# BAREFOOT REPUBLIC, INC.
# FINANCIAL STATEMENTS
# AND
# INDEPENDENT AUDITORS' REPORT
# YEARS ENDED SEPTEMBER 30, 2015 AND 2014

**BAREFOOT REPUBLIC, INC.**
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BLANKENSHIP CPA GROUP, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Barefoot Republic, Inc.

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, 2015 and 2014, and 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, 2015 and 2014, 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 25, 2016



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# BAREFOOT REPUBLIC, INC.
# STATEMENTS OF FINANCIAL POSITION
# SEPTEMBER 30, 2015 AND 2014

## ASSETS

| | 2015 | 2014 |
|---|---|---|
| Current Assets: | | |
| Cash | $ 41,474 | $ 62,460 |
| Cash whose use is limited | 250,771 | - |
| Accounts receivable | 36,705 | 4,122 |
| Prepaid expenses | 1,917 | - |
| Total Current Assets | 330,867 | 66,582 |
| Property and equipment, net | 1,663,601 | 1,486,155 |
| Asset Whose Use is Limited: | | |
| Endowment | 21,000 | - |
| Total Asset Whose Use is Limited | 21,000 | - |
| Total Assets | $ 2,015,468 | $ 1,552,737 |

## LIABILITIES AND NET ASSETS

| | 2015 | 2014 |
|---|---|---|
| Current Liabilities: | | |
| Accounts payable | $ 33,070 | $ 2,946 |
| Accrued expenses | 4,572 | 3,558 |
| Deferred revenue | 24,959 | 18,600 |
| Line of credit | 126,785 | 87,500 |
| Notes payable, current portion | 47,787 | 46,605 |
| Total Current Liabilities | 237,173 | 159,209 |
| Notes payable, net of current portion | 7,527 | 16,666 |
| Total Liabilities | 244,700 | 175,875 |
| Net Assets: | | |
| Unrestricted | 1,498,997 | 1,376,862 |
| Restricted Net Assets: | | |
| Temporarily restricted | 250,771 | - |
| Permanently restricted | 21,000 | - |
| Total restricted net assets | 271,771 | - |
| Total Net Assets | 1,770,768 | 1,376,862 |
| Total Liabilities and Net Assets | $ 2,015,468 | $ 1,552,737 |

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, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Program revenue | $ 381,819 | $ - | $ - | $ 381,819 |
| Facility rentals | 122,039 | - | - | 122,039 |
| Total operating revenues | 503,858 | - | - | 503,858 |
| Public support and other revenues: | | | | |
| Contributions | 306,140 | 20,749 | 21,000 | 347,889 |
| Capital funds | 56,220 | 230,022 | - | 286,242 |
| Special events | 282,908 | - | - | 282,908 |
| In-kind revenue | 5,300 | - | - | 5,300 |
| Miscellaneous revenue | 3,123 | - | - | 3,123 |
| Loss on disposal of property and equipment | (448) | - | - | (448) |
| Net assets released in satisfaction of restrictions | - | - | - | - |
| Total public support and other revenues | 653,243 | 250,771 | 21,000 | 925,014 |
| Total revenues | 1,157,101 | 250,771 | 21,000 | 1,428,872 |
| Functional expenses: | | | | |
| Program services | 778,312 | - | - | 778,312 |
| Supporting services: | | | | |
| Management and general | 138,645 | - | - | 138,645 |
| Fundraising | 118,009 | - | - | 118,009 |
| Total functional expenses | 1,034,966 | - | - | 1,034,966 |
| Increase in net assets | 122,135 | 250,771 | 21,000 | 393,906 |
| Net assets, beginning of year | 1,376,862 | - | - | 1,376,862 |
| Net assets, end of year | $ 1,498,997 | $ 250,771 | $ 21,000 | $ 1,770,768 |

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, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Program revenue | $ 226,832 | $ - | $ - | $ 226,832 |
| Facility rentals | 138,551 | - | - | 138,551 |
| Other | 255 | - | - | 255 |
| Total operating revenues | 365,638 | - | - | 365,638 |
| Public support and other revenues: | | | | |
| Contributions | 158,365 | 67,130 | - | 225,495 |
| Capital funds | - | 114,918 | - | 114,918 |
| Special events | 139,513 | - | - | 139,513 |
| Net assets released in satisfaction of restrictions | 200,048 | (200,048) | - | - |
| Total public support and other revenues | 497,926 | (18,000) | - | 479,926 |
| Total revenues | 863,564 | (18,000) | - | 845,564 |
| Functional expenses: | | | | |
| Program services | 497,496 | - | - | 497,496 |
| Supporting services: | | | | |
| Management and general | 116,598 | - | - | 116,598 |
| Fundraising | 113,831 | - | - | 113,831 |
| Total functional expenses | 727,925 | - | - | 727,925 |
| Increase (decrease) in net assets | 135,639 | (18,000) | - | 117,639 |
| Net assets, beginning of year | 1,241,223 | 18,000 | - | 1,259,223 |
| Net assets, end of year | $ 1,376,862 | $ - | $ - | $ 1,376,862 |

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

# BAREFOOT REPUBLIC, INC.
# STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED SEPTEMBER 30, 2015

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Camp Expense | $ 267,320 | $ - | $ - | $ 267,320 |
| Payroll Expense | 289,962 | 73,904 | 41,583 | 405,449 |
| Facilities and Equipment | 27,608 | - | - | 27,608 |
| Occupancy | 30,000 | 9,561 | - | 39,561 |
| Utilities | 21,402 | 4,922 | - | 26,324 |
| Insurance | 11,254 | 1,163 | - | 12,417 |
| Fall Banquet | - | - | 31,698 | 31,698 |
| Other Events | - | - | 30,348 | 30,348 |
| Merchandise | - | - | 6,626 | 6,626 |
| Professional and Contract Services | - | 14,425 | - | 14,425 |
| Office Expense | 188 | 3,638 | 2,454 | 6,280 |
| Memberships and Dues | 7,369 | 507 | - | 7,876 |
| Travel | 5,277 | - | - | 5,277 |
| Interest and Bank Fees | 5,834 | 16,851 | - | 22,685 |
| Other Expense | 1,997 | 1,952 | - | 3,949 |
| Contributions | - | 10,000 | - | 10,000 |
| Bad debt expense | - | 1,722 | - | 1,722 |
| In-kind expense | - | - | 5,300 | 5,300 |
| Depreciation | 110,101 | - | - | 110,101 |
| | $ 778,312 | $ 138,645 | $ 118,009 | $1,034,966 |

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

# BAREFOOT REPUBLIC, INC.
## STATEMENT OF FUNCTIONAL EXPENSES
## YEAR ENDED SEPTEMBER 30, 2014

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Camp Expense | $ 117,195 | $ - | $ - | $ 117,195 |
| Payroll Expense | 179,110 | 77,391 | 76,618 | 333,119 |
| Facilities and Equipment | 37,725 | - | - | 37,725 |
| Occupancy | 30,000 | 8,841 | - | 38,841 |
| Utilities | 23,708 | 4,421 | - | 28,129 |
| Insurance | 10,834 | 1,148 | - | 11,982 |
| Fall Banquet | - | - | 12,345 | 12,345 |
| Other Events | - | - | 15,563 | 15,563 |
| Merchandise | - | - | 4,994 | 4,994 |
| Office Expense | - | 2,033 | 1,715 | 3,748 |
| Memberships and Dues | - | 5,676 | - | 5,676 |
| Travel | 1,517 | - | - | 1,517 |
| Interest and Bank Fees | 4,696 | 9,356 | - | 14,052 |
| Other Expense | 2,782 | 7,732 | 2,596 | 13,110 |
| Depreciation | 89,929 | - | - | 89,929 |
| | $ 497,496 | $ 116,598 | $ 113,831 | $ 727,925 |

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

# BAREFOOT REPUBLIC, INC.
# STATEMENTS OF CASH FLOWS
# YEARS ENDED SEPTEMBER 30, 2015 AND 2014

| | 2015 | 2014 |
|---|---|---|
| Cash flows from operating activities: | | |
| Increase in net assets | $ 393,906 | $ 117,639 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 110,101 | 89,929 |
| Loss on disposal of property and equipment | 448 | - |
| Decrease (increase) in operating assets: | | |
| Accounts receivable | (32,583) | 3,796 |
| Prepaid expenses | (1,917) | - |
| Contributions restricted for scholarships | (20,749) | - |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 30,124 | 2,946 |
| Accrued expenses | 1,014 | (4,768) |
| Deferred revenue | 6,359 | 12,125 |
| Total adjustments | 92,797 | 104,028 |
| Net cash provided by operating activities | 486,703 | 221,667 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (287,995) | (237,453) |
| Net cash used by investing activities | (287,995) | (237,453) |
| Cash flows from financing activities: | | |
| Net borrowings on line of credit | 39,285 | 17,500 |
| Principal payments on notes payable | (7,957) | (5,828) |
| Contributions restricted for endowment | (21,000) | - |
| Contributions restricted for capital campaign | (230,022) | - |
| Net cash (used by) provided by financing activities | (219,694) | 11,672 |
| Net decrease in cash | (20,986) | (4,114) |
| Cash, beginning of year | 62,460 | 66,574 |
| Cash, end of year | $ 41,474 | $ 62,460 |
| Other cash flow disclosures: | | |
| Cash paid during the year for interest | $ 5,834 | $ 4,696 |

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

## 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 two tree house villages, a multipurpose center building with a commercial kitchen, an amphitheater, athletic fields, a lake, and a skate park. There are currently six overnight camp sessions and two 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 consisted of funds received with donor imposed restrictions. Cash and cash equivalents exclude cash designated or restricted for the endowment fund. As of September 30, 2015 and 2014, we had no cash equivalents.

### Accounts Receivable

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

### 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.

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.

### Contributions

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

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Contributions (continued)

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 statement 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 a fundraiser that took place after year end.

### 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 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 a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service 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, 2015 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 2012 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, 2015 and 2014, was $16,009 and $3,676, respectively.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 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.

### 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.

## NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | 2015 | 2014 |
|---|---|---|
| Land | $ 179,917 | $ 179,917 |
| Buildings and improvements | 1,607,398 | 1,461,299 |
| Vehicles | 49,941 | 22,991 |
| Furniture and equipment | 155,865 | 157,536 |
| Construction in process | 87,738 | - |
| | 2,080,859 | 1,821,743 |
| Less accumulated depreciation | (417,258) | (335,588) |
| | $ 1,663,601 | $ 1,486,155 |

## NOTE 4 - LINE OF CREDIT

On March 26, 2014, the Organization established 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, 2015. 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 $126,785 and $87,500 at September 30, 2015 and 2014 respectively.

## NOTE 5 - NOTES PAYABLE

A summary of notes payable is as follows:

| | 2015 | 2014 |
|---|---|---|
| The Organization has a note payable to Edmonton State Bank, $703 payable per month, principal and interest, interest of 5.5%, and is secured by real property located at 8701 Brownsford Road, Scottsville, KY | $ 15,314 | $ 23,271 |
| 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 |
| | 55,314 | 63,271 |
| Less current portion | (47,787) | (46,605) |
| Notes payable, net of current portion | $ 7,527 | $ 16,666 |

## NOTE 5 - NOTES PAYABLE (CONTINUED)

Maturities of notes payable are as follows:

| Years ending September 30: | | |
|---|---|---|
| 2016 | $ | 47,787 |
| 2017 | | 7,527 |
| | $ | 55,314 |

## NOTE 6 - RESTRICTIONS ON NET ASSETS

As of September 30, 2015, temporarily restricted net assets consisted of donated funds designated by donors for various capital improvement projects and camp scholarships in the amount of $230,022 and $20,749, respectively.

As of September 30, 2015, permanently restricted net assets consisted of an endowment fund in the amount of $21,000. See Note 7.

## NOTE 7 - ENDOWMENT FUNDS

Our 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. Our 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 nonprofit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about our endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not we are 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, we classify 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.

## NOTE 7 - ENDOWMENT FUNDS (CONTINUED)

*Spending policy* – We have 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 Board of Directors. No funds were released from restriction for the year ended September 30, 2015.

*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, 2015, follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment Funds | $ - | $ - | $ 21,000 | $ 21,000 |

As of September 30, 2015, all assets within the endowment were cash.

## NOTE 8 - CHANGES IN ENDOWMENT FUND NET ASSETS

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

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, October 1, 2014 | $ - | $ - | $ - | $ - |
| Contributions | - | - | 21,000 | 21,000 |
| Investment income | - | - | - | - |
| Administrative expenses | - | - | - | - |
| Net appreciation (realized and unrealized) | - | - | - | - |
| Amounts released from restriction | - | - | - | - |
| Endowment net assets, September 30, 2015 | $ - | $ - | $ 21,000 | $ 21,000 |

## NOTE 9 - 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 in the amount of $338,232 and $239,512 for the years ended September 30, 2015 and 2014, respectively.

## NOTE 10 - 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 year ended September 30, 2015, the Organization paid $10,000 in expenses related to this commitment.

## NOTE 11 - RELATED PARTIES

The Organization leased office space on a month-to-month basis from the spouse of the Executive Director. Office rental expense for the years ended September 30, 2015 and 2014, amounted to $8,640 and $7,920, respectively.

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. Rent expense for both years ended September 30, 2015 and 2014, amounted to $30,000 each year. Management estimates the fair rental value of the land to be approximately $42,000 for the years ended September 30, 2015 and 2014.

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 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 5.

## NOTE 12 - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through January 25, 2016, the date which the financial statements were available to be issued.