



FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

JOY RANCH, INC.
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

TO THE BOARD OF DIRECTORS
JOY RANCH, INC.
WOODLAWN, VIRGINIA

We have audited the accompanying financial statements of Joy Ranch, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Joy Ranch, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Joy Ranch, Inc's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robinson, James, Cox Associates

Blacksburg, Virginia
January 31, 2018

- Financial Statements -

JOY RANCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

Assets:	<u>2017</u>	<u>2016</u>
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 794,650	\$ 851,860
Accounts receivable	6,306	27,394
Prepaid expenses	8,819	9,104
Investment in ski resort property	<u>5,000</u>	<u>5,000</u>
<i>Total Current Assets</i>	<u>\$ 814,775</u>	<u>\$ 893,358</u>
<i>Property and Equipment:</i>		
Land, buildings, and equipment (net of accumulated depreciation)	<u>\$ 732,490</u>	<u>\$ 736,561</u>
Total Assets	<u><u>\$ 1,547,265</u></u>	<u><u>\$ 1,629,919</u></u>
 Liabilities:		
<i>Current Liabilities:</i>		
Accounts payable	\$ 16,354	\$ 7,062
Accrued expenses	<u>18,737</u>	<u>15,793</u>
<i>Total Current Liabilities</i>	<u>\$ 35,091</u>	<u>\$ 22,855</u>
Total Liabilities	<u>\$ 35,091</u>	<u>\$ 22,855</u>
 Net Assets:		
Unrestricted	\$ 1,012,527	\$ 1,083,835
Temporarily restricted	<u>499,647</u>	<u>523,229</u>
Total Net Assets	<u>\$ 1,512,174</u>	<u>\$ 1,607,064</u>
Total Liabilities and Net Assets	<u><u>\$ 1,547,265</u></u>	<u><u>\$ 1,629,919</u></u>

The accompanying notes are an integral part of this financial statement.

JOY RANCH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
Revenues, Gains, and Other Support				
<i>Revenues</i>				
Child care payments:				
Department of Social Services and Social Security	\$ 95,073	\$ -	\$ 95,073	\$ 194,642
Guardian	-	-	-	12,219
In-kind revenue	<u>15,190</u>	<u>-</u>	<u>15,190</u>	<u>18,218</u>
Total Revenues	\$ <u>110,263</u>	\$ <u>-</u>	\$ <u>110,263</u>	\$ <u>225,079</u>
<i>Gains and Other Support</i>				
Contributions:				
Regular	\$ 286,214	\$ 10,292	\$ 296,506	\$ 266,440
Bequests	51,217	-	51,217	667
Distributions as income beneficiary	93,049	-	93,049	95,089
Employee contributions	360	-	360	3,100
Other contributions	184,779	-	184,779	126,799
Grants	-	-	-	3,660
Miscellaneous	12,595	-	12,595	15,928
Realized and unrealized gain (loss) on investment	-	-	-	7,290
Gain (loss) on sale of assets	(15,935)	-	(15,935)	-
Net assets released from restrictions	<u>33,874</u>	<u>(33,874)</u>	<u>-</u>	<u>-</u>
Total Gains and Other Support	\$ <u>646,153</u>	\$ <u>(23,582)</u>	\$ <u>622,571</u>	\$ <u>518,973</u>
Total Revenues, Gains, and Other Support	\$ <u>756,416</u>	\$ <u>(23,582)</u>	\$ <u>732,834</u>	\$ <u>744,052</u>
Expenses				
Program services	\$ 528,012	\$ -	\$ 528,012	\$ 606,070
Supporting services:				
Management and general	204,493	-	204,493	242,485
Fundraising	<u>95,219</u>	<u>-</u>	<u>95,219</u>	<u>91,502</u>
Total Expenses	\$ <u>827,724</u>	\$ <u>-</u>	\$ <u>827,724</u>	\$ <u>940,057</u>
Change in Net Assets	\$ (71,308)	\$ (23,582)	\$ (94,890)	\$ (196,005)
Net Assets, Beginning of Year	<u>1,083,835</u>	<u>523,229</u>	<u>1,607,064</u>	<u>1,803,069</u>
Net Assets, End of Year	\$ <u><u>1,012,527</u></u>	\$ <u><u>499,647</u></u>	\$ <u><u>1,512,174</u></u>	\$ <u><u>1,607,064</u></u>

The accompanying notes are an integral part of this financial statement.

JOY RANCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	Program Services	Supporting Services		Total 2017	Total 2016
	Foster Care	Management and General	Fundraising		
Activities	\$ 19,579	\$ -	\$ -	\$ 19,579	\$ 17,529
Advertising	-	10,154	4,351	14,505	21,541
Animal expenses	-	-	-	-	22
Automotive	6,111	2,673	764	9,548	17,895
Bad dept expense	3,392	-	-	3,392	-
Bank charges	1,459	638	182	2,279	1,925
Clothes and school supplies	2,941	-	-	2,941	7,369
Contracted services	1,068	467	133	1,668	3,668
Cottage and residence allowance	5,414	-	-	5,414	14,125
Depreciation	26,725	17,087	-	43,812	48,150
Donor related/fundraising	-	-	3,625	3,625	13,498
Dues and subscriptions	3,399	1,487	425	5,311	5,128
Employee insurance	27,588	12,070	3,448	43,106	46,184
In-kind expenses	15,190	-	-	15,190	18,218
Insurance	21,272	9,306	2,659	33,237	26,508
Joy for All Kids	399	-	-	399	-
Kitchen and food supplies	13,391	-	-	13,391	21,616
Maintenance	8,347	3,652	1,043	13,042	16,569
Missions/Church groups	1,443	-	-	1,443	1,169
General supplies	2,983	1,305	373	4,661	13,124
Medical	1,494	-	-	1,494	3,209
Miscellaneous	8,464	-	-	8,464	1,039
Office supplies and expense	5,437	2,379	680	8,496	13,164
Other employee benefits	4,018	1,758	502	6,278	46,021
Payroll taxes	21,788	9,386	2,346	33,520	37,588
Printing and postage	13,055	-	31,961	45,016	9,655
Professional fees	5,932	2,464	730	9,126	7,953
Reimbursable expenses	112	-	-	112	180
Retirement	4,796	2,024	675	7,495	8,605
Salaries	252,769	106,637	35,546	394,952	434,666
Taxes and licenses	1,117	464	138	1,719	2,808
Telephone	1,135	478	159	1,772	2,088
Training	3,022	756	-	3,778	4,745
Travel	2,427	1,045	261	3,733	3,096
Utilities and oil	41,745	18,263	5,218	65,226	71,002
Total Expenses	\$ 528,012	\$ 204,493	\$ 95,219	\$ 827,724	\$ 940,057

The accompanying notes are an integral part of this financial statement.

JOY RANCH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (94,890)	\$ (196,005)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	43,812	48,150
(Gain) loss from sale of assets	15,935	-
Unrealized (gain) loss on investments	-	648
Decrease (increase) in:		
Accounts receivable	21,088	(9,335)
Prepaid expenses	285	(105)
Security deposit	-	1,909
Increase (decrease) in:		
Accounts payable	9,292	(24,834)
Accrued expenses	2,944	(3,989)
	<u>2,944</u>	<u>(3,989)</u>
Cash flows provided by (used for) operating activities	<u>\$ (1,534)</u>	<u>\$ (183,561)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>\$ (55,676)</u>	<u>\$ (38,841)</u>
Cash flows provided by (used for) investing activities	<u>\$ (55,676)</u>	<u>\$ (38,841)</u>
Net increase (decrease) in cash and cash equivalents	\$ (57,210)	\$ (222,402)
Cash and cash equivalents, beginning of year	<u>851,860</u>	<u>1,074,262</u>
Cash and cash equivalents, end of year	<u><u>\$ 794,650</u></u>	<u><u>\$ 851,860</u></u>

The accompanying notes are an integral part of this financial statement.

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Nature of Activities

Joy Ranch, Inc. (the Organization) is a not-for-profit corporation organized under the laws of the Commonwealth of Virginia for the purpose of providing temporary and permanent housing for children who are unable to live with their parents or guardians. Joy Ranch, Inc. has approximately 62 acres and a capacity for 48 children and considers the spiritual, moral, physical and educational well being of the child when determining care. Joy Ranch, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

B. Basis of Accounting

The Organization maintains its assets and liabilities, and records its income and expenses by use of the accrual basis of accounting. Under the accrual basis, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

C. Financial Statement Presentation

Joy Ranch, Inc., is required to report information regarding its financial position and activities according to three classes of net assets based on existence or absence of donor-imposed restrictions:

Unrestricted net assets - Net assets that are not subject to any donor-imposed stipulations. At December 31, 2017, the Organization had unrestricted net assets of \$1,012,527.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time. At December 31, 2017, the Organization had temporarily restricted net assets of \$499,647.

Permanently restricted net assets - Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specific purposes. At December 31, 2017, the Organization had no permanently restricted net assets.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Fair value approximates carrying value.

E. Investments

The Organization reports investments in equity securities with readily determinable fair values at fair value in the statement of financial position and any related realized and unrealized gains and losses are reported in the statement of activities.

F. Accounts Receivable

Accounts receivable are stated at book value less the allowance for doubtful accounts. The organization provides for losses on accounts receivable using the allowance method.

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

G. Property and Equipment

Property and equipment acquired by Joy Ranch, Inc. are considered to be owned by the Organization. Purchased property is recorded at cost or estimated cost. Donated property and equipment are recorded at their estimated fair value at the time of donation. Such contributions are reported as unrestricted support unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use are reported as restricted support.

The Organization's capitalization policy identifies the following major classes of assets and establishes a capitalization threshold for each class:

<u>Class of Asset</u>	<u>Capitalization Threshold</u>
Machinery and Equipment	\$1,000 or more
Buildings and Improvements	\$1,000 or more
Land Improvements	\$3,000 or more
Land	Any amount
Office or Cottage Equipment	\$500 or more

Depreciation of all such items is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and Improvements	30-50 years
Vehicles	5-10 years
Equipment	7 to 30 years
Land Improvements	25 years

H. Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has no provision for Federal income taxes in the accompanying financial statements. A form 990 as required by the Internal Revenue Service will be filed for the year ended December 31, 2017 by May 15, 2018.

I. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

J. Donated Goods and Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

The Organization also receives a significant amount of donated goods that it recognizes at the fair market value of the goods at the time of receipt. These goods are recorded as in-kind revenues on the Organization's statement of activities.

K. Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

L. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from these estimates and assumptions.

M. Comparative Totals

Comparative totals are presented for informational purposes only.

NOTE 2 - PROPERTY AND EQUIPMENT:

A summary of land, buildings, and equipment at December 31, follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 130,071	\$ 130,071
Buildings and Improvements	1,898,757	1,865,883
Furniture and Equipment	224,003	218,840
Vehicles	164,039	172,116
Horses	-	7,000
Signs	8,940	8,940
Work in Progress	-	12,984
Construction in Progress	57,115	42,580
Paving	<u>22,222</u>	<u>22,222</u>
Total	\$ 2,505,147	\$ 2,480,636
Less: Accumulated Depreciation	<u>1,772,657</u>	<u>1,744,075</u>
Net Land, Buildings, and Equipment	<u>\$ 732,490</u>	<u>\$ 736,561</u>

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (CONTINUED)

NOTE 3 - ACCOUNTS RECEIVABLE:

Receivables at December 31, 2017 and 2016 amounted to \$6,306 and \$27,394, respectively, and consisted primarily of child support amounts due for residents.

NOTE 4 - OTHER INVESTMENTS:

Joy Ranch, Inc. received a non-cash contribution of a timeshare in a ski resort during the year ended December 31, 2003. Joy Ranch, Inc. is entitled to receive the use of the ski resort for one week out of the year. The timeshare has an estimated cost of \$5,000, which is reflected as an investment in the Organization's financial statements.

NOTE 5 - RETIREMENT PLAN:

Joy Ranch, Inc. maintains a simple retirement plan for its employees. All full-time employees of the Organization are eligible to participate in the plan after one year of employment. Part-time employees may be eligible to participate following one year of employment providing they have received \$5,000 or more in compensation during any one-year period. Employees who elect to participate will receive up to 3% of their salary in retirement benefits. Employees may terminate their participation at any time during the calendar year. The amount of retirement expense at December 31, 2017 and 2016 was \$7,495 and \$8,605, respectively.

NOTE 6 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS:

At December 31, 2017, temporarily restricted net assets are available for the following purposes:

Cottage remodel	\$ 28,047
Ruby Handy estate	471,600
	<u>\$ 499,647</u>

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES:

Joy Ranch, Inc. had the following construction commitment at December 30, 2017:

Project	Original Contract Amount	Outstanding at December 30, 2017
Ruby Handy Building	\$ 175,000	\$ 150,000

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 (CONTINUED)

NOTE 8 - SUBSEQUENT EVENTS:

In preparing these financial statements, management of Joy Ranch, Inc. has evaluated events and transactions for potential recognition of disclosure through January 31, 2018, the date the financial statements were available to be issued.