>880,432</u>	<u>44,111</u>	<u>-</u>	<u>924,543</u>
Total revenues	<u>1,553,365</u>	<u>44,111</u>	<u>-</u>	<u>1,597,476</u>
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	<u>1,531,137</u>	<u>-</u>	<u>-</u>	<u>1,531,137</u>
Increase in net assets	22,228	44,111	-	66,339
Net assets, beginning of year	<u>2,016,089</u>	<u>12,511</u>	<u>58,025</u>	<u>2,086,625</u>
Net assets, end of year	<u>\$ 2,038,317</u>	<u>\$ 56,622</u>	<u>\$ 58,025</u>	<u>\$ 2,152,964</u>

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

BAREFOOT REPUBLIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Camp supplies	\$ 339,958	\$ -	\$ -	\$ 339,958
Payroll, taxes, and benefits	480,108	181,345	134,123	795,576
Facilities and equipment	63,227	-	-	63,227
Occupancy	39,791	11,491	-	51,282
Utilities	31,436	8,587	-	40,023
Insurance	26,147	2,663	-	28,810
Fall banquet	-	-	35,677	35,677
Other events	-	-	33,915	33,915
Merchandise	-	-	13,809	13,809
Professional and contract services	-	8,937	33,373	42,310
Office expense	136	3,973	9,377	13,486
Advertising and public relations	4,668	-	-	4,668
Memberships and dues	4,541	446	-	4,987
Travel	3,552	-	-	3,552
Interest and bank fees	5,043	18,949	-	23,992
Miscellaneous	7,987	3,354	3,151	14,492
Contributions	-	10,000	-	10,000
Bad debt expense	-	-	4,950	4,950
In-kind expense	-	2,250	-	2,250
Depreciation	171,688	10,211	-	181,899
	<u>\$ 1,178,282</u>	<u>\$ 262,206</u>	<u>\$ 268,375</u>	<u>\$1,708,863</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 supplies	\$ 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.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase in net assets	\$ 24,097	\$ 66,339
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	181,899	176,807
Contributed securities	(4,922)	(6,684)
Net realized and unrealized gain on endowment	(3,707)	(2,677)
Loss on sale of equipment	1,200	-
Contributed property and equipment	(9,000)	(27,840)
Change in operating assets and liabilities:		
Accounts receivable	6,549	(55,697)
Due from related party	(525)	-
Contributions receivable, net of discount	29,405	(58,898)
Prepaid expenses	-	2,886
Accounts payable	10,734	8,246
Accrued expenses	(604)	(3,270)
Deferred revenue	(5,138)	15,980
Contributions restricted for endowment	(7,478)	-
Contributions restricted for long-term investment	(221,848)	(90,948)
Total adjustments	<u>(23,435)</u>	<u>(42,095)</u>
Net cash provided by operating activities	<u>662</u>	<u>24,244</u>
Cash flows from investing activities:		
Purchase of property and equipment	(70,422)	(161,521)
Proceeds on sale of equipment	7,800	-
Purchase of securities	(3,116)	(3,435)
Net cash used by investing activities	<u>(65,738)</u>	<u>(164,956)</u>
Cash flows from financing activities:		
Contributions received for endowment	7,478	-
Collections of contributions restricted for long-term investment	221,848	90,948
Net borrowings on line of credit	3,341	1,780
Principal payments on notes payable	(3,017)	(10,070)
Net cash provided by financing activities	<u>229,650</u>	<u>82,658</u>
Net increase (decrease) in cash	164,574	(58,054)
Cash, beginning of year	<u>70,942</u>	<u>128,996</u>
Cash, end of year	<u>\$ 235,516</u>	<u>\$ 70,942</u>

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

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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 (GAAP).

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, 2018 and 2017, 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

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, Equipment and Depreciation (continued)

absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

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. Each asset and liability carried at fair value is classified into one of the following categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs corroborated by market data.

Level 3 – Unobservable inputs not corroborated by market data.

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 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

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated Goods and Services (continued)

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.

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.

GAAP requires 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, 2018 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 2014 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, 2018 and 2017, was \$4,668 and \$4,206, 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.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 prior period amounts have been reclassified to conform to the current year presentation.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
In less than one year	\$ 115,152	\$ 181,149
In one to five years	<u>68,682</u>	<u>23,333</u>
	183,834	204,482
Less: discount to present value	<u>(8,757)</u>	<u>-</u>
Total	<u><u>\$ 175,077</u></u>	<u><u>\$ 204,482</u></u>

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 179,917	\$ 179,917
Buildings and improvements	2,284,345	2,230,715
Leasehold improvements	16,170	16,170
Vehicles	102,548	96,191
Furniture and equipment	259,822	249,509
Construction in process	122	-
	<u>2,842,924</u>	<u>2,772,502</u>
Less: accumulated depreciation	<u>(905,373)</u>	<u>(723,474)</u>
	<u><u>\$ 1,937,551</u></u>	<u><u>\$ 2,049,028</u></u>

NOTE 5 - LINE OF CREDIT

The Organization has a \$150,000 line of credit with a bank. The terms are monthly payments of interest only for 11 months with outstanding principal and interest due in March 2019. 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, 5.25% at September 30, 2018. 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 \$101,906 and \$98,565 at September 30, 2018 and 2017, respectively.

NOTE 6 - NOTES PAYABLE

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

	<u>2018</u>	<u>2017</u>
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.	\$ 85,392	\$ 88,409
Non-interest bearing, unsecured note payable to a related party, due on demand.	25,000	25,000
Non-interest bearing, unsecured note payable to a related party, due on demand.	15,000	15,000
	<u>125,392</u>	<u>128,409</u>
Less: current portion	<u>(43,248)</u>	<u>(43,105)</u>
Notes payable, net of current portion	<u><u>\$ 82,144</u></u>	<u><u>\$ 85,304</u></u>

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 6 - NOTES PAYABLE - CONTINUED

Maturities of notes payable are as follows at September 30, 2018:

2019	\$	43,248
2020		3,397
2021		<u>78,747</u>
	\$	<u><u>125,392</u></u>

NOTE 7 - RESTRICTIONS ON NET ASSETS

As of September 30, 2018, temporarily restricted net assets consists of donated funds designated by donors for the purchase of equipment, time-restricted scholarships and capital improvements in the amount of \$6,357, \$23,334, and \$349,469 respectively. As of September 30, 2018, permanently restricted net assets consisted of an endowment fund in the amount of \$65,503. See Note 8.

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

NOTE 8 - ENDOWMENT FUND INVESTMENTS

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.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 8 - ENDOWMENT FUND INVESTMENTS - CONTINUED

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.

A schedule of endowment net asset composition by type of fund as of September 30, 2018, follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds	\$ 9,686	\$ -	\$ 65,503	\$ 75,189

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

Schedule of endowment fund composition by type as of September 30:

	<u>2018</u>	<u>2017</u>
Cash	\$ 714	\$ 996
Exchange traded funds	44,502	62,448
Fixed income	29,973	-
	<u>\$ 75,189</u>	<u>\$ 63,444</u>

All endowment fund investments were considered level one as of September 30, 2018 and 2017.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 9 - CHANGES IN ENDOWMENT FUND NET ASSETS

A schedule of changes in endowment net assets follows for the year ended September 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, October 1, 2017	\$ 5,419	\$ -	\$ 58,025	\$ 63,444
Contributions	-	-	7,478	7,478
Investment income	-	1,282	-	1,282
Administrative expenses	-	(722)	-	(722)
Net appreciation (realized and unrealized)	-	3,707	-	3,707
Amounts released from restriction	<u>4,267</u>	<u>(4,267)</u>	<u>-</u>	<u>-</u>
Endowment net assets, September 30, 2018	<u><u>\$ 9,686</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 65,503</u></u>	<u><u>\$ 75,189</u></u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, October 1, 2016	\$ 2,165	\$ -	\$ 58,025	\$ 60,190
Investment income	-	776	-	776
Administrative expenses	-	(199)	-	(199)
Net appreciation (realized and unrealized)	-	2,677	-	2,677
Amounts released from restriction	<u>3,254</u>	<u>(3,254)</u>	<u>-</u>	<u>-</u>
Endowment net assets, September 30, 2017	<u><u>\$ 5,419</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 58,025</u></u>	<u><u>\$ 63,444</u></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 is reported net of financial aid. Financial aid was \$462,638 and \$493,326 for the years ended September 30, 2018 and 2017, respectively.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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, 2018 and 2017, the Organization paid \$10,000 each year in expenses related to this commitment.

NOTE 12 - RELATED PARTIES

The Organization leases office space on a month-to-month basis from the spouse of the Executive Director. Office rental expense for both years ended September 30, 2018 and 2017, amounted to \$8,640.

The Organization also leases 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, 2018 and 2017, rent expense amounted to \$39,791 and \$38,400, respectively. Management estimates the fair rental value of the land to be approximately \$42,000 for the years ended September 30, 2018 and 2017.

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 Organization by the Executive Director were \$525 and \$0 as of September 30, 2018 and 2017, 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 DISCLOSURE

Supplemental cash flow disclosure is as follows for the years ended September 30:

	2018	2017
Reconciliation of Cash to Statement of Financial Position:		
Cash - unrestricted	\$ 13,790	\$ 60,987
Cash designated for long-term assets	221,726	9,955
	<u>\$ 235,516</u>	<u>\$ 70,942</u>
Cash paid during the year for interest	<u>\$ 9,056</u>	<u>\$ 9,118</u>

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 14 - RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, Revenue from Contracts with Customers: Topic 606 ("ASU 2014-09"), to supersede nearly all existing revenue recognition guidance under GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The new accounting guidance is effective retrospectively for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of this new accounting guidance.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), requiring an entity to recognize their leases on the balance sheet, by recording a right-of-use asset and lease liability. This guidance is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the effect that the updated standard will have on the financial statements.

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, that is intended to improve financial reporting relating to liquidity, financial performance and cash flows. More specifically, the changes affect net asset classifications by reflecting two classifications of net assets, one "without donor-imposed restrictions" and one "with donor-imposed restrictions," which differ from the traditional classifications of unrestricted, temporarily restricted, and permanently restricted. In addition, reporting of expenses by both natural and functional classification is required and investment returns must be reflected net of related investment expenses. The cash flows statement is also allowed to be restructured by using the direct method of reporting and there are further disclosures regarding an organization's liquidity. The new guidance is effective for periods beginning after December 15, 2017, on a retrospective basis, with early adoption permitted. The Organization is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2018, the FASB issued ASU 2018-18, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-18 will result in treatment of most federal grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. The new standard also clarifies the criteria for evaluation whether contributions are unconditional or conditional. The Organization will adopt the provision of ASU 2018-18 in fiscal year 2020.

NOTE 15 - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through February 27, 2019, the date which the financial statements were available to be issued.