

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

Financial Statements


December 31, 2015 and 2014



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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, 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 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, 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.

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

Houston, Texas

July 25, 2016

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

<i>December 31,</i>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 217,801	\$ 258,463
Accounts receivable	10,689	14,443
Pledges receivable, net	1,905	9,326
Prepaid expenses	1,404	7,401
Total current assets	<b>231,799</b>	289,633
Pledges receivable, net	<b>1,250</b>	1,579
Property and equipment, net	<b>1,170,739</b>	1,094,528
Total assets	<b>\$ 1,403,788</b>	\$ 1,385,740
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 10,400	\$ 17,379
Deferred revenue	18,183	67,398
Current maturities of obligation under capital lease	-	1,106
Current maturities of note payable	4,675	4,444
Total current liabilities	<b>33,258</b>	90,327
Note payable, net of current maturities	<b>146,050</b>	150,725
Total liabilities	<b>179,308</b>	<b>241,052</b>
Commitments and contingencies		
Net assets		
Unrestricted		
Board designated	20,000	50,000
Undesignated	1,101,690	951,889
Total unrestricted	<b>1,121,690</b>	1,001,889
Temporarily restricted	<b>102,790</b>	142,799
Total net assets	<b>1,224,480</b>	1,144,688
Total liabilities and net assets	<b>\$ 1,403,788</b>	\$ 1,385,740

*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>	<b>2015</b>			<b>2014</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	Unrestricted	Temporarily Restricted	Total
<b>Revenue and support</b>						
Contributions	\$ 438,669	\$ 239,583	\$ 678,252	\$ 404,660	\$ 161,041	\$ 565,701
Tuition	315,910	-	315,910	271,420	-	271,420
Special events, net of direct donor benefit costs of \$140,839 and \$153,574, respectively	321,082	-	321,082	429,050	-	429,050
Investment income	1,869	-	1,869	408	-	408
Other income	14,309	-	14,309	205,994	-	205,994
Net assets released from restrictions	279,592	(279,592)	-	66,881	(66,881)	-
<b>Total revenue and support</b>	<b>1,371,431</b>	<b>(40,009)</b>	<b>1,331,422</b>	1,378,413	94,160	1,472,573
<b>Expenses</b>						
Program services	965,222	-	965,222	1,046,749	-	1,046,749
General and administrative	134,372	-	134,372	142,855	-	142,855
Fundraising	152,036	-	152,036	138,464	-	138,464
<b>Total expenses</b>	<b>1,251,630</b>	<b>-</b>	<b>1,251,630</b>	1,328,068	-	1,328,068
<b>Change in net assets</b>	<b>119,801</b>	<b>(40,009)</b>	<b>79,792</b>	50,345	94,160	144,505
<b>Net assets at beginning of year</b>	<b>1,001,889</b>	<b>142,799</b>	<b>1,144,688</b>	951,544	48,639	1,000,183
<b>Net assets at end of year</b>	<b>\$ 1,121,690</b>	<b>\$ 102,790</b>	<b>\$ 1,224,480</b>	\$ 1,001,889	\$ 142,799	\$ 1,144,688

*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,	2015				2014			
	Programs	General and Administrative	Fundraising	Total	Programs	General and Administrative	Fundraising	Total
Personnel costs								
Salaries	\$ 531,908	\$ 91,623	\$ 84,899	\$ 708,430	\$ 584,044	\$ 90,184	\$ 75,866	\$ 750,094
Payroll taxes, workman's compensation and benefits	83,280	16,016	10,727	110,023	93,392	16,606	8,326	118,325
Total personnel costs	615,188	107,639	95,626	818,453	677,437	106,790	84,192	868,419
Clients	27,054	-	-	27,054	20,150	-	-	20,150
Contract services	10,613	19,754	7,200	37,567	14,155	19,371	-	33,526
Equine	103,302	-	-	103,302	111,031	-	-	111,031
Facilities costs								
Depreciation	67,210	-	-	67,210	64,364	-	-	64,364
Insurance	18,417	-	-	18,417	19,603	-	-	19,603
Maintenance	43,112	672	163	43,947	31,241	40	-	31,281
Utilities	25,788	-	-	25,788	30,584	-	-	30,584
Fundraising	-	-	42,308	42,308	-	-	52,698	52,698
Operations								
Office equipment and supplies	10,264	2,914	-	13,178	15,203	6,027	298	21,528
Postage and shipping	766	2,363	1,834	4,963	4,352	2,600	-	6,952
Printing	1,793	499	3,196	5,488	9,026	1,489	86	10,602
Telephone	8,885	(99)	-	8,786	7,326	272	-	7,598
Other expenses								
Dues and subscriptions	5,641	1,074	1,509	8,224	7,398	1,588	807	9,793
Insurance	5,819	350	-	6,169	4,443	350	-	4,793
Other expenses	2,568	516	120	3,204	5,879	(443)	137	5,573
Travel and meetings	5,081	2,036	80	7,197	7,822	2,100	246	10,169
Volunteers	2,845	-	-	2,845	1,353	-	-	1,353
Interest expense	8,605	104	-	8,709	9,505	2,670	-	12,175
Bad debt expense	2,271	(3,450)	-	(1,179)	5,876	-	-	5,876
<b>Total expenses</b>	<b>\$ 965,222</b>	<b>\$ 134,372</b>	<b>\$ 152,036</b>	<b>\$ 1,251,630</b>	<b>\$ 1,046,749</b>	<b>\$ 142,855</b>	<b>\$ 138,464</b>	<b>\$ 1,328,068</b>

*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>	<b>2015</b>	<b>2014</b>
<b>Operating activities</b>		
Changes in net assets	\$ 79,792	\$ 144,505
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense	(1,179)	5,876
Depreciation	67,210	64,364
Donated assets	-	(6,000)
Loss on disposal of asset	4,658	3,496
Changes in operating assets and liabilities		
Accounts receivable	1,483	(6,721)
Pledges receivable	11,200	20,433
Prepaid expenses	5,997	772
Accounts payable and accrued expenses	(6,979)	6,979
Deferred revenue	(49,215)	46,867
<b>Net cash provided by operating activities</b>	<b>112,967</b>	<b>280,571</b>
<b>Investing activities</b>		
Purchases of property and equipment	(148,079)	(74,293)
<b>Financing activities</b>		
Net repayments on line of credit	-	(41,602)
Debt closing costs advanced in loan refinance	-	4,816
Principal payments on debt obligations	(5,550)	(5,128)
<b>Net cash used in financing activities</b>	<b>(5,550)</b>	<b>(41,914)</b>
<b>Net change in cash and cash equivalents</b>	<b>(40,662)</b>	<b>164,364</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>258,463</b>	<b>94,099</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 217,801</b>	<b>\$ 258,463</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 8,709	\$ 12,175

*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, 2015 and 2014, SIRE reserved \$2,000 and \$5,450 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, 2015 and 2014.

***Deferred Revenue***

All tuition received prior to December 31, 2015 and 2014 and applicable to the 2016 and 2015 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 36% of costs. In addition to the standard subsidy, during 2015 and 2014, 19% and 21% 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 2015 and 2014, SIRE received \$- and \$6,000, 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 2015 and 2014, approximately 36,000 and 32,000 volunteer hours were performed at an estimated value of approximately \$920,000 and \$736,000, 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, 2015 and 2014, SIRE’s Board of Directors had designated \$20,000 and \$50,000, respectively, 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, 2015, 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.

***Subsequent Events***

SIRE has evaluated subsequent events through the time the financial statements are available for issuance on July 25, 2016. No matters were identified affecting the accompanying financial statements or related disclosures not already disclosed elsewhere in these financial statements.

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>	<b>2015</b>	<b>2014</b>
Less than one year	\$ 1,905	\$ 9,326
One to five years	1,250	1,579
	<b>\$ 3,155</b>	<b>\$ 10,905</b>

**NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

<i>December 31,</i>	<b>2015</b>	<b>2014</b>
Land	\$ 437,497	\$ 437,497
Building and improvements	1,042,364	1,002,886
Construction in progress	76,795	-
Equipment	315,153	298,300
Horses	43,453	33,657
	<b>1,915,262</b>	<b>1,772,340</b>
Accumulated depreciation	<b>(744,523)</b>	<b>(677,812)</b>
	<b>\$ 1,170,739</b>	<b>\$ 1,094,528</b>

Depreciation expense for the years ended December 31, 2015 and 2014 totaled \$67,210 and \$64,364, 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, 2015 and 2014, there were no borrowings outstanding under the line of credit.

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

**NOTE 6: 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, and the interest rate was 7%. 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.

Future minimum principal payments under the note are as follows:

Year ending December 31,	
2016	\$ 4,675
2017	4,966
2018	5,250
2019	5,551
2020	5,848
Thereafter	124,435
	\$ 150,725

**NOTE 7: RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

<i>December 31,</i>	<b>2015</b>	<b>2014</b>
Spring site	\$ 66,790	\$ 51,533
Fort Bend site	18,000	57,937
Hockley site	3,000	3,500
Equipment	15,000	5,079
Reduced tuition	-	13,750
Development director salary	-	11,000
	\$ 102,790	\$ 142,799



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

**NOTE 8: NET ASSETS RELEASED FROM RESTRICTIONS**

During the years ended December 31, 2015 and 2014, temporarily restricted net assets of \$279,592 and \$66,881, respectively, were released from donor restrictions by satisfying donor restrictions.

**NOTE 9: CELL TOWER INCOME**

SIRE receives monthly lease payments for cell towers located on land owned by SIRE. Lease income totaled \$5,082 and \$15,371 for the years ended December 31, 2015 and 2014, 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.

**NOTE 10: SUBSEQUENT EVENT - LEASE**

In April 2016, SIRE entered into a noncancellable lease agreement for office space in Houston, Texas. The lease commences in May 2016 and expires in April 2021. The lease requires monthly payments of \$1,653.