

Barefoot Republic, Inc.

Financial Statements
For the Years Ended September 30, 2021 and 2020

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For the Years Ended September 30, 2021 and 2020

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Independent Auditor's Report

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, 2021 and 2020, 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, 2021 and 2020, 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".

Blankenship CPA Group, PLLC
Brentwood, Tennessee
February 16, 2022

Barefoot Republic, Inc.
Statements of Financial Position
September 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 438,148	\$ 200,329
Accounts receivable	179,742	22,364
Contributions receivable, current portion	33,050	36,525
Due from related party	425	-
Total current assets	<u>651,365</u>	<u>259,218</u>
Cash restricted by donors for long-term assets	56,254	539,517
Contributions receivable, net of current portion	27,250	65,300
Property and equipment, net	3,818,477	2,817,558
Investments	100,351	87,953
Total assets	\$ 4,653,697	\$ 3,769,546
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 103,689	\$ 29,676
Deferred revenues	153,230	157,621
Line of credit	101,906	101,906
Due to related party	-	775
Notes payable, current portion	43,757	122,452
Total current liabilities	<u>402,582</u>	<u>412,430</u>
Refundable advance	192,269	137,335
Notes payable, net of current portion	101,839	106,906
Total liabilities	<u>696,690</u>	<u>656,671</u>
Net assets		
Without donor restrictions	3,749,992	2,411,624
With donor restrictions	207,015	701,251
Total net assets	<u>3,957,007</u>	<u>3,112,875</u>
Total liabilities and net assets	\$ 4,653,697	\$ 3,769,546

Barefoot Republic, Inc.
Statement of Activities
For the Year Ended September 30, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues			
Operating revenues			
Program revenues, net	\$ 690,874	\$ -	\$ 690,874
Facility rentals	174,517	-	174,517
Total operating revenues	865,391	-	865,391
Public support and other revenues			
Contributions	369,259	-	369,259
Capital funds	430,069	-	430,069
Special events, net of direct benefit to donors	512,469	-	512,469
Grants	274,720	18,402	293,122
In-kind revenues	79,359	-	79,359
Miscellaneous revenues	175,540	-	175,540
Net assets released in satisfaction of restrictions	512,638	(512,638)	-
Total public support and other revenues	2,354,054	(494,236)	1,859,818
Total revenues	3,219,445	(494,236)	2,725,209
Expenses			
Program services	1,348,997	-	1,348,997
Supporting services			
Management and general	311,449	-	311,449
Fundraising	220,631	-	220,631
Total expenses	1,881,077	-	1,881,077
Change in net assets	1,338,368	(494,236)	844,132
Net assets, beginning of year	2,411,624	701,251	3,112,875
Net assets, end of year	\$ 3,749,992	\$ 207,015	\$ 3,957,007

Barefoot Republic, Inc.
Statement of Activities
For the Year Ended September 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues			
Operating revenues			
Program revenues, net	\$ 166,880	\$ -	\$ 166,880
Facility rentals	<u>87,292</u>	<u>-</u>	<u>87,292</u>
Total operating revenues	254,172	-	254,172
Public support and other revenues			
Contributions	498,891	75,000	573,891
Capital funds	722,444	-	722,444
Special events, net of direct benefit to donors	197,223	-	197,223
Grants	46,000	10,000	56,000
In-kind revenues	1,170	-	1,170
Miscellaneous revenues	15,927	-	15,927
Net assets released in satisfaction of restrictions	<u>132,125</u>	<u>(132,125)</u>	<u>-</u>
Total public support and other revenues	<u>1,613,780</u>	<u>(47,125)</u>	<u>1,566,655</u>
Total revenues	1,867,952	(47,125)	1,820,827
Expenses			
Program services	904,913	-	904,913
Supporting services			
Management and general	293,660	-	293,660
Fundraising	<u>195,793</u>	<u>-</u>	<u>195,793</u>
Total expenses	1,394,366	-	1,394,366
Change in net assets	473,586	(47,125)	426,461
Net assets, beginning of year	<u>1,938,038</u>	<u>748,376</u>	<u>2,686,414</u>
Net assets, end of year	\$ 2,411,624	\$ 701,251	\$ 3,112,875

Barefoot Republic, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2021

	Program services	Management and general	Fundraising	Total
Payroll, taxes, and benefits	\$ 551,519	\$ 194,160	\$ 138,252	\$ 883,931
Advertising	3,130	-	10,050	13,180
Bad debt expense	-	-	11,258	11,258
Camp supplies	328,509	-	-	328,509
Contributions	-	10,000	-	10,000
Depreciation	152,468	9,099	-	161,567
Facilities and equipment	75,357	-	-	75,357
In-kind expense	73,954	4,330	1,075	79,359
Insurance	42,958	3,816	-	46,774
Interest and bank fees	7,352	42,285	-	49,637
Memberships and dues	12,521	1,977	-	14,498
Merchandise	-	-	17,420	17,420
Occupancy	45,347	12,249	-	57,596
Office expense	923	5,460	9,924	16,307
Other events	-	-	29,036	29,036
Professional and contract service	-	8,466	3,124	11,590
Travel	3,241	-	-	3,241
Utilities	46,288	9,101	-	55,389
Miscellaneous	5,430	10,506	492	16,428
	\$ 1,348,997	\$ 311,449	\$ 220,631	\$ 1,881,077

Barefoot Republic, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2020

	Program services	Management and general	Fundraising	Total
Payroll, taxes, and benefits	\$ 523,212	\$ 191,869	\$ 153,372	\$ 868,453
Advertising	6,397	-	87	6,484
Bad debt expense	-	-	3,050	3,050
Camp supplies	53,226	-	-	53,226
Contributions	-	2,218	-	2,218
Depreciation	141,635	11,665	-	153,300
Facilities and equipment	45,881	-	-	45,881
In-kind expense	-	1,170	-	1,170
Insurance	37,119	3,749	-	40,868
Interest and bank fees	10,277	25,234	-	35,511
Memberships and dues	10,551	1,551	-	12,102
Merchandise	-	-	1,708	1,708
Occupancy	43,188	11,491	-	54,679
Office expense	731	4,689	10,415	15,835
Other events	-	-	20,597	20,597
Professional and contract service	-	23,932	5,021	28,953
Travel	1,638	-	-	1,638
Utilities	28,355	8,258	-	36,613
Miscellaneous	2,703	7,834	1,543	12,080
	\$ 904,913	\$ 293,660	\$ 195,793	\$ 1,394,366

Barefoot Republic, Inc.
Statements of Cash Flows
For the Years Ended September 30, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 739,846	\$ 655,877
Cash flows from operating activities		
Change in net assets	844,132	426,461
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	161,567	153,300
Net realized and unrealized gain on endowment	(12,225)	(7,697)
Investment return, net of expenses	(173)	(882)
Contributions restricted for long-term investment	(406,119)	(690,517)
Change in:		
Accounts receivable	(157,378)	87,660
Contributions receivable, net of discount	41,525	17,847
Accounts payable and accrued expenses	45,011	(9,642)
Deferred revenues	(4,516)	98,562
Due to related party	(1,200)	(3,600)
Refundable advance	54,934	137,335
Net cash provided (used) by operating activities	<u>565,558</u>	<u>208,827</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,133,484)	(810,407)
Cash flows from financing activities		
Collections of contributions restricted for long-term investment	406,119	690,517
Principal payments on notes payable	<u>(83,637)</u>	<u>(4,968)</u>
Net cash provided (used) by financing activities	322,482	685,549
Net change in cash	<u>(245,444)</u>	<u>83,969</u>
Cash, end of year	\$ 494,402	\$ 739,846
Reconciliation of cash to statement of financial position		
Cash	\$ 438,148	\$ 200,329
Cash restricted by donors for long-term assets	<u>56,254</u>	<u>539,517</u>
	\$ 494,402	\$ 739,846
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 12,832	\$ 12,908

Barefoot Republic, Inc.
Notes to Financial Statements
For the Years Ended September 30, 2021 and 2020

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 treehouse villages, a multi-purpose 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 (US 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, 2021 and 2020, 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 a 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 revenues. 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 and 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 3 to 10 years for equipment and furniture and 5 to 40 years for building and improvements.

Barefoot Republic, Inc.
Notes to Financial Statements
For the Years Ended September 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

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 received. 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

Revenue Recognition

On October 1, 2020, the Organization adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers and all subsequent amendments to the ASU* (collectively, Accounting Standards Codification (ASC) 606), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. The Organization performed an analysis of revenue streams and transitions to determine in-scope applicability. The adoption of ASC 606 did not materially impact the financial statements and related disclosures.

On October 1, 2020, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of this ASU resulted in the treatment of most governmental grants as donor-restricted conditional contributions rather than exchange transactions. The new standard also clarified the criteria for evaluating whether contributions are unconditional or conditional. The adoption of this ASU did not materially impact the financial statements and related disclosures.

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

Barefoot Republic, Inc.
Notes to Financial Statements
For the Years Ended September 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loans as a conditional contribution, presented as a refundable advance, until explicit forgiveness is given.

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 non-financial 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.

US 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, 2021, 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 2016 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, 2021 and 2020, was \$13,180 and \$6,484, respectively.

Barefoot Republic, Inc.
Notes to Financial Statements
For the Years Ended September 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

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.

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.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Barefoot Republic, Inc.
Notes to Financial Statements
For the Years Ended September 30, 2021 and 2020

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:

	2021	2020
Financial assets		
Cash	\$ 494,402	\$ 739,846
Accounts receivable	179,742	22,364
Contributions receivable	60,300	101,825
Investments	<u>100,351</u>	<u>87,953</u>
Total financial assets at year-end	834,795	951,988
Less amounts not available to be used within one year		
Restrictions by donor with purpose and time restrictions	141,012	635,248
Endowment funds	<u>66,003</u>	<u>66,003</u>
	207,015	701,251
Financial assets available to meet cash needs for general expenditures within one year	\$ 627,780	\$ 250,737

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). The Organization has a \$150,000 line of credit available to meet cash flow needs.

As of September 30, 2021 and 2020, the operating fund owed the capital fund \$0 and \$12,274, respectively.

Note 4. Contributions Receivable

Contributions receivable consist of the following at September 30:

	2021	2020
In less than one year	\$ 33,050	\$ 36,525
In one to five years	<u>27,250</u>	<u>65,300</u>
Total	\$ 60,300	\$ 101,825

Barefoot Republic, Inc.
Notes to Financial Statements
For the Years Ended September 30, 2021 and 2020

Note 5. Property and Equipment

Property and equipment consist of the following at September 30:

	2021	2020
Land	\$ 198,817	\$ 179,917
Buildings and improvements	4,517,311	2,432,430
Leasehold improvements	48,734	38,434
Vehicles	107,548	107,548
Furniture and equipment	319,835	304,717
Construction in process	<u>122</u>	<u>966,835</u>
	5,192,367	4,029,881
Less: accumulated depreciation	<u>(1,373,890)</u>	<u>(1,212,323)</u>
	\$ 3,818,477	\$ 2,817,558

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 2022. The note is arranged to automatically renew unless the lender gives 30 days' notice prior to the anniversary date. The interest rate is 1% greater than the Prime Rate (4.25% at September 30, 2021). 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, 2021 and 2020.

Note 7. PPP Loan

The Organization received a loan in the amount of \$137,335 on April 13, 2020 in accordance with the PPP section of the CARES Act, which was fully forgiven on July 16, 2021 and recorded in miscellaneous revenues on the statement of activities for the year ended September 30, 2021.

The Organization received a second draw PPP loan in the amount of \$192,269 on January 26, 2021, which was recorded as a refundable advance on the statement of financial position for the year ended September 30, 2021 and forgiven on December 21, 2021.

Barefoot Republic, Inc.
Notes to Financial Statements
For the Years Ended September 30, 2021 and 2020

Note 8. Notes Payable

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

	2021	2020
Note payable to a bank, \$586 payable per month, principal and interest, with final balloon payment due July 5, 2021, interest of 4.5%, secured by real property located in Franklin, Tennessee	\$ -	\$ 79,810
Note payable to a bank, \$743 payable per month, principal and interest, with final balloon payment due September 10, 2024, interest of 5.0%, secured by real property located in Fountain Run, Kentucky	105,596	109,548
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
	145,596	229,358
Notes payable, current portion	(43,757)	(122,452)
Notes payable, net of current portion	\$ 101,839	\$ 106,906

Future maturities of notes payable are as follows:

Year ended September 30,	
2022	\$ 43,757
2023	3,949
2024	97,890
Total	\$ 145,596

Note 9. Net Assets With Donor Restrictions

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

	2021	2020
Capital improvements	\$ 56,254	\$ 539,516
Equipment purchases	34,758	16,357
Scholarships	50,000	79,375
Endowment (see note 10)	66,003	66,003
	\$ 207,015	\$ 701,251

Barefoot Republic, Inc.
Notes to Financial Statements
For the Years Ended September 30, 2021 and 2020

Note 10. Endowment Fund

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.

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.

A schedule of endowment fund composition by type as of September 30 follows:

	2021	2020
Cash	\$ 1,114	\$ 1,971
ETFs	<u>99,237</u>	<u>85,982</u>
	\$ 100,351	\$ 87,953

All endowment fund investments were valued based on Level 1 inputs as of September 30, 2021 and 2020.

Barefoot Republic, Inc.
Notes to Financial Statements
For the Years Ended September 30, 2021 and 2020

Note 10. Endowment Fund

A schedule of changes in endowment fund net assets follows for the year ended September 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 21,950	\$ 66,003	\$ 87,953
Investment income	-	1,131	1,131
Administrative expenses	-	(958)	(958)
Net appreciation (realized and unrealized)	-	12,225	12,225
Amounts released from restriction	<u>12,398</u>	<u>(12,398)</u>	<u>-</u>
Endowment net assets, end of year	\$ 34,348	\$ 66,003	\$ 100,351

A schedule of changes in endowment fund net assets follows for the year ended September 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 13,371	\$ 66,003	\$ 79,374
Investment income	-	1,711	1,711
Administrative expenses	-	(829)	(829)
Net appreciation (realized and unrealized)	-	7,697	7,697
Amounts released from restriction	<u>8,579</u>	<u>(8,579)</u>	<u>-</u>
Endowment net assets, end of year	\$ 21,950	\$ 66,003	\$ 87,953

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 revenues on the statement of activities are reported net of financial aid. Financial aid was \$351,858 and \$29,052 for the years ended September 30, 2021 and 2020, respectively.

Barefoot Republic, Inc.
Notes to Financial Statements
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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 established 501(c)(3) status. During the years ended September 30, 2021 and 2020, the Organization paid \$10,000 and \$2,218, respectively, 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, 2021 and 2020 totaled \$0 and \$400,000, respectively.

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, 2021 and 2020, 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, 2021 and 2020, rent expense amounted to \$39,350 and \$34,289, respectively. Management estimates the fair rental value of the land to be approximately \$42,000 for the years ended September 30, 2021 and 2020.

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 \$425 as of September 30, 2021 and rental fees owed to the Executive Director from the Organization were \$775 as of September 30, 2020.

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 8.

Note 15. Subsequent Events

Management has evaluated subsequent events through February 16, 2022, the date on which the financial statements were available for issuance.