

SIRE, Inc.
dba SIRE – Houston’s Therapeutic
Equestrian Centers

Financial Statements


December 31, 2014 and 2013



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SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
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December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SIRE, Inc.
Hockley, Texas

We have audited the accompanying financial statements of SIRE, Inc., dba SIRE – Houston's Therapeutic Equestrian Centers (SIRE) (a Texas Non-Profit Organization), which comprise the statements of financial position as of December 31, 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 the 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 SIRE, Inc. as of December 31, 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.

Case, Riggs & Ingram, L.L.C.

Houston, Texas
August 11, 2015

SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
Statements of Financial Position

<i>December 31,</i>	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 258,463	\$ 94,099
Accounts receivable	14,443	13,598
Pledges receivable, net	9,326	24,291
Prepaid expenses	7,401	8,173
Total current assets	289,633	140,161
Pledges receivable, net	1,579	7,047
Property and equipment, net	1,094,528	1,082,095
Total assets	\$ 1,385,740	\$ 1,229,303
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 17,379	\$ 10,400
Deferred revenue	67,398	20,531
Line of credit	-	41,602
Current maturities of obligation under capital lease	1,106	1,377
Current maturities of note payable	4,444	3,866
Total current liabilities	90,327	77,776
Long-term liabilities		
Obligation Under Capital Lease, Net of Current Maturities	-	1,231
Note payable, net of current maturities	150,725	150,113
Total long-term liabilities	150,725	151,344
Total liabilities	241,052	229,120
Commitments and contingencies		
Net assets		
Unrestricted		
Board designated	50,000	-
Undesignated	951,889	951,544
Total unrestricted	1,001,889	951,544
Temporarily restricted	142,799	48,639
Total net assets	1,144,688	1,000,183
Total liabilities and net assets	\$ 1,385,740	\$ 1,229,303

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

SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
Statements of Activities and Changes in Net Assets

<i>Years ended December 31,</i>	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support						
Contributions	\$ 404,660	\$ 161,041	\$ 565,701	\$ 428,665	\$ 79,552	\$ 508,217
Tuition	271,420	-	271,420	247,621	-	247,621
Special events, net of direct donor benefit costs of \$153,574 and \$150,996, respectively	429,050	-	429,050	460,081	-	460,081
Investment income	408	-	408	282	-	282
Other income	205,994	-	205,994	42,934	-	42,934
Net assets released from restrictions	66,881	(66,881)	-	107,862	(107,862)	-
Total revenue and support	1,378,413	94,160	1,472,573	1,287,445	(28,310)	1,259,135
Expenses						
Program services	1,046,749	-	1,046,749	1,094,392	-	1,094,392
General and administrative	142,855	-	142,855	131,528	-	131,528
Fundraising	138,464	-	138,464	121,747	-	121,747
Total expenses	1,328,068	-	1,328,068	1,347,667	-	1,347,667
Change in net assets	50,345	94,160	144,505	(60,222)	(28,310)	(88,532)
Net assets at beginning of year	951,544	48,639	1,000,183	1,011,766	76,949	1,088,715
Net assets at end of year	\$ 1,001,889	\$ 142,799	\$ 1,144,688	\$ 951,544	\$ 48,639	\$ 1,000,183

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

SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
Statements of Functional Expenses

Years ended December 31,	2014				2013			
	Programs	General and Administrative	Fundraising	Total	Programs	General and Administrative	Fundraising	Total
Personnel costs								
Salaries	\$ 584,044	\$ 90,184	\$ 75,866	\$ 750,094	\$ 630,981	\$ 79,678	\$ 68,125	\$ 778,784
Payroll taxes, workman's compensation and benefits	93,392	16,606	8,326	118,325	88,388	14,758	9,759	112,905
Total personnel costs	677,437	106,790	84,192	868,419	719,369	94,436	77,884	891,689
Clients	20,150	-	-	20,150	14,578	-	-	14,578
Contract services	14,155	19,371	-	33,526	17,712	14,971	903	33,586
Equine	111,031	-	-	111,031	102,604	-	-	102,604
Facilities costs								
Depreciation	64,364	-	-	64,364	75,039	-	-	75,039
Insurance	19,603	-	-	19,603	11,080	-	-	11,080
Maintenance	31,241	40	-	31,281	39,158	-	-	39,158
Utilities	30,584	-	-	30,584	25,516	-	-	25,516
Fundraising	-	-	52,698	52,698	-	-	33,351	33,351
Operations								
Office equipment and supplies	15,203	6,027	298	21,528	20,202	4,342	680	25,224
Postage and shipping	4,352	2,600	-	6,952	1,638	2,871	4,166	8,675
Printing	9,026	1,489	86	10,602	3,641	634	4,135	8,410
Telephone	7,326	272	-	7,598	7,228	183	82	7,493
Other expenses								
Dues and subscriptions	7,398	1,588	807	9,793	6,889	2,011	410	9,310
Insurance	4,443	350	-	4,793	9,340	310	85	9,735
Other expenses	5,879	(443)	137	5,573	2,375	2,480	-	4,855
Travel and meetings	7,822	2,100	246	10,169	16,909	2,921	51	19,881
Volunteers	1,353	-	-	1,353	8,243	-	-	8,243
Interest expense	9,505	2,670	-	12,175	9,364	2,969	-	12,333
Bad debt expense	5,876	-	-	5,876	3,507	3,400	-	6,907
Total expenses	\$ 1,046,749	\$ 142,855	\$ 138,464	\$ 1,328,068	\$ 1,094,392	\$ 131,528	\$ 121,747	\$ 1,347,667

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

SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
Statements of Cash Flows

<i>Years ended December 31,</i>	2014	2013
Operating activities		
Changes in net assets	\$ 144,505	\$ (88,532)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	5,876	6,907
Depreciation	64,364	75,039
Donated assets	(6,000)	(10,000)
Loss on disposal of asset	3,496	-
Changes in operating assets and liabilities		
Accounts receivable	(6,721)	(4,246)
Pledges receivable	20,433	30,150
Prepaid expenses	772	10,991
Accounts payable and accrued expenses	6,979	147
Deferred revenue	46,867	(3,453)
Net cash provided by operating activities	280,571	17,003
Investing activities		
Purchases of property and equipment	(74,293)	(64,385)
Financing activities		
Net repayments on line of credit	(41,602)	(8,431)
Debt closing costs advanced in loan refinance	4,816	-
Principal payments on debt obligations	(5,128)	(4,247)
Net cash used in financing activities	(41,914)	(12,678)
Net change in cash and cash equivalents	164,364	(60,060)
Cash and cash equivalents at beginning of year	94,099	154,159
Cash and cash equivalents at end of year	\$ 258,463	\$ 94,099
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 12,175	\$ 12,333
Supplemental disclosure of noncash investing and financing activities		
Property and equipment acquired via assumption of long-term debt	\$ -	\$ 157,000

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



SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers Notes to the Financial Statements

NOTE 1: ORGANIZATION

SIRE, Inc., dba SIRE – Houston’s Therapeutic Equestrian Centers (“SIRE”) is a nonprofit corporation incorporated under the laws of the state of Texas in 1985. The mission of SIRE is to improve the quality of life for people with special needs through therapeutic horsemanship activities and therapies, and educational outreach. SIRE provides riding and related activities in Hockley, Spring and Richmond, Texas to benefit the Greater Houston area. SIRE’s support primarily comes from donor contributions and tuition fees.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of Accounting

SIRE’s financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. SIRE’s resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor imposed restrictions. Accordingly, net assets of SIRE and changes therein are classified and reported as follows:

- Unrestricted - net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily Restricted - net assets whose use by SIRE is subject to donor imposed stipulations that can be fulfilled by action of SIRE pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted - net assets subject to donor imposed stipulations that assets be maintained permanently by SIRE.

Support that is restricted by the donor and is to be used in future periods or for a specific purpose is reported as an increase in temporarily restricted or permanently restricted net assets in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash Equivalents

SIRE considers all highly liquid investments with initial maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

SIRE extends credit to its clients for tuition. Receivables over 30 days are considered past due. SIRE considers tuition receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when the determination is made.

SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges are recorded as revenue in the year they are received unless they contain a conditional promise to give. Conditional promises to give are not included as revenue until the conditions have been substantially met. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. An allowance for uncollectible pledges receivable is recorded based on a combination of write-off history, aging analysis, and any specific known troubled accounts. At December 31, 2014 and 2013, SIRE reserved \$5,450 and \$10,500 for uncollectible pledges, respectively.

Concentration of Credit Risk

At various times during the year, SIRE’s cash balances may exceed federally insured limits. Cash accounts at banks are insured by the FDIC up to \$250,000. SIRE has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk on cash and cash equivalents due to the financial strength of the financial institutions where deposits are held.

Property and Equipment

Property and equipment are recorded at cost, or in the case of donated property, at the approximate fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful life which ranges from five to forty years. Maintenance and repairs are charged to expense while expenditures for improvements are capitalized.

Impairment of Long-Lived Assets

SIRE’s long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. Management believes no impairment has occurred with respect to long-lived assets at December 31, 2014 and 2013.

Deferred Revenue

All tuition received prior to December 31, 2014 and 2013 and applicable to the 2015 and 2014 spring terms, respectively, has been reported as deferred revenue on the statements of financial position. Contributions raised for the benefit of fundraising events set to occur in a future period are also recorded as deferred revenue.

SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Tuition income and special event income are recognized as revenue when the services or products are provided.

Clients are charged tuition based on the nature and amount of services performed by SIRE on the clients' behalf. All clients' tuition is subsidized and tuition rates are generally set to cover 31% of costs. In addition to the standard subsidy, during 2014 and 2013, 21% and 17% of clients who would otherwise not have been able to participate received additional reduced tuition from the published tuition rates, respectively.

Donated Materials and Services

Donated materials and equipment associated with the facilities are recorded as support at their fair market values at date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. In 2014 and 2013, SIRE received \$6,000 and \$10,000, respectively, in donated property and equipment, which have been recorded as contributions in the statements of activities and changes net assets.

A substantial number of volunteers have contributed significant amounts of time in conjunction with the program services and fundraising campaigns of SIRE for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under accounting principles generally accepted in the United States of America. In 2014 and 2013, approximately 32,000 and 33,000 volunteer hours were performed at an estimated value of approximately \$725,000 and \$737,000, respectively.

Fair Value Considerations

SIRE uses fair value to measure financial and certain nonfinancial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. SIRE did not elect the fair value option for the measurement of any eligible assets or liabilities.

SIRE's financial instruments (primarily cash and cash equivalents, receivables, payables and debt) are carried in the financial statements at amounts that reasonably approximate fair value.

SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Designated Net Assets

As of December 31, 2014, SIRE’s Board of Directors had designated \$50,000 as an emergency reserve. Any use of the funds requires approval by the Board of Directors.

Functional Expenses

The majority of expenses can generally be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among the programs and supporting services benefited based on various determinations by management.

Income Taxes

SIRE, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax has been made in these financial statements. SIRE accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of December 31, 2014, management believes there were no uncertain tax positions.

Use of Estimates

The preparation of the 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 the reported amounts of revenues and expenses. Actual results could differ from the estimates used. Estimates that have the most impact on financial position and results of operations primarily relate to the collectability of accounts and pledges receivable, the useful lives of property and equipment and the allocation of expenses among various functions. Management believes these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Reclassifications

Certain 2013 amounts have been reclassified to conform to current year presentation. The reclassifications had no impact on change in net assets.

Subsequent Events

SIRE has evaluated subsequent events through the time the financial statements are available for issuance on August 11, 2015. No matters were identified affecting the accompanying financial statements or related disclosures.

SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
Notes to the Financial Statements

NOTE 3: PLEDGES RECEIVABLE

Pledges are due to be collected as follows:

<i>December 31,</i>	2014	2013
Less than one year	\$ 9,326	\$ 24,291
One to five years	1,579	7,047
	\$ 10,905	\$ 31,338

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>December 31,</i>	2014	2013
Land	\$ 437,497	\$ 433,126
Building and improvements	1,002,885	989,863
Equipment	298,300	244,959
Horses	33,657	27,594
	1,772,339	1,695,542
Accumulated depreciation	(677,811)	(613,447)
	\$ 1,094,528	\$ 1,082,095

Depreciation expense for the years ended December 31, 2014 and 2013 totaled \$64,364 and \$75,039, respectively.

NOTE 5: LINE OF CREDIT

SIRE has a \$100,000 line of credit with a bank. The line of credit requires minimum monthly payments of 1% of the outstanding balance and bears interest at prime plus 1%. The line of credit has no stated maturity. At December 31, 2014 and 2013, borrowings outstanding under the line of credit totaled \$0 and \$41,602, respectively.

SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
Notes to the Financial Statements

NOTE 6: CAPITAL LEASE OBLIGATION

In 2010, SIRE entered into a capital lease agreement for a telephone system. Amortization of assets under capital leases is included in depreciation expense.

The cost and related accumulated depreciation of the asset under capital lease is as follows:

<i>December 31,</i>	2014	2013
Equipment	\$ 6,095	\$ 6,095
Less: accumulated depreciation	(5,282)	(4,063)
	\$ 813	\$ 2,032

Future minimum rental payments under the noncancellable lease as of December 31, 2014 are as follows:

<i>Year ending December 31,</i>		
2015		\$ 1,163
Less: amount representing interest and executory costs		(57)
		\$ 1,106

NOTE 7: NOTE PAYABLE

In February 2013, SIRE purchased approximately 16 acres of land adjacent to the Hockley, Texas facilities. The land was acquired by executing a note payable with the seller for \$157,000. Under the terms of the note agreement, SIRE made monthly principal and interest payments totaling \$1,210. The note’s interest rate was 7% and would have matured in February 2023 at which point a balloon payment was due for any unpaid principal.

SIRE refinanced the note during 2014 with a financial institution. Under the terms of the new financing agreement, SIRE makes monthly payments (including principal and interest) totaling \$1,082, and the interest rate is fixed (5.5%) for the first five years. After the first five years, interest will be based on the Wall Street Journal prime rate (with a floor of 5.5%) until maturity. The note matures in September 2034 and is secured by the underlying property.

SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
Notes to the Financial Statements

NOTE 7: NOTE PAYABLE (Continued)

Future minimum principal payments under the note are as follows:

Year ending December 31,		
2015	\$	4,444
2016		4,675
2017		4,966
2018		5,250
2019		5,551
Thereafter		130,283
	\$	155,169

NOTE 8: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<i>December 31,</i>	2014	2013
Spring site	\$ 51,533	\$ 44,639
Fort Bend site	57,937	1,000
Hockley site	3,500	-
Equipment	5,079	3,000
Reduced tuition	13,750	-
Development director salary	11,000	-
	\$ 142,799	\$ 48,639

NOTE 9: NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2014 and 2013, temporarily restricted net assets of \$66,881 and \$107,862, respectively, were released from donor restrictions by satisfying donor restrictions.

NOTE 10: CELL TOWER INCOME

SIRE receives monthly lease payments for cell towers located on land owned by SIRE. Lease income totaled \$15,371 and \$14,870 for the years ended December 31, 2014 and 2013, respectively. The leases will continue in accordance with the terms of the agreements and automatically renew for successive renewal terms unless otherwise notified in accordance with the agreements. In July 2014, SIRE sold the right to receive future rent from the cell tower located on the Spring property for a lump sum payment of \$170,102, which is included in other income in the statements of activities and changes in net assets.