

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

Financial Statements


June 30, 2017 and December 31, 2016



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SIRE, Inc. dba SIRE – Houston’s Therapeutic Equestrian Centers
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INDEPENDENT AUDITORS' 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 June 30, 2017 and December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the six- and twelve-month periods 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.

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 SIRE, Inc. as of June 30, 2017 and December 31, 2016, and the changes in its net assets and its cash flows for the six- and twelve-month periods then ended in accordance with accounting principles generally accepted in the United States of America.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
October 5, 2017

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

<i>June 30 and December 31,</i>	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 229,408	\$ 166,618
Accounts receivable	31,247	16,791
Pledges receivable, net	-	2,155
Prepaid expenses	5,338	13,318
Total current assets	265,993	198,882
Pledges receivable, net	-	1,000
Property and equipment, net	1,124,895	1,148,486
Total assets	\$ 1,390,888	\$ 1,348,368
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 32,561	\$ 18,084
Deferred revenue	27,397	20,340
Line of credit	69,549	-
Current maturities of note payable	5,108	5,108
Total current liabilities	134,615	43,532
Note payable, net of current maturities	137,990	140,782
Total liabilities	272,605	184,314
Commitments and contingencies		
Net assets		
Unrestricted		
Board Designated	560	560
Undesignated	888,046	1,027,081
Total unrestricted	888,606	1,027,641
Temporarily restricted	229,677	136,413
Total net assets	1,118,283	1,164,054
Total liabilities and net assets	\$ 1,390,888	\$ 1,348,368

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

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

*For the Six-Months Ended June 30 and Year
Ended December 31,*

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support						
Contributions	\$ 123,464	\$ 137,056	\$ 260,520	\$ 325,845	\$ 204,197	\$ 530,042
Tuition	186,862	-	186,862	354,564	-	354,564
Special events, net of direct donor benefit costs of \$47,472 and \$72,528, respectively	156,068	-	156,068	262,414	-	262,414
Investment income (loss)	24	-	24	(1,696)	-	(1,696)
Other income	15,454	-	15,454	19,449	-	19,449
Net assets released from restrictions	43,792	(43,792)	-	170,574	(170,574)	-
Total revenue and support	525,664	93,264	618,928	1,131,150	33,623	1,164,773
Expenses						
Program services	474,237	-	474,237	888,800	-	888,800
General and administrative	99,630	-	99,630	172,113	-	172,113
Fundraising	90,832	-	90,832	164,286	-	164,286
Total expenses	664,699	-	664,699	1,225,199	-	1,225,199
Change in net assets	(139,035)	93,264	(45,771)	(94,049)	33,623	(60,426)
Net assets at beginning of period	1,027,641	136,413	1,164,054	1,121,690	102,790	1,224,480
Net assets at end of period	\$ 888,606	\$ 229,677	\$ 1,118,283	\$ 1,027,641	\$ 136,413	\$ 1,164,054

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

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

For the Six-Months Ended June 30 and Year
Ended December 31,

	2017				2016			
	Programs	General and Administrative	Fundraising	Total	Programs	General and Administrative	Fundraising	Total
Personnel costs								
Salaries	\$ 254,066	\$ 54,979	\$ 39,713	\$ 348,758	\$ 503,465	\$ 102,784	\$ 74,647	\$ 680,896
Payroll taxes, workman's compensation and benefits	44,197	11,469	5,710	61,376	71,639	15,586	9,594	96,819
Total personnel costs	298,263	66,448	45,423	410,134	575,104	118,370	84,241	777,715
Clients	10,068	-	-	10,068	15,229	-	-	15,229
Contract services	2,014	9,309	199	11,522	8,512	17,818	6,000	32,330
Equine	68,527	580	-	69,107	106,785	-	-	106,785
Facilities costs								
Depreciation	29,743	-	-	29,743	61,259	-	-	61,259
Insurance	6,871	-	-	6,871	17,932	38	-	17,970
Maintenance	13,141	231	-	13,372	23,481	1,415	-	24,896
Rent	-	9,918	-	9,918	-	22,245	-	22,245
Utilities	12,008	-	-	12,008	22,363	-	-	22,363
Fundraising	-	-	41,472	41,472	-	-	63,566	63,566
Operations								
Office equipment and supplies	5,643	3,466	-	9,109	10,894	3,318	99	14,311
Postage and shipping	116	1,026	-	1,142	137	1,968	1,656	3,761
Printing	580	1,061	200	1,841	1,596	564	2,584	4,744
Telephone	1,670	3,324	-	4,994	5,958	4,733	-	10,691
Other expenses								
Dues and subscriptions	8,951	518	788	10,257	12,582	232	2,311	15,125
Insurance	373	350	-	723	6,310	350	-	6,660
Other expenses	3,537	2,163	-	5,700	3,012	826	494	4,332
Travel and meetings	2,518	1,090	995	4,603	8,902	936	1,335	11,173
Volunteers	2,024	-	-	2,024	594	-	-	594
Interest expense	4,782	146	-	4,928	8,150	800	-	8,950
Bad debt expense	3,408	-	1,755	5,163	-	(1,500)	2,000	500
Total expenses	\$ 474,237	\$ 99,630	\$ 90,832	\$ 664,699	\$ 888,800	\$ 172,113	\$ 164,286	\$ 1,225,199

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>For the Six-Months Ended June 30 and Year Ended December 31,</i>	2017	2016
Operating activities		
Changes in net assets	\$ (45,771)	\$ (60,426)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Bad debt expense	5,163	500
Depreciation	29,743	61,259
Donated assets	-	(28,000)
Loss on disposal of asset	-	3,407
Changes in operating assets and liabilities		
Accounts receivable	(19,619)	(6,602)
Pledges receivable	3,155	-
Prepaid expenses	7,980	(11,914)
Accounts payable and accrued expenses	14,477	7,684
Deferred revenue	7,057	2,157
Net cash provided by (used in) operating activities	2,185	(31,935)
Investing activities		
Purchases of property and equipment	(6,152)	(14,413)
Financing activities		
Net borrowings (repayments) on line of credit	69,549	-
Principal payments on debt obligations	(2,792)	(4,835)
Net cash provided by (used in) financing activities	66,757	(4,835)
Net change in cash and cash equivalents	62,790	(51,183)
Cash and cash equivalents at beginning of period	166,618	217,801
Cash and cash equivalents at end of period	\$ 229,408	\$ 166,618
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 4,928	\$ 8,950

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

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

Notes to 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. Effective January 1, 2017, SIRE changed its fiscal year to begin on July 1st and end on June 30th.

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 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 Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges are recorded as revenue in the period 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 June 30, 2017 and December 31, 2016, SIRE reserved \$- and \$500 for uncollectible pledges, respectively. At December 31, 2016, pledges were due to be collected as follows: \$2,155 in less than one year and \$1,000 in one to five years.

Concentration of Credit Risk

At various times during the periods, 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 June 30, 2017 and December 31, 2016.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Tuition is recognized in the period in which it is earned. Since the 2017 summer semester occurs during two different accounting periods, the portion applicable to the next reporting period is recorded as deferred revenue. In addition, all tuition received prior December 31, 2016 and applicable to the 2017 spring term, 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.

Revenue Recognition

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

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 40% of costs. In addition to the standard subsidy, during 2017 and 2016, 20% 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. For the six-months ended June 30, 2017 and the year ended December 31, 2016, SIRE received \$0 and \$28,000, respectively, in donated property and equipment, which have been recorded as contributions in the statements of activities.

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. For the six-months ended June 30, 2017 and the year ended December 31, 2016, approximately 16,000 and 31,000 volunteer hours were performed at an estimated value of approximately \$404,000 and \$770,000, 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).

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Designated Net Assets

As of June 30, 2017 and December 31, 2016, SIRE’s Board of Directors had designated \$560 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 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 June 30, 2017 and December 31, 2016, 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 changes in net assets 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 October 5, 2017. No matters were identified affecting the accompanying financial statements or related disclosures.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Financial Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Underwater endowments will be included in net assets with donor restrictions and new or enhanced disclosures regarding the composition of net assets will be required. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. Absent specific donor stipulations, SIRE will use the placed-in-service approach for reporting expirations of restrictions on long-lived assets. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of SIRE’s financial statements.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>June 30 and December 31,</i>	2017	2016
Land	\$ 437,497	\$ 437,497
Building and improvements	1,042,364	1,042,364
Construction in progress	85,650	85,650
Equipment	354,862	348,711
Horses	40,046	40,046
	1,960,419	1,954,268
Accumulated depreciation	(835,524)	(805,782)
	\$ 1,124,895	\$ 1,148,486

Depreciation expense for the six-months ended June 30, 2017 and the year ended December 31, 2016 totaled \$29,743 and \$61,259, respectively.

NOTE 4: LINE OF CREDIT

SIRE has an unsecured \$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 June 30, 2017 and December 31, 2016, there were \$69,549 and \$ 0 borrowings outstanding under the line of credit.

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

NOTE 5: 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 payable matures in September 2034 and is secured by the underlying property.

Future minimum principal payments under the note payable are as follows:

<i>Year ending June 30,</i>	
2018	\$ 5,108
2019	5,400
2020	5,699
2021	6,025
2022	6,380
Thereafter	114,486
	\$ 143,098

NOTE 6: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<i>June 30, and December 31,</i>	2017	2016
Spring site	\$ 93,077	\$ 92,077
Fort Bend site	72,000	13,000
Equipment	63,000	28,000
Development director salary	1,600	3,336
	\$ 229,677	\$ 136,413

NOTE 7: NET ASSETS RELEASED FROM RESTRICTIONS

During the period ended June 30, 2017 and the year ended December 31, 2016, temporarily restricted net assets of \$43,792 and \$170,574, respectively, were released from donor restrictions by satisfying donor restrictions.

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

NOTE 8: LEASES

In April 2016, SIRE entered into a noncancellable lease agreement for office space in Houston, Texas which expires in April 2021. Future minimum lease payments are as follows:

<i>Year ending June 30,</i>	
2018	\$ 20,454
2019	20,994
2020	21,532
2021	18,310
	<hr/> <hr/> \$ 81,290

Rent expense totaled \$9,918 and \$13,224 for the six-months ended June 30, 2017 and the year ended December 31, 2016, respectively.

SIRE receives monthly lease payments for a cell tower located on land owned by SIRE. Lease income totaled \$3,015 and \$5,082 for the six-months ended June 30, 2017 and the year ended December 31, 2016, respectively. The lease will continue in accordance with the terms of the agreement and automatically renews for successive renewal terms unless otherwise notified in accordance with the agreement.