

CASTLETON RANCH HORSE RESCUE, INC.

FINANCIAL STATEMENTS

**For the Years Ended
December 31, 2018 and 2017 (Restated)**

CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Statements of Financial Position	4 - 5
Statements of Activities	6
Statements of Functional Expenses.....	7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9 - 14

COBB, DOERFLER & ASSOCIATES, CPA
A PROFESSIONAL CORPORATION
1039 WEST AVENUE J
LANCASTER, CALIFORNIA 93534

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Castleton Ranch Horse Rescue, Inc.

We have audited the accompanying financial statements of Castleton Ranch Horse Rescue, Inc. (a nonprofit California corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Castleton Ranch Horse Rescue as of December 31, 2018 and 2017, 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.

Cobb, Doerfler & Associates, CPA

COBB, DOERFLER & ASSOCIATES, CPA
August 1, 2019

CASTLETON RANCH HORSE RESCUE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017 (Restated)

ASSETS

	2018	2017 (Restated)
CURRENT ASSETS		
Cash	\$ 869,454	\$ 825,207
Inventory	7,110	13,921
Prepaid expenses	<u>39,167</u>	<u>35,913</u>
 Total Current Assets	 <u>915,731</u>	 <u>875,041</u>
 PLANT AND EQUIPMENT		
Automobile	98,383	99,783
Buildings	937,744	916,244
Machinery and equipment	231,798	241,043
Furniture and fixtures	1,032	1,032
Land and improvements	287,277	287,277
Accumulated depreciation	<u>(533,237)</u>	<u>(472,485)</u>
 Total Plant and Equipment	 <u>1,022,997</u>	 <u>1,072,894</u>
 OTHER ASSETS		
Security deposit	<u>2,000</u>	<u>2,000</u>
 Total Other Assets	 <u>2,000</u>	 <u>2,000</u>
 Total Assets	 <u><u>\$ 1,940,728</u></u>	 <u><u>\$ 1,949,935</u></u>

CASTLETON RANCH HORSE RESCUE, INC.
STATEMENTS OF FINANCIAL POSITION - continued
December 31, 2018 and 2017 (Restated)

LIABILITIES AND NET ASSETS

	2018	2017 (Restated)
CURRENT LIABILITIES		
Accounts payable	\$ 216,344	\$ 102,000
Accrued payroll and related expenses	-0-	5,355
Notes payable - short-term	-0-	3,682
Accrued expenses	<u>9,608</u>	<u>3,301</u>
Total Current Liabilities	<u>225,952</u>	<u>114,338</u>
LONG-TERM LIABILITIES		
Notes payable - long-term	<u>-0-</u>	<u>5,845</u>
Total Long-term Liabilities	<u>-0-</u>	<u>5,845</u>
Total Liabilities	<u>225,952</u>	<u>120,183</u>
Net Assets		
Net assets without donor restrictions	<u>1,714,776</u>	<u>1,829,752</u>
Total Net Assets	<u>1,714,776</u>	<u>1,829,752</u>
Total Liabilities and Net Assets	<u>\$ 1,940,728</u>	<u>\$ 1,949,935</u>

CASTLETON RANCH HORSE RESCUE, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017 (Restated)

	2018	2017 (Restated)
SUPPORT AND REVENUE		
Contributions and gifts	\$ 139,781	\$ 275,552
Direct mail campaign contributions	1,373,193	1,390,723
List royalty income	8,339	18,814
In kind donations	36,484	68,280
Other income	3,200	2,450
Interest income	<u>590</u>	<u>526</u>
Total Unrestricted Support and Revenue	<u>1,561,587</u>	<u>1,756,345</u>
EXPENSES AND LOSSES		
Program services	1,257,591	1,065,371
Supporting services		
Management and General	97,375	177,654
Fundraising	<u>321,597</u>	<u>377,332</u>
Total Expenses	<u>1,676,563</u>	<u>1,620,357</u>
Increase (Decrease) in Net Assets	(114,976)	135,988
Net Assets at Beginning of Period	<u>1,829,752</u>	<u>1,693,764</u>
Net Assets at End of Period	<u>\$ 1,714,776</u>	<u>\$ 1,829,752</u>

CASTLETON RANCH HORSE RESCUE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2018 and 2017 (Restated)

	2018				2017 (Restated)			
	Program Services	Support Services		Total	Program Services	Support Services		Total
		Management & General	Fundraising			Management & General	Fundraising	
Automotive	\$ 10,763	\$ -0-	\$ -0-	\$ 10,763	\$ 10,364	\$ -0-	\$ -0-	\$ 10,364
Business promotion	43,168	-0-	-0-	43,168	42,780	-0-	-0-	42,780
Credit card/bank fees	-0-	2,881	-0-	2,881	-0-	3,232	-0-	3,232
Depreciation	72,426	2,465	616	75,507	76,964	1,223	245	78,432
Direct mail expense	392,159	33,237	319,857	745,253	311,120	35,824	375,856	722,800
Employee benefit program	28,937	3,215	-0-	32,152	16,914	13,839	-0-	30,753
Farrier	12,710	-0-	-0-	12,710	12,965	-0-	-0-	12,965
Maintenance	151,948	-0-	-0-	151,948	161,604	-0-	-0-	161,604
HOA fees	-0-	-0-	-0-	-0-	1,350	150	-0-	1,500
Horse feed/supplies	172,446	-0-	-0-	172,446	155,169	-0-	-0-	155,169
Horse rescue expense	12,541	-0-	-0-	12,541	15,307	-0-	-0-	15,307
In-house fundraising	-0-	-0-	649	649	-0-	-0-	767	767
Insurance	22,936	1,168	-0-	24,104	22,945	-0-	-0-	22,945
Interest expense	-0-	-0-	-0-	-0-	433	350	12	795
Legal and accounting	-0-	7,700	-0-	7,700	-0-	9,500	-0-	9,500
Miscellaneous	500	495	-0-	995	-0-	424	-0-	424
Office expense	11,703	22,925	-0-	34,628	-0-	40,361	-0-	40,361
Outside services	87,073	-0-	-0-	87,073	65,970	-0-	-0-	65,970
Payroll taxes	10,344	1,149	-0-	11,493	6,329	5,179	-0-	11,508
Property taxes	2,052	133	33	2,218	1,175	986	32	2,193
Rent	21,648	-0-	-0-	21,648	18,911	2,101	-0-	21,012
Taxes and licenses	-0-	5,968	-0-	5,968	-0-	5,517	-0-	5,517
Telephone	5,281	-0-	-0-	5,281	4,902	-0-	-0-	4,902
Utilities	27,229	1,766	442	29,437	25,869	1,678	420	27,967
Veterinary	43,266	-0-	-0-	43,266	44,278	-0-	-0-	44,278
Wages	128,461	14,273	-0-	142,734	70,022	57,290	-0-	127,312
Total	\$ 1,257,591	\$ 97,375	\$ 321,597	\$ 1,676,563	\$ 1,065,371	\$ 177,654	\$ 377,332	\$ 1,620,357

See accompanying notes and Independent Auditor's Report.

CASTLETON RANCH HORSE RESCUE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017 (Restated)

	2018	2017 (Restated)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (114,976)	\$ 135,988
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	75,507	78,432
(Increase) decrease in:		
Inventory	6,811	4,217
Prepaid expenses	(3,254)	(2,863)
Increase (decrease) in:		
Accounts payable	114,344	18,517
Accrued payroll and related expenses	(5,355)	(9,916)
Accrued expenses	<u>6,307</u>	<u>(11,163)</u>
Net Cash Provided by Operating Activities	<u>79,384</u>	<u>213,212</u>
 CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(25,610)</u>	<u>(42,210)</u>
Net Cash Used by Investing Activities	<u>(25,610)</u>	<u>(42,210)</u>
 CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Reduction of notes payable	<u>(9,527)</u>	<u>(51,818)</u>
Net Cash (Used) by Financing Activities	<u>(9,527)</u>	<u>(51,818)</u>
 NET INCREASE IN CASH	 44,247	 119,184
 CASH AT BEGINNING OF YEAR	 <u>825,207</u>	 <u>706,023</u>
 CASH AT END OF YEAR	 <u>\$ 869,454</u>	 <u>\$ 825,207</u>
 SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ -0-	\$ 795

CASTLETON RANCH HORSE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) **Nature of Activities** – Castleton Ranch Horse Rescue Inc. has ranching operations located in Valley Center and Lancaster, California. It was organized in 2004 to rescue, shelter, feed, rehabilitate, train, and care for horses that are homeless, abandoned by their owners, at risk of needless slaughter, or are victims of inhumane care and abuse. Revenue is derived from fundraising (Note E) and general contributions. Its current programs and activities are as follows:

Sanctuaries – Castleton Ranch operates two lifetime sanctuaries in Southern California. Horses which are rescued from auctions, feedlots and killer buyers are retired at one of our sanctuaries. Visitors are encouraged to visit our sanctuaries to see first-hand the injuries and abuse many have suffered in the past prior to their rescue and to see the horses now happy, content and in good health. We feel it is very important to directly educate and make people aware about the many cases of abuse suffered by many horses. Visitors can visit either sanctuary seven days a week between the hours of 12pm and 4pm. We currently have 100 horses between both sanctuaries.

Rescue & Adoption – Castleton Ranch is very pro-active in the rescue and permanent retirement of many horses. We focus our rescue operations on those horses most at risk of falling into the wrong hands. The old, injured and abandoned. After rescue, we adopt normal isolation protocols and begin rehabilitation. After isolation, the rescued horses can join the other horses at one of our two Southern California lifetime sanctuaries.

Castleton also plays a positive role in supporting other rescue groups by supplying funding for their rescue work. By working together, we can achieve so much more.

Helping Hooves Program – This program was established to try and reduce the number of horses which end up at an auction and most likely a bad ending. This program targets those horses who are living in a home situation that is experiencing hardship. The horse tends to be at the wrong end of the family priorities. It starts with the horse being fed less and where basic health care such as farrier and annual vaccinations do not happen. In the end, the family reluctantly sends the horse to an auction. Using our veterinarians as the first point of contact, we identify a family living in hardship who has a horse in the family which is not being cared for properly. Our vets communicate with us and we put our new initiative into action. After speaking with the family, Helping Hooves takes over all aspects of caring for the horse. We will have the local feed store deliver food, have our farrier take care of any feet issues and our vet will deal with all medical requirements. This program will stay in place until the family has recovered from their current hardship. We have helped a number of horses via this program to stay with their family. Many of the families which have been part of the Helping Hooves program have been able to re-establish a better situation and can once again take over the care of their horse. Any horse prevented from being sent to auction is a success. This program is only available in the high desert communities north of Los Angeles which was hit very hard by the downturn in the economy. Many horses live in these communities. It is our wish to expand this program into other communities.

Education & Advice – Castleton Ranch has reached out to other smaller rescue groups within our community to share the experiences which we have encountered since we began in 2004. By doing this we have helped them change certain functions of their operation, making them more efficient and fiscally stronger. By exchanging ideas and working together we have made a positive contribution to the rescue of many horses. This program is ongoing.

CASTLETON RANCH HORSE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS – continued
December 31, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

1) **Nature of Activities** – continued

Direct Mail Fund Raising Program – This program has been running since 2007 and provides sustainability for all of our programs and related services.

2) **Method of Accounting** – Castleton Ranch Horse Rescue, Inc. maintains its books on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables, and other liabilities.

3) **Basis of Presentation** – Castleton Ranch Horse Rescue, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

As of December 31, 2018 and 2017, the Organization had no net assets subject to donor restrictions.

4) **Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5) **Cash and Cash Equivalents** – Castleton Ranch Horse Rescue, Inc. considers all cash accounts and highly liquid investments with a maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

6) **Inventories** – Inventories consist of supplies used in Castleton’s direct mail campaign and are stated at the lower of cost or market determined by the first-in, first-out method.

7) **Plant and Equipment** – Property and equipment are stated at cost or at fair market value on the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful life of the asset as follows:

Automobile	5 years
Building	15-25 years
Machinery & equipment	7-15 years

Assets with a value greater than \$400 and a life expectancy greater than one year are capitalized. Depreciation expense was \$75,507 and \$78,432 for the years ended December 31, 2018 and 2017, respectively.

8) **Donated Services** – Castleton generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, solicitations, and various other assignments. (See Note G)

9) **Net Assets** – Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified and reported in the Statement of Activities as net assets released from restrictions.

CASTLETON RANCH HORSE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS – continued
December 31, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

10) **Concentrations** – Amounts on deposit at a single financial institution occasionally exceed the \$250,000 federally insured limit. At December 31, 2018 and 2017, there were no amounts uninsured.

11) **Expense Allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization achieves some of its programmatic and management and general goals in direct mail campaigns that include requests for contributions. The costs of conducting those campaigns included a total of \$745,253 and \$722,800 in joint costs for the years ended December 31, 2018 and 2017, respectively. See Note E for a complete description and allocation of the joint costs.

12) **Income Taxes** – Castleton Ranch Horse Rescue, Inc. is exempt from Federal and California income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d), respectively.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organizations tax returns are more likely than not to be sustained upon examination. The Organization returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

13) **Implementation of New Financial Accounting Standards Board (FASB) Pronouncements** – On August 18, 2016 the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

- 1) Temporarily restricted and permanently restricted net assets classes (if any) have been combined into a single net asset class called net assets with donor restrictions.
- 2) The unrestricted net asset class has been renamed net assets without donor restrictions.
- 3) The financial statements include a new disclosure about liquidity and availability of resources (Note C).

The changes have the following effect on net assets at December 31, 2018 and 2017:

Net Asset Class	2018		2017	
	As Originally Presented	After Adoption of ASU 2016-14	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted Net Assets	\$ 1,714,776	\$ -0-	\$ 1,829,752	\$ -0-
Net Assets Without Donor Restrictions	-0-	1,714,776	-0-	1,829,752
Total Net Assets	\$ 1,714,776	\$ 1,714,776	\$ 1,829,752	\$ 1,829,752

CASTLETON RANCH HORSE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS – continued
December 31, 2018 and 2017

NOTE B – CASH

Cash consists of the following:

	2018	2017
Cash	\$ 723,457	\$ 731,310
Escrowed cash for direct mail campaign	<u>145,997</u>	<u>93,897</u>
Total Cash	<u>\$ 869,454</u>	<u>\$ 825,207</u>

At December 31, 2018 and 2017, Castleton Ranch Horse Rescue, Inc. had \$145,997 and \$93,897, respectively, of escrowed cash. The escrowed cash is held in an account at the First Virginia Community Bank by the Washington Intelligence Bureau and is used by Fund Raising Strategies in its direct mail campaign. No amounts are shown as non-current as of December 31, 2018 and 2017, as all funds are expected to be used by the direct mail campaign in the current operating cycle.

NOTE C – LIQUIDITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2018	2017
Financial assets at year-end	\$ <u>869,454</u>	\$ <u>825,207</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 869,454</u>	<u>\$ 825,207</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization maintains accounts at various financial institutions to avoid risks associated with federal insurance limits.

NOTE D – LEASES

Castleton leases its Lancaster facility from its director, Lisa Thomas. The leased property consists of approximately 5 acres, several paddocks and other ranch-related facilities. The lease, which may be renewed without change at the option of the tenant, is classified as an operating lease and expires on December 31, 2021. The terms of the lease require monthly payments of \$1,700, which are scheduled to increase at a rate of 3% per annum. Rental payments for 2018 and 2017, totaled \$21,648 and \$21,012, respectively.

The future minimum payments for this lease are as follows:

Year Ending December 31,	
2019	\$ 22,292
2020	22,960
2021	23,649
Thereafter	<u>-0-</u>
	<u>\$ 68,901</u>

CASTLETON RANCH HORSE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS – continued
December 31, 2018 and 2017

NOTE E – FUNDRAISING EXPENSES AND THE DIRECT MAIL CAMPAIGN

For the years ended December 31, 2018 and 2017, Castleton worked with Fund Raising Strategies to educate the public, further its program goals, and to solicit donations using a direct mailing technique. Letters are composed by Lisa Thomas and Fund Raising Strategies, and then distributed to individuals whose names appear on purchased mailing lists. Castleton employs the Washington Intelligence Bureau to receive and deposit all donations generated by this method.

Direct mail fundraising expenses for the years ended December 31, 2018 and 2017, totaled \$319,857 and \$375,856, respectively. Expenses related to the direct mail campaign totaled \$745,253 or 54% of the total direct mail campaign contribution revenue for the year ended December 31, 2018 and \$722,800 or 51% for the year ended December 31, 2017. Gross contributions received from this fundraising operation (direct mail campaign contributions and list royalty income) for the years ended December 31, 2018 and 2017, were \$1,381,532 and \$1,409,537, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

Since Castleton's direct mail campaign includes fundraising and program specific requests, the costs of conducting these campaigns are considered joint costs that are not directly attributable to either the program or the fundraising component of the activities. Those joint costs were allocated as follows for the year ended December 31, 2018 and 2017:

	2018	2017
Program	\$ 392,159	\$ 311,120
Management and general	33,237	35,824
Fundraising	<u>319,857</u>	<u>375,856</u>
 Total Joint Costs	 <u>\$ 745,253</u>	 <u>\$ 722,800</u>

NOTE F – NOTES PAYABLE

On February 3, 2017, Castleton Ranch entered into a purchase contract with Kubota Credit Corp. for the purchase of a Kubota tractor in the amount \$19,711, of which \$18,412 was financed. The loan was to be paid at 0% interest over 60 months with payment of \$307 per month. During the year ended December 31, 2018, Castleton paid the balance of the note and as of December 31, 2018 there was no amount due towards the note.

The December 31, 2018 and 2017 note payable balance consists of the following:

	2018	2017
Total Notes Payable	\$ -0-	\$ 9,527
Less current portion	<u>-0-</u>	<u>3,682</u>
Long-Term Debt	<u>\$ -0-</u>	<u>\$ 5,845</u>

NOTE G — IN-KIND SUPPORT

The value of donated facilities and services included as contributions in the financial statements and the corresponding expenses for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Business promotion (Google advertisements)	\$ 34,984	\$ 42,780
Donated property improvements (trees)	<u>1,500</u>	<u>25,500</u>
Total In-Kind Support	<u>\$ 36,484</u>	<u>\$ 68,280</u>

CASTLETON RANCH HORSE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS – continued
December 31, 2018 and 2017

NOTE H – RELATED PARTY DISCLOSURES

The president of Castleton, Lisa Thomas, is in charge of all activities and transactions. During the course of the years ended December 31, 2018 and 2017, Castleton engaged in transactions with Ms. Thomas which included leasing transactions and compensation for work performed. Payments made to Lisa Thomas during 2018 and 2017 were as follows:

	2018	2017
Facility lease payments	\$ <u>21,648</u>	\$ <u>21,012</u>
Total Payments	\$ <u><u>21,648</u></u>	\$ <u><u>21,012</u></u>

In addition, all directors reside at the Valley Center Ranch location, and have corporate vehicles and phones available for personal use.

NOTE I - SUBSEQUENT EVENTS

Subsequent events were evaluated through August 1, 2019, which is the date the financial statements were available to be issued. No events were identified that would merit disclosure.

NOTE J - RESTATEMENT

During the year ended December 31, 2014, the Organization purchased the remaining portion of the residence located on the Valley Center property that is utilized for business purposes. However, due to an accounting error, the depreciation for the property was not properly recorded for the years since acquisition. The error resulted in an understatement of accumulated depreciation in the Statement of Financial Position and an understatement of expenses in the Statement of Activities. Accordingly, adjustments were made in the current period to reflect the unrecorded depreciation for the year ended December 31, 2017 as follows:

Statement of Financial Position:

Accumulated Depreciation – Before Adjustment	\$ (444,447)
Adjustment to Record Prior Years' Accumulated Depreciation	<u>(28,038)</u>
Accumulated Depreciation – After Adjustment	<u>\$ (472,485)</u>

Net Assets Without Donor Restrictions – Before Adjustment	\$ 1,857,790
Adjustment to Record Prior Years' Depreciation	<u>(28,038)</u>
Net Assets Without Donor Restrictions – After Adjustment	<u>\$ 1,829,752</u>

Statement of Activities:

Depreciation Expense – Before Adjustment	\$ 69,578
Adjustment to Record Additional Depreciation	<u>8,854</u>
Depreciation Expense – After Adjustment	<u>\$ 78,432</u>