



**SIRE, Inc.**

**FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**



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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of SIRE, Inc. (SIRE) (a Texas Non-Profit Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SIRE as of June 30, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SIRE and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SIRE's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SIRE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SIRE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Houston, Texas  
March 28, 2023

**SIRE, Inc.**  
**Statements of Financial Position**

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 809,650	\$ 717,918
Cash and cash equivalents - capital campaign	-	562,930
Accounts receivable	26,751	53,817
Promises to give	535,155	517,009
Prepaid expenses	1,009	-
Total current assets	1,372,565	1,851,674
Promises to give, non-current	340,400	546,549
Land held for sale	237,351	228,601
Property and equipment, net	5,383,220	710,613
Total assets	\$ 7,333,536	\$ 3,337,437
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 360,675	\$ 20,090
Retainage payable	75,660	-
Refundable advance - PPP	-	116,112
Deferred revenue - tuition	39,402	24,779
Line of credit	25,000	-
Current maturities of notes payable	91,885	-
Total current liabilities	592,622	160,981
Notes payable, net of current maturities	2,553,447	-
Total liabilities	3,146,069	160,981
Net assets		
Without donor restrictions	1,254,984	1,410,973
With donor restrictions	2,932,483	1,765,483
Total net assets	4,187,467	3,176,456
Total liabilities and net assets	\$ 7,333,536	\$ 3,337,437

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

**SIRE, Inc.**  
**Statements of Activities**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>						
Contributions	\$ 345,836	\$ 111,000	\$ 456,836	\$ 438,885	\$ -	\$ 438,885
Capital campaign contributions	-	1,255,000	1,255,000	-	1,772,465	1,772,465
Contributions of nonfinancial assets	99,701	-	99,701	-	-	-
Tuition	246,204	-	246,204	236,311	-	236,311
Government grants	116,112	-	116,112	116,320	-	116,320
Special events	248,597	34,000	282,597	209,887	-	209,887
Less: direct donor benefits	(59,316)	-	(59,316)	(32,099)	-	(32,099)
Investment and other income	56,889	-	56,889	37,215	-	37,215
Gain on disposal of land held for sale	-	-	-	463,262	-	463,262
Net assets released from restrictions	233,000	(233,000)	-	174,059	(174,059)	-
<b>Total revenue and support</b>	<b>1,287,023</b>	<b>1,167,000</b>	<b>2,454,023</b>	<b>1,643,840</b>	<b>1,598,406</b>	<b>3,242,246</b>
<b>Expenses</b>						
Program services	992,320	-	992,320	784,786	-	784,786
General and administrative	232,392	-	232,392	232,829	-	232,829
Fundraising	184,908	-	184,908	247,723	-	247,723
Loss on disposal of assets	33,392	-	33,392	10,769	-	10,769
<b>Total expenses</b>	<b>1,443,012</b>	<b>-</b>	<b>1,443,012</b>	<b>1,276,107</b>	<b>-</b>	<b>1,276,107</b>
<b>Change in net assets</b>	<b>(155,989)</b>	<b>1,167,000</b>	<b>1,011,011</b>	<b>367,733</b>	<b>1,598,406</b>	<b>1,966,139</b>
<b>Net assets at beginning of year</b>	<b>1,410,973</b>	<b>1,765,483</b>	<b>3,176,456</b>	<b>1,043,240</b>	<b>167,077</b>	<b>1,210,317</b>
<b>Net assets at end of year</b>	<b>\$ 1,254,984</b>	<b>\$ 2,932,483</b>	<b>\$ 4,187,467</b>	<b>\$ 1,410,973</b>	<b>\$ 1,765,483</b>	<b>\$ 3,176,456</b>

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

**SIRE, Inc.**  
**Statement of Functional Expenses**

*For the Year Ended June 30,*

**2022**

	Programs	General and Administrative	Fundraising	Total
<b>Personnel costs</b>				
Salaries	\$ 404,148	\$ 90,251	\$ 89,562	\$ 583,961
Payroll taxes, workman's compensation and benefits	66,068	39,183	9,185	114,436
<b>Total personnel costs</b>	<b>470,216</b>	<b>129,434</b>	<b>98,747</b>	<b>698,397</b>
Clients	6,592	-	2,722	9,314
Contract services	2,364	32,852	10,119	45,335
Equine	152,955	-	-	152,955
<b>Facilities costs</b>				
Insurance	59,175	787	-	59,962
Maintenance	36,347	738	70	37,155
Rent	5,000	25,246	-	30,246
Utilities	34,049	-	-	34,049
Fundraising	-	-	106,124	106,124
<b>Operations</b>				
Office equipment and supplies	8,361	1,303	4,957	14,621
Postage and shipping	54	1,963	1,394	3,411
Printing	343	6,636	8,448	15,427
Telephone	310	8,276	220	8,806
<b>Other expenses</b>				
Dues and subscriptions	3,215	5,916	510	9,641
Insurance	216	2,936	-	3,152
Other expenses	3,520	12,744	9,667	25,931
Travel and meetings	8,365	2,895	1,200	12,460
Volunteers	973	-	39	1,012
Interest expense	88,582	-	7	88,589
Bad debt expense	972	-	-	972
	881,609	231,726	244,224	1,357,559
<b>Facilities costs - depreciation</b>	<b>110,711</b>	<b>666</b>	<b>-</b>	<b>111,377</b>
<b>Total expenses</b>	<b>992,320</b>	<b>232,392</b>	<b>244,224</b>	<b>1,468,936</b>
Less: direct donor benefits - special events	-	-	(59,316)	(59,316)
<b>Expenses reported by function</b>	<b>\$ 992,320</b>	<b>\$ 232,392</b>	<b>\$ 184,908</b>	<b>\$ 1,409,620</b>

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

**SIRE, Inc.**  
**Statement of Functional Expenses**

<i>For the Year Ended June 30,</i>	2021			
	Programs	General and Administrative	Fundraising	Total
Personnel costs				
Salaries	\$ 388,534	\$ 80,467	\$ 73,402	\$ 542,403
Payroll taxes, workman's compensation and benefits	47,214	41,220	5,212	93,646
Total personnel costs	435,748	121,687	78,614	636,049
Clients	4,314	627	856	5,797
Contract services	492	44,046	3,035	47,573
Equine	113,691	-	58	113,749
Facilities costs				
Insurance	16,666	7,163	-	23,829
Maintenance	40,407	986	77	41,470
Rent	62,887	24,988	-	87,875
Utilities	22,268	-	-	22,268
Fundraising	-	-	55,412	55,412
Operations				
Office equipment and supplies	6,200	2,645	1,631	10,476
Postage and shipping	106	2,060	267	2,433
Printing	596	3,200	2,569	6,365
Telephone	1,683	12,101	-	13,784
Other expenses				
Dues and subscriptions	5,067	3,673	790	9,530
Insurance	6,000	1,157	-	7,157
Other expenses	2,220	2,642	3,453	8,315
Travel and meetings	4,739	2,952	1,600	9,291
Volunteers	1,336	-	460	1,796
Interest expense	30	5,568	-	5,598
Capital campaign fundraising expense	-	-	131,000	131,000
Bad debt expense	12,794	-	-	12,794
	737,244	235,495	279,822	1,252,561
Facilities costs - depreciation	47,542	(2,666)	-	44,876
Total expenses	784,786	232,829	279,822	1,297,437
Less: direct donor benefits - special events	-	-	(32,099)	(32,099)
Expenses reported by function	\$ 784,786	\$ 232,829	\$ 247,723	\$ 1,265,338

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



**SIRE, Inc.**  
**Statements of Cash Flows**

<i>For the Years Ended June 30,</i>	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Changes in net assets	\$ 1,011,011	\$ 1,966,139
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Bad debt expense	972	12,794
Depreciation	111,377	44,876
Proceeds for contributions restricted for capital purposes	(1,500,003)	(468,982)
Decrease (increase) in promises to give - capital purposes	245,003	(1,028,558)
Contributed non-financial assets capitalized	(74,301)	-
Loss on disposal of assets	33,392	10,769
Gain on sale of land held for sale	-	(463,262)
Changes in operating assets and liabilities		
Accounts receivable	26,094	(21,895)
Promises to give	(57,000)	40,000
Prepaid expenses	(1,009)	-
Accounts payable and accrued expenses	27,090	5,537
Refundable advance - PPP	(116,112)	(208)
Deferred revenue - tuition	14,623	(2,728)
Net cash provided by (used in) operating activities	<b>(278,863)</b>	94,482
<b>Investing activities</b>		
Proceeds from sale of land held for sale	-	612,023
Proceeds from disposal of property and equipment	17,000	-
Purchases of property and equipment	<b>(1,658,475)</b>	(189,495)
Net cash provided by (used in) investing activities	<b>(1,641,475)</b>	422,528
<b>Financing activities</b>		
Borrowings on line of credit	25,000	-
Proceeds for contributions restricted for capital purposes	1,500,003	468,982
Repayments on note payable	<b>(75,863)</b>	(127,387)
Net cash provided by (used in) financing activities	<b>1,449,140</b>	341,595
<b>Net change in cash and cash equivalents</b>	<b>(471,198)</b>	858,605
<b>Cash and cash equivalents at beginning of year</b>	<b>1,280,848</b>	422,243
<b>Cash and cash equivalents at end of year</b>	<b>\$ 809,650</b>	<b>\$ 1,280,848</b>

(Continued)

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

**SIRE, Inc.**  
**Statements of Cash Flows (Continued)**

<i>For the Years Ended June 30,</i>	<b>2022</b>	2021
Cash and cash equivalents	\$ <b>809,650</b>	717,918
Cash and cash equivalents - capital campaign	-	562,930
<b>Total cash and cash equivalents</b>	<b>\$ 809,650</b>	<b>\$ 1,280,848</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ <b>88,589</b>	\$ 5,598
<b>Noncash investing and financing activities</b>		
Property and equipment financed with notes payable	\$ <b>2,721,195</b>	\$ -
Property and equipment included in retainage payable	<b>75,660</b>	-
Property and equipment included in accounts payable	<b>313,495</b>	-
Property and equipment transferred to asset held for sale	<b>8,750</b>	-
Contributed nonfinancial assets capitalized as property and equipment	<b>74,301</b>	-

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

**Note 1: ORGANIZATION**

SIRE, Inc. (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 Spring and Fulshear, Texas to benefit the Greater Houston area. SIRE's support primarily comes from donor contributions and tuition fees.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

***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.

***Cash and 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.

***Restricted Cash***

Cash received from donor restricted contributions for the capital campaign or capital acquisitions are reported as restricted cash on the statements of financial position.

***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.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Promises to Give***

Unconditional promises to give 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. As of June 30, 2022 and 2021, \$535,155 and \$517,009, respectively, of promises to give are due in less than one year and \$340,400 and \$546,549, respectively in one to five years. No allowance was recorded as of June 30, 2022 or 2021 as management believes all remaining amounts to be fully collectible. If amounts become uncollectible, they will be charged to operations when that determination is made.

***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 remaining long-lived assets at June 30, 2022 and 2021.

***Net Assets***

SIRE reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. The donors of these assets permit SIRE to use all of the income earned on related investments for general or specific purposes. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. SIRE did not have any funds required to be held in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

***Refundable Advance and Revenue Recognition – PPP***

In May 2021 and March 2020, SIRE received loans in the amount of \$116,112 and \$116,320, respectively, under the Paycheck Protection Program (PPP) pursuant to the CARES Act and administered by the U.S. Small Business Administration (SBA).

SIRE is recognizing revenue from the PPP loans following the guidance under FASB ASC 958-605, government grant model. PPP loan funds are considered a conditional contribution and recorded as a refundable advance on the statements of financial position until all barriers are met. SIRE considered the barriers to be incurrence of eligible costs, maintaining specified levels of payroll and employment, and the release of the debt by the SBA. Revenue is recognized once conditions have been substantially met or explicitly waived. SIRE received full forgiveness of the PPP loans in May 2021 and September 2021 and has recognized the amounts in government grant income.

***Deferred Revenue and Revenue Recognition***

Tuition income is accounted for under ASC 606, Revenues from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied.

SIRE recognizes tuition during the year in which the related services are provided to clients. The performance obligation of delivering services is simultaneously received and consumed by the clients; therefore, the revenue is recognized ratably over the semesters. Since the summer semester occurs during two different accounting periods, the portion applicable to the next reporting period is recorded as deferred revenue - tuition.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 2022 and 2021, 5% and 6%, respectively, of clients who would otherwise not have been able to participate received additional reduced tuition from the published tuition rates. The subsidy is recorded at the time revenue is recognized.

Contract balances related to tuition were as follows:

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
Receivables from contracts beginning of year	\$ 53,817	\$ 44,716
Receivables from contracts end of year	\$ 26,751	\$ 53,817
Deferred revenue - tuition beginning of year	\$ 24,779	\$ 27,507
Deferred revenue - tuition end of year	\$ 39,402	\$ 24,779

SIRE recognizes contributions when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and right of return, are not recognized until the condition on which they depend have been met. Special event revenue is comprised of an exchange element based upon the direct benefit donors receive and a contribution element for the difference. Special event revenue is recognized when the special event takes place. Donor-restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor restrictions.

For the year ended June 30, 2022, approximately 61% of contribution revenue was received from three donors. For the year ended June 30, 2021, approximately 56% of contribution revenue was received from two donors. For the year ended June 30, 2022, approximately 74% of promises to give were due from two donors. For the year ended June 30, 2021, approximately 68% of promises to give were due from one donor.

***Contributions of Nonfinancial Assets***

SIRE's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of SIRE. If an asset is donated that does not allow SIRE to utilize it its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. Donated materials are reflected as contributions in the accompanying financial statements at their estimated value on the date of receipt, if an objective basis is available to measure the fair value of such items. The related expense is recognized as the item donated is used. Contributed services are recorded if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services related to ongoing construction are capitalized.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 years ended June 30, 2022 and 2021, approximately 12,000 and 11,000 volunteer hours were performed at an estimated value of approximately \$332,000 and \$300,000, 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.

***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. Personnel costs have been allocated among the programs and supporting services benefited based on management's estimates of time and effort.

***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, 2022 and 2021, management believes there were no uncertain tax positions.

***Reclassifications***

Certain 2021 amounts were reclassified to conform to current year presentation. The reclassification has no impact on net assets.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Subsequent Events***

SIRE has evaluated subsequent events through the time the financial statements are available for issuance on March 28, 2023. See Note 13 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Newly Adopted Accounting Pronouncements***

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments in this update apply to not-for-profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. SIRE adopted the standard on July 1, 2021. The standard did not have a material impact on the financial statements.

***Future Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. SIRE is currently evaluating the impact of the guidance on its financial statements.

**Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES**

SIRE's primary sources of support are contributions and tuition. Fundraising events are held during the year to support SIRE's budget. Should it be necessary, SIRE has access to a line of credit for borrowings up to \$100,000 (See Note 7). SIRE had the following financial assets available to meet cash needs for general expenditures within one year:



**SIRE, Inc.**  
**Notes to Financial Statements**

**Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
Financial assets, due within one year		
Cash and cash equivalents	\$ 809,650	\$ 717,918
Cash and cash equivalents - capital campaign	-	562,930
Accounts receivable	26,751	53,817
Promises to give	535,155	517,009
Less cash and promises to give for capital purposes	<b>(443,155)</b>	<b>(1,044,939)</b>
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 928,401</b>	<b>\$ 806,735</b>

**Note 4: PROPERTY HELD FOR SALE**

In May 2020, SIRE's Board of Directors approved listing its Hockley, Texas facility for sale. The property has been marketed as four separate parcels. During fiscal year 2021, three parcels were sold resulting in a gain on sale of approximately \$463,000. Part of the proceeds received from the sale of a parcel of property were used to pay off the note payable associated with the parcel (See Note 8). The remaining property, with a net book value of \$237,351, is listed at sales prices in excess of net book value. No property sales occurred in 2022.

**Note 5: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

<i>June 30,</i>	<b>2022</b>	<b>2021</b>
Land	\$ 2,054,442	\$ 174,442
Building and improvements	1,644,838	467,026
Construction in progress	1,771,119	189,495
Equipment	357,699	340,109
Horses	30,000	30,000
	<b>5,858,098</b>	<b>1,201,072</b>
Accumulated depreciation	<b>(474,878)</b>	<b>(490,459)</b>
	<b>\$ 5,383,220</b>	<b>\$ 710,613</b>

Depreciation expense for the years ended June 30, 2022 and 2021 totaled \$111,377 and \$44,876, respectively.

**Note 6: DONATED GOODS AND SERVICES**

Contributed nonfinancial assets recognized within the statement of activities included:

<i>June 30,</i>	<b>2022</b>	2021
Architect and engineering services	\$ 74,301	\$ -
Rent	24,000	-
Other	1,400	-
	<b>\$ 99,701</b>	<b>\$ -</b>

During the year ended June 30, 2022, SIRE received professional services related to the Spring site construction which are valued based on the charitable discounts identified in the executed contracts.

SIRE leases its administrative offices under a lease agreement with a Board member (See Note 11). Rent expense is included in general and administrative activities and was determined based on the rent paid by the Board member for the space leased.

There were no donor restrictions associated with contributed nonfinancial assets received and all donations were able to be used by SIRE.

**Note 7: 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. As of June 30, 2022 the outstanding balance under this line of credit agreement totaled \$25,000. No amounts were outstanding under the line of credit at June 30, 2021.

**Note 8: DEBT**

In February 2013, SIRE purchased approximately 16 acres of land adjacent to the Hockley, Texas facilities with a note payable totaling \$157,000. SIRE made monthly payments (including principal and interest) during the term of the loan. In March 2021, the loan was repaid in full from the sale of the underlying property (See Note 4).

On August 18, 2021, SIRE entered into a property loan agreement with a bank for maximum borrowings of \$2.7 million. Loan payments (including principal and interest) totaling \$16,361 are required monthly from inception of the loan through August 18, 2026 (60 months) at 4% interest. Upon maturity, all outstanding principal is due. The loan is secured by the underlying property and the improvements to be constructed on the property, and assignment of certain rents and leases. At June 30, 2022, the outstanding loan totaled \$2,624,137.

**Note 8: DEBT (Continued)**

In May 2022, SIRE entered into a construction loan agreement with a bank for maximum borrowings of \$1 million. Interest only payments are required monthly until maturity on May 4, 2025 when all principal and accrued interest is due. Interest on the loan is fixed at 3.75%. The loan is secured by the underlying real property and the assignment of certain rents and leases. At June 30, 2022, the outstanding loan totaled \$21,195.

The following is a summary of future minimum principal payments for the next five years:

<i>Year ending June 30,</i>	
2023	\$ 91,885
2024	96,809
2025	121,948
2026	104,859
2027	2,229,831
	<b>\$ 2,645,332</b>

**Note 9: RESTRICTIONS ON NET ASSETS**

Net assets with donor restrictions are available for the following purposes:

<i>June 30,</i>	<b>2022</b>	2021
Spring site - Capital Campaign	<b>\$ 2,840,483</b>	\$ 1,730,483
For periods after June 30	<b>92,000</b>	35,000
	<b>\$ 2,932,483</b>	\$ 1,765,483

ASU 2016-14 eliminates the over-time approach for the expiration of restrictions of capital gifts and requires the use of the placed-in-service approach in the absence of donor explicit stipulations otherwise. SIRE has received donations for construction of the new facility under its ongoing capital campaign. As of June 30, 2022, \$1,284,918 was included in Spring site – Capital Campaign restricted net assets that will be released when the assets are placed in service. Construction is expected to be completed in Spring 2023.

**Note 10: NET ASSETS RELEASED FROM RESTRICTIONS**

During the years ended June 30, 2022 and 2021, net assets with donor restrictions of \$233,000 (\$179,000 for capital projects and \$54,000 for timing) and \$174,059 (\$134,059 satisfaction of purpose and \$40,000 for timing), respectively, were released from donor restrictions by satisfying donor restrictions.

**Note 11: LEASES**

In April 2016, SIRE entered into a non-cancellable lease agreement for office space in Houston, Texas which expired in April 2021. Upon expiration of the existing lease, SIRE entered into a month-to-month lease with a Board member. SIRE is not charged for use of the office space valued at \$2,000 a month (See Note 6).

In August 2020, SIRE entered into a non-cancellable lease agreement for use of property and certain improvements in Richmond, Texas to operate its program. Monthly payments of \$5,000 were payable under the lease agreement which expired May 31, 2021. Upon expiration, SIRE continued to utilize the property on a month-to-month basis as the same monthly payment terms until July 2021.

Rent expense totaled \$30,246 and \$87,875 for the years ended June 30, 2022 and 2021, respectively.

Prior to the sale of the underlying property, SIRE received monthly lease payments for a cell tower located on a parcel of land owned by SIRE. The sale of the property included the cell tower lease. Lease income totaled \$4,193 for the year ended June 30, 2021.

In August 2021, SIRE leased its property held for sale for three years with an option to purchase the property upon lease expiration. SIRE receives monthly lease payments of \$4,500. Lease income totaled \$47,500 for the year ended June 30, 2022. Subsequent to June 30, 2022, SIRE sold a portion of the property held for sale (See Note 13).

**Note 12: COMMITMENTS**

SIRE has entered into construction contracts for the Spring site construction. As of June 30, 2022, SIRE had commitments under these contracts totaling approximately \$800,000 to complete the project.

**Note 13: SUBSEQUENT EVENTS**

Management evaluated all events or transactions that occurred after June 30, 2022 through March 28, 2023, the date SIRE's financial statements were available to be issued. The following subsequent events occurred:

On August 17, 2022, SIRE closed on the sale of a portion of the property held for sale totaling \$650,000. A portion of the proceeds from the sale will be used towards the Fort Bend property costs. Monthly lease payments for the remaining property held under the lease agreement will total \$2,000.