

**BAREFOOT REPUBLIC, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**BAREFOOT REPUBLIC, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**TABLE OF CONTENTS**

	<b>PAGE</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities and changes in net assets	3-4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-12

## 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, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Blankenship CPA Group PLLC*  
January 23, 2015

**BAREFOOT REPUBLIC, INC.  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2014 AND 2013**

<b>ASSETS</b>		
	<b>2014</b>	<b>2013</b>
<b>Current Assets:</b>		
Cash - unrestricted	\$ 62,460	\$ 48,574
Cash - restricted	<u>-</u>	<u>18,000</u>
Total cash	62,460	66,574
Accounts receivable	<u>4,122</u>	<u>7,918</u>
Total Current Assets	66,582	74,492
Property and equipment, net	<u>1,486,155</u>	<u>1,338,631</u>
<b>Total Assets</b>	<u><u>\$ 1,552,737</u></u>	<u><u>\$ 1,413,123</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 2,946	\$ -
Accrued expenses	3,558	8,326
Deferred revenue	18,600	6,475
Line of credit	87,500	70,000
Notes payable, current portion	<u>46,605</u>	<u>46,233</u>
Total Current Liabilities	159,209	131,034
Notes payable, net of current portion	<u>16,666</u>	<u>22,866</u>
Total Liabilities	<u>175,875</u>	<u>153,900</u>
<b>Net Assets:</b>		
Unrestricted	1,376,862	1,241,223
Temporarily restricted	<u>-</u>	<u>18,000</u>
Total Net Assets	<u>1,376,862</u>	<u>1,259,223</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,552,737</u></u>	<u><u>\$ 1,413,123</u></u>

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

**BAREFOOT REPUBLIC, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2014**

	Unrestricted	Temporarily Restricted	Total
Operating revenues:			
Program revenue	\$ 226,832	\$ -	\$ 226,832
Facility rentals	138,551	-	138,551
Other	255	-	255
	<u>365,638</u>	<u>-</u>	<u>365,638</u>
Total operating revenues			
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	<u>200,048</u>	<u>(200,048)</u>	<u>-</u>
Total public support and other revenues	<u>497,926</u>	<u>(18,000)</u>	<u>479,926</u>
Total revenues	<u>863,564</u>	<u>(18,000)</u>	<u>845,564</u>
Functional expenses:			
Program services	497,496	-	497,496
Supporting services:			
Management and general	116,598	-	116,598
Fundraising	113,831	-	113,831
	<u>727,925</u>	<u>-</u>	<u>727,925</u>
Total functional expenses			
Increase (decrease) in net assets	135,639	(18,000)	117,639
Net assets, beginning of year	<u>1,241,223</u>	<u>18,000</u>	<u>1,259,223</u>
Net assets, end of year	<u>\$ 1,376,862</u>	<u>\$ -</u>	<u>\$ 1,376,862</u>

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

**BAREFOOT REPUBLIC, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2013**

	Unrestricted	Temporarily Restricted	Total
Operating revenues:			
Program revenue	\$ 171,455	\$ -	\$ 171,455
Facility rentals	133,133	-	133,133
Other	328	-	328
	<u>304,916</u>	<u>-</u>	<u>304,916</u>
Total operating revenues	<u>304,916</u>	<u>-</u>	<u>304,916</u>
Public support and other revenues:			
Contributions	164,184	-	164,184
Capital funds	12,296	21,000	33,296
Special events	139,982	-	139,982
Net assets released in satisfaction of restrictions	<u>51,000</u>	<u>(51,000)</u>	<u>-</u>
	<u>367,462</u>	<u>(30,000)</u>	<u>337,462</u>
Total public support and other revenues	<u>367,462</u>	<u>(30,000)</u>	<u>337,462</u>
Total revenues	<u>672,378</u>	<u>(30,000)</u>	<u>642,378</u>
Functional expenses:			
Program services	397,374	-	397,374
Supporting services:			
Management and general	113,162	-	113,162
Fundraising	94,372	-	94,372
	<u>604,908</u>	<u>-</u>	<u>604,908</u>
Total functional expenses	<u>604,908</u>	<u>-</u>	<u>604,908</u>
Increase (decrease) in net assets	67,470	(30,000)	37,470
Net assets, beginning of year	<u>1,173,753</u>	<u>48,000</u>	<u>1,221,753</u>
Net assets, end of year	<u>\$ 1,241,223</u>	<u>\$ 18,000</u>	<u>\$ 1,259,223</u>

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

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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
	<u>\$ 497,496</u>	<u>\$ 116,598</u>	<u>\$ 113,831</u>	<u>\$ 727,925</u>

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

**BAREFOOT REPUBLIC, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2013**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Camp Expense	\$ 106,090	\$ -	\$ -	\$ 106,090
Payroll Expense	116,945	74,005	56,992	247,942
Facilities and Equipment	45,541	-	-	45,541
Occupancy	30,000	8,934	-	38,934
Utilities	25,935	4,633	-	30,568
Insurance	8,982	998	-	9,980
Fall Banquet	-	-	22,097	22,097
Other Events	-	-	9,885	9,885
Merchandise	-	-	3,442	3,442
Office Expense	-	4,597	737	5,334
Memberships and Dues	-	552	-	552
Travel	1,727	-	-	1,727
Interest and Bank Fees	2,612	10,029	-	12,641
Other Expense	1,957	9,414	1,219	12,590
Depreciation	57,585	-	-	57,585
	<u>\$ 397,374</u>	<u>\$ 113,162</u>	<u>\$ 94,372</u>	<u>\$ 604,908</u>

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



**BAREFOOT REPUBLIC, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 117,639	\$ 37,470
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	89,929	57,585
Decrease (increase) in operating assets:		
Accounts receivable	3,796	(1,408)
Prepaid expenses	-	2,658
Increase (decrease) in operating liabilities:		
Accounts payable	2,946	(2,089)
Accrued expenses	(4,768)	5,473
Deferred revenue	12,125	(11,025)
Total adjustments	104,028	51,194
Net cash provided by operating activities	221,667	88,664
Cash flows from investing activities:		
Purchase of property and equipment	(237,453)	(160,967)
Net cash used by investing activities	(237,453)	(160,967)
Cash flows from financing activities:		
Net borrowings on line of credit	17,500	70,000
Principle payments on notes payable	(5,828)	(7,170)
Net cash provided by financing activities	11,672	62,830
Net decrease in total cash	(4,114)	(9,473)
Cash, beginning of year	66,574	76,047
Cash, end of year	\$ 62,460	\$ 66,574
Other cash flow disclosures:		
Cash paid during the year for interest	\$ 4,696	\$ 2,612
Non-cash investing and financing activities:		
Debt financed acquisition of property	\$ -	\$ 36,800

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

**BAREFOOT REPUBLIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**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**

Cash consists principally of checking and savings account balances with financial institutions. Restricted cash consisted of funds received with donor imposed restrictions and are limited in use to designated capital improvement projects.

**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.

**BAREFOOT REPUBLIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**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, 2014 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 2011 to the present; however, there are currently no audits for any tax periods in progress.

BAREFOOT REPUBLIC, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

**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.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2014	2013
Land	\$ 179,917	\$ 179,917
Buildings and improvements	1,461,299	1,263,959
Vehicles	22,991	22,991
Furniture and equipment	157,536	117,423
	<u>1,821,743</u>	<u>1,584,290</u>
Less accumulated depreciation	<u>(335,588)</u>	<u>(245,659)</u>
	<u><u>\$ 1,486,155</u></u>	<u><u>\$ 1,338,631</u></u>

**BAREFOOT REPUBLIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**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 \$87,500 and \$70,000 at September 30, 2014 and 2013 respectively.

**NOTE 5 - NOTES PAYABLE**

A summary of notes payable is as follows:

	2014	2013
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.	\$ 23,271	\$ 29,099
Non-interest bearing, unsecured note payable to an individual, due on demand.	25,000	25,000
Non-interest bearing, unsecured note payable to an individual, due on demand.	15,000	15,000
	<u>63,271</u>	<u>69,099</u>
Less current portion	<u>(46,605)</u>	<u>(46,233)</u>
Notes payable, net of current portion	<u>\$ 16,666</u>	<u>\$ 22,866</u>

Maturities of notes payable are as follows:

<u>Years ending September 30:</u>	
2015	\$ 46,605
2016	8,436
2017	<u>8,230</u>
	<u>\$ 63,271</u>

**NOTE 6 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets consist of donated funds designated by donors for various capital improvement projects.

There were no permanently restricted net assets as of September 30, 2014.

**BAREFOOT REPUBLIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**NOTE 7 - 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 \$239,512 for the year ended September 30, 2014.

**NOTE 8 - 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. As of September 30, 2014, the Organization had not incurred any expenses related to this commitment.

**NOTE 9 - 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 year ended September 30, 2014 amounted to \$7,920.

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 the year ended September 30, 2014 amounted to \$30,000. Management estimates the fair rental value of the land to be approximately \$42,000 for the year ended September 30, 2014. The Organization intends to enter into a capitalized lease/lease purchase agreement for this property during the fiscal year ending September 30, 2015.

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.

**NOTE 10 - SUBSEQUENT EVENTS**

The Organization's management has evaluated subsequent events through January 23, 2015, the date which the financial statements were available to be issued.