

BAREFOOT REPUBLIC, INC.
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

BAREFOOT REPUBLIC, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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Independent Auditor's 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, 2019 and 2018, 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.

Auditor's 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 auditor's 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, 2019 and 2018, 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.

A handwritten signature in blue ink that reads "Blankenship CPA Group, PLLC". The signature is written in a cursive, flowing style.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
February 3, 2020

BAREFOOT REPUBLIC, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	ASSETS	
	2019	2018
Current assets:		
Cash	\$ 39,418	\$ 13,790
Accounts receivable	110,024	66,537
Due from related party	-	525
Contributions receivable	84,473	115,152
Total current assets	<u>233,915</u>	<u>196,004</u>
Noncurrent assets:		
Cash restricted by donors for long-term assets	616,459	221,726
Contributions receivable, net	35,199	59,925
Property and equipment, net	2,160,451	1,937,551
Investments	79,374	75,189
Total assets	<u>\$ 3,125,398</u>	<u>\$ 2,490,395</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 35,473	\$ 30,974
Accrued expenses	3,845	3,883
Deferred revenue	59,059	51,179
Line of credit	101,906	101,906
Due to related party	4,375	-
Notes payable, current portion	46,849	43,248
Total current liabilities	<u>251,507</u>	<u>231,190</u>
Notes payable, net of current portion	<u>187,477</u>	<u>82,144</u>
Total liabilities	<u>438,984</u>	<u>313,334</u>
Net assets:		
Without donor restrictions	1,938,038	1,762,169
With donor restrictions	748,376	414,892
Total net assets	<u>2,686,414</u>	<u>2,177,061</u>
Total liabilities and net assets	<u>\$ 3,125,398</u>	<u>\$ 2,490,395</u>

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

BAREFOOT REPUBLIC, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

	Net Assets Without Donor Restrictions	Nets Assets With Donor Restrictions	Total
Operating revenues:			
Program revenue, net	\$ 551,673	\$ -	\$ 551,673
Facility rentals	186,087	-	186,087
	<u>737,760</u>	<u>-</u>	<u>737,760</u>
Total operating revenues			
	<u>737,760</u>	<u>-</u>	<u>737,760</u>
Public support and other revenues:			
Contributions	297,736	4,875	302,611
Capital funds	279,941	351,943	631,884
Special events	337,630	-	337,630
Grants	84,400	-	84,400
In-kind revenue	15,770	-	15,770
Miscellaneous revenue	10,723	-	10,723
Net assets released in satisfaction of restrictions	<u>23,334</u>	<u>(23,334)</u>	<u>-</u>
Total public support and other revenues	<u>1,049,534</u>	<u>333,484</u>	<u>1,383,018</u>
Total revenues	<u>1,787,294</u>	<u>333,484</u>	<u>2,120,778</u>
Functional expenses:			
Program services	1,117,983	-	1,117,983
Supporting services:			
Management and general	246,688	-	246,688
Fundraising	<u>246,754</u>	<u>-</u>	<u>246,754</u>
Total functional expenses	<u>1,611,425</u>	<u>-</u>	<u>1,611,425</u>
Increase in net assets	175,869	333,484	509,353
Net assets, beginning of year	<u>1,762,169</u>	<u>414,892</u>	<u>2,177,061</u>
Net assets, end of year	<u>\$ 1,938,038</u>	<u>\$ 748,376</u>	<u>\$ 2,686,414</u>

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

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

	Net Assets Without Donor Restrictions	Nets Assets With Donor Restrictions	Total
Operating revenues:			
Program revenue, net	\$ 505,192	\$ -	\$ 505,192
Facility rentals	194,924	-	194,924
	<hr/>	<hr/>	<hr/>
Total operating revenues	700,116	-	700,116
	<hr/>	<hr/>	<hr/>
Public support and other revenues:			
Contributions	313,544	7,478	321,022
Capital funds	34,893	319,698	354,591
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	33,288	(33,288)	-
	<hr/>	<hr/>	<hr/>
Total public support and other revenues	732,599	300,245	1,032,844
	<hr/>	<hr/>	<hr/>
Total revenues	1,432,715	300,245	1,732,960
	<hr/>	<hr/>	<hr/>
Functional expenses:			
Program services	1,178,282	-	1,178,282
Supporting services:			
Management and general	262,206	-	262,206
Fundraising	268,375	-	268,375
	<hr/>	<hr/>	<hr/>
Total functional expenses	1,708,863	-	1,708,863
	<hr/>	<hr/>	<hr/>
Increase in net assets	(276,148)	300,245	24,097
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	2,038,317	114,647	2,152,964
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 1,762,169</u>	<u>\$ 414,892</u>	<u>\$ 2,177,061</u>

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

BAREFOOT REPUBLIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and public relations	4,998	-	-	4,998
Bad debt expense	-	-	1,430	1,430
Camp supplies	\$ 302,916	\$ -	\$ -	\$ 302,916
Contributions	-	10,000	-	10,000
Depreciation	143,438	10,211	-	153,649
Facilities and equipment	78,477	-	-	78,477
Fall banquet	-	-	31,296	31,296
In-kind expense	-	2,520	13,250	15,770
Insurance	30,413	3,059	-	33,472
Interest and bank fees	6,912	22,032	-	28,944
Memberships and dues	5,036	743	-	5,779
Merchandise	-	-	16,715	16,715
Miscellaneous	4,337	8,221	2,232	14,790
Occupancy	39,100	11,491	-	50,591
Office expense	121	6,312	9,281	15,714
Other events	352	-	24,336	24,688
Payroll, taxes, and benefits	464,482	152,468	140,881	757,831
Professional and contract services	1,425	10,990	7,333	19,748
Travel	3,678	-	-	3,678
Utilities	32,298	8,641	-	40,939
	<u>\$ 1,117,983</u>	<u>\$ 246,688</u>	<u>\$ 246,754</u>	<u>\$ 1,611,425</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>
Advertising and public relations	4,668	-	-	4,668
Bad debt expense	-	-	4,950	4,950
Camp supplies	\$ 339,958	\$ -	\$ -	\$ 339,958
Contributions	-	10,000	-	10,000
Depreciation	171,688	10,211	-	181,899
Facilities and equipment	63,227	-	-	63,227
Fall banquet	-	-	35,677	35,677
In-kind expense	-	2,250	-	2,250
Insurance	26,147	2,663	-	28,810
Interest and bank fees	5,043	18,949	-	23,992
Memberships and dues	4,541	446	-	4,987
Merchandise	-	-	13,809	13,809
Miscellaneous	7,987	3,354	3,151	14,492
Occupancy	39,791	11,491	-	51,282
Office expense	136	3,973	9,377	13,486
Other events	-	-	33,915	33,915
Payroll, taxes, and benefits	480,108	181,345	134,123	795,576
Professional and contract services	-	8,937	33,373	42,310
Travel	3,552	-	-	3,552
Utilities	31,436	8,587	-	40,023
	<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.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 509,353	\$ 24,097
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	153,649	181,899
Contributed securities	-	(4,922)
Net realized and unrealized gain on endowment	(2,656)	(3,707)
Investment return, net of expenses	(1,029)	1,200
Contributed property and equipment	-	(9,000)
Changes in operating assets and liabilities:		
Accounts receivable	(43,487)	6,549
Due to/from related party	4,900	(525)
Contributions receivable, net of discount	55,405	29,405
Accounts payable	4,499	10,734
Accrued expenses	(38)	(604)
Deferred revenue	7,880	(5,138)
Contributions restricted for endowment	(500)	(7,478)
Contributions restricted for long-term investment	(684,955)	(221,848)
Net cash provided by operating activities	<u>3,021</u>	<u>662</u>
Cash flows from investing activities:		
Purchase of property and equipment	(376,549)	(70,422)
Proceeds on sale of equipment	-	7,800
Purchase of securities	(500)	(3,116)
Net cash used by investing activities	<u>(377,049)</u>	<u>(65,738)</u>
Cash flows from financing activities:		
Contributions received for endowment	500	7,478
Collections of contributions restricted for long-term investment	684,955	221,848
Net borrowings on line of credit	-	3,341
Issuance of note payable	112,000	-
Principal payments on notes payable	(3,066)	(3,017)
Net cash provided by financing activities	<u>794,389</u>	<u>229,650</u>
Net increase in cash	420,361	164,574
Cash, beginning of year	<u>235,516</u>	<u>70,942</u>
Cash, end of year	<u>\$ 655,877</u>	<u>\$ 235,516</u>
Reconciliation of Cash to Statement of Financial Position		
Cash - unrestricted	\$ 39,418	\$ 13,790
Cash designated for long-term assets	616,459	221,726
	<u>\$ 655,877</u>	<u>\$ 235,516</u>
Supplemental data for noncash investing and financing activities		
Cash paid during the year for interest	<u>\$ 11,042</u>	<u>\$ 9,118</u>

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

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018, 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.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, Equipment and Depreciation (continued)

In the 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 prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

Contributions

Contributions received are recorded as support without donor restrictions or support with donor restrictions, 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 with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 possesses 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.

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, 2019 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 2015 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, 2019 and 2018, was \$4,998 and \$4,668, 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 recordkeeping, 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, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Allocation of Functional Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses that can be directly attributed to a particular function are charged to that function. A portion of payroll taxes and benefits and professional and contract services that benefit multiple functional areas have been allocated among the programs and supporting services according to time and effort expended.

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.

Accounting Pronouncement Adopted

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 was 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 Organization has adopted this ASU as of and for the year ended September 30, 2019.

ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires presentation of the total change in cash and restricted cash in the statement of cash flows for the period, was adopted during the year ended September 30, 2019 and retrospectively presented.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Organization’s financial assets available to meet cash needs for general expenditures within one year as of September 30:

	2019	2018
Financial assets:		
Cash	\$ 655,877	\$ 235,516
Accounts receivable	110,024	66,537
Contributions receivable	119,672	175,077
Investments	79,374	75,189
Total financial assets at year end	<u>964,947</u>	<u>552,319</u>
Less amounts not available to be used within one year:		
Restrictions by donor with purpose and time restrictions	682,373	349,389
Endowment funds	66,003	65,503
	<u>748,376</u>	<u>414,892</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 216,571</u>	<u>\$ 137,427</u>

The Organization maintains a policy of structuring its financial assets to be available as general expenditures, liabilities and other obligations are due. Its goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$270,000). Barefoot Republic has a \$150,000 line of credit available to meet cash flow needs.

As of December 31, 2019 and 2018, the operating fund owed the capital fund \$34,288 and \$120,170, respectively.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at September 30:

	2019	2018
In less than one year	\$ 84,473	\$ 115,152
In one to five years	39,916	68,682
	<u>124,389</u>	<u>183,834</u>
Less: discount to present value	<u>(4,717)</u>	<u>(8,757)</u>
Total	<u>\$ 119,672</u>	<u>\$ 175,077</u>

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 179,917	\$ 179,917
Buildings and improvements	2,615,744	2,284,345
Leasehold improvements	38,434	16,170
Vehicles	107,548	102,548
Furniture and equipment	277,708	259,822
Construction in process	<u>122</u>	<u>122</u>
	3,219,473	2,842,924
Less: accumulated depreciation	<u>(1,059,022)</u>	<u>(905,373)</u>
	<u><u>\$ 2,160,451</u></u>	<u><u>\$ 1,937,551</u></u>

NOTE 6 - 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 2020. 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, 6.15% at September 30, 2019. 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 at September 30, 2019 and 2018.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 7 - NOTES PAYABLE

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

	<u>2019</u>	<u>2018</u>
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.	\$ 82,326	\$ 85,392
Note payable to a bank, \$743 payable per month, principal and interest, with a final balloon payment due September 10, 2024, interest of 5.0%, and is secured by real property located in Fountain Run, KY.	112,000	-
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>234,326</u>	<u>125,392</u>
Less: current portion	<u>(46,849)</u>	<u>(43,248)</u>
Notes payable, net of current portion	<u><u>\$ 187,477</u></u>	<u><u>\$ 82,144</u></u>

Future maturities of notes payable are as follows:

<u>Years ending September 30:</u>	
2020	\$ 46,849
2021	82,232
2022	3,756
2023	3,949
2024	97,540
	<u><u>\$ 234,326</u></u>

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets restricted by donors for time and purpose restrictions consisted of the following as of September 30:

	2019	2018
Capital improvements	\$ 671,641	\$ 319,698
Equipment purchases	6,357	6,357
Scholarships	4,375	23,334
Endowment (see Note 9)	66,003	65,503
	<u>\$ 748,376</u>	<u>\$ 414,892</u>

NOTE 9 - 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 Kentucky'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.

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 net assets with donor restrictions (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 endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board of Directors 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, 2019 AND 2018

NOTE 9 - ENDOWMENT FUND INVESTMENTS - CONTINUED

A schedule of endowment net asset composition by type of fund as of September 30, 2019, follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds	\$ 13,371	\$ 66,003	\$ 79,374

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds	\$ 9,686	\$ 65,503	\$ 75,189

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

	2019	2018
Cash	\$ 2,312	\$ 714
Exchange traded funds	47,038	44,502
Fixed income	30,024	29,973
	\$ 79,374	\$ 75,189

All endowment fund investments were valued based on Level 1 inputs as of September 30, 2019 and 2018.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 10 - CHANGES IN ENDOWMENT FUND NET ASSETS

A schedule of changes in endowment net assets follows for the year ended September 30, 2019:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, October 1, 2018	\$ 9,686	\$ 65,503	\$ 75,189
Contributions	-	500	500
Investment income	-	1,785	1,785
Administrative expenses	-	(756)	(756)
Net appreciation (realized and unrealized)	-	2,656	2,656
Amounts released from restriction	<u>3,685</u>	<u>(3,685)</u>	<u>-</u>
Endowment net assets, September 30, 2019	<u>\$ 13,371</u>	<u>\$ 66,003</u>	<u>\$ 79,374</u>

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	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>
Endowment net assets, September 30, 2018	<u>\$ 9,686</u>	<u>\$ 65,503</u>	<u>\$ 75,189</u>

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 11 – 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, 2019 and 2018, respectively.

NOTE 12 – 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, 2019 and 2018, the Organization paid \$10,000 each year in expenses related to this commitment.

NOTE 13 - CONCENTRATIONS

The Organization maintains its cash in bank accounts that may at times exceed federally insured limits, however, the Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk regarding cash balances. Uninsured balances as of September 30, 2019 totaled \$332,000. The Organization did not have any uninsured balances as of September 30, 2018.

NOTE 14 - 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, 2019 and 2018, 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, 2019 and 2018, rent expense amounted to \$39,100 and \$39,791, respectively. Management estimates the fair rental value of the land to be approximately \$42,000 for the years ended September 30, 2019 and 2018.

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 \$0 and \$525 as of September 30, 2019 and 2018, 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 7.

BAREFOOT REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 15 – CORRECTION OF AN ERROR

The Organization identified an error in the calculation of net assets with donor restrictions during 2019. Net assets with donor restrictions were overstated by \$29,771 and net assets without donor restrictions were understated by \$29,771 as of September 30, 2018. There is no change to total net assets as of September 30, 2018. Correct application of the calculation was applied as of September 30, 2019.

NOTE 16 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued Accounting Standards Update (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, 2020. Early adoption is 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 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 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 2018-08 in fiscal year 2020.

NOTE 17 - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through February 3, 2020, the date which the financial statements were available to be issued.