



FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

JOY RANCH, INC.
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Note 8 to the financial statements, in 2018, the Organization adopted new accounting guidance, FASB ASU 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Joy Ranch, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived, with the exception of items related to the newly adopted accounting guidance as described in Note 8.

Robinson, James, Cox Associates

Blacksburg, Virginia
February 13, 2019

JOY RANCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

Assets:	<u>2018</u>	<u>2017</u>
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 719,524	\$ 323,050
Accounts receivable	13,334	6,306
Prepaid expenses	8,814	8,819
Investment in ski resort property	-	5,000
	<u>741,672</u>	<u>343,175</u>
<i>Total Current Assets</i>	\$ <u>741,672</u>	\$ <u>343,175</u>
<i>Noncurrent Assets:</i>		
Assets restricted to investment in land, buildings and equipment	\$ 258,212	\$ 471,600
Property and equipment, net of accumulated depreciation	1,044,215	732,490
	<u>1,044,215</u>	<u>732,490</u>
<i>Total Assets</i>	\$ <u>2,044,099</u>	\$ <u>1,547,265</u>
Liabilities:		
<i>Current Liabilities:</i>		
Accounts payable	\$ 25,009	\$ 16,354
Accrued expenses	17,742	18,737
	<u>42,751</u>	<u>35,091</u>
<i>Total Current Liabilities</i>	\$ <u>42,751</u>	\$ <u>35,091</u>
Total Liabilities	\$ <u>42,751</u>	\$ <u>35,091</u>
Net Assets:		
Net assets without donor restrictions	\$ 1,730,256	\$ 1,012,527
Net assets with donor restrictions	271,092	499,647
	<u>2,001,348</u>	<u>1,512,174</u>
Total Net Assets	\$ <u>2,001,348</u>	\$ <u>1,512,174</u>
Total Liabilities and Net Assets	\$ <u>2,044,099</u>	\$ <u>1,547,265</u>

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

JOY RANCH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Revenues, Gains, and Other Support				
<i>Revenues</i>				
Child care payments:				
Department of Social Services and Social Security	\$ 430,236	\$ -	\$ 430,236	\$ 95,073
Guardian	342	-	342	-
In-kind revenue	20,876	-	20,876	15,190
Total Revenues	\$ 451,454	\$ -	\$ 451,454	\$ 110,263
<i>Gains and Other Support</i>				
Contributions:				
Regular	\$ 305,121	\$ 12,880	\$ 318,001	\$ 296,506
Bequests	311,478	-	311,478	51,217
Distributions as income beneficiary	70,487	-	70,487	93,049
Employee contributions	390	-	390	360
Other contributions	144,977	-	144,977	184,779
Grants	8,750	-	8,750	-
Miscellaneous	27,458	-	27,458	12,595
Realized and unrealized gain (loss) on investment	(5,106)	-	(5,106)	-
Gain (loss) on sale of assets	-	-	-	(15,935)
Net assets released from restrictions	241,435	(241,435)	-	-
Total Gains and Other Support	\$ 1,104,990	\$ (228,555)	\$ 876,435	\$ 622,571
Total Revenues, Gains, and Other Support	\$ 1,556,444	\$ (228,555)	\$ 1,327,889	\$ 732,834
Expenses				
Program services:				
Foster care	\$ 548,097	\$ -	\$ 548,097	\$ 528,012
Supporting services:				
Management and general	202,747	-	202,747	204,493
Fundraising	87,871	-	87,871	95,219
Total Expenses	\$ 838,715	\$ -	\$ 838,715	\$ 827,724
Change in Net Assets	\$ 717,729	\$ (228,555)	\$ 489,174	\$ (94,890)
Net Assets, Beginning of Year	1,012,527	499,647	1,512,174	1,607,064
Net Assets, End of Year	\$ 1,730,256	\$ 271,092	\$ 2,001,348	\$ 1,512,174

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

JOY RANCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	Program Services		Supporting Services		Total 2018	Total 2017
	Foster Care		Management and General	Fundraising		
Activities	\$ 20,428		\$ -	\$ -	\$ 20,428	\$ 19,579
Advertising	-		4,121	1,766	5,887	14,505
Automotive	12,098		5,293	1,512	18,903	9,548
Bad debt expense	-		-	-	-	3,392
Bank charges	1,306		571	163	2,040	2,279
Clothes and school supplies	3,665		-	-	3,665	2,941
Contracted services	1,014		444	127	1,585	1,668
Cottage and residence allowance	5,292		-	-	5,292	5,414
Depreciation	29,387		18,789	-	48,176	43,812
Donor related/fundraising	-		-	3,255	3,255	3,625
Dues and subscriptions	2,799		1,224	350	4,373	5,311
Employee insurance	28,533		12,483	3,567	44,583	43,106
In-kind expenses	20,876		-	-	20,876	15,190
Insurance	21,851		9,560	2,731	34,142	33,237
Joy for All Kids	249		-	-	249	399
Kitchen and food supplies	26,184		-	-	26,184	13,391
Maintenance	13,236		5,790	1,654	20,680	13,042
Missions/Church groups	851		-	-	851	1,443
General supplies	3,371		1,475	421	5,267	4,661
Medical	1,851		-	-	1,851	1,494
Miscellaneous	6,506		-	-	6,506	8,464
Office supplies and expense	3,163		1,383	395	4,941	8,496
Other employee benefits	4,235		1,852	529	6,616	6,278
Payroll taxes	18,912		8,147	2,037	29,096	33,520
Printing and postage	10,965		-	26,845	37,810	45,016
Professional fees	5,149		2,139	634	7,922	9,126
Reimbursable expenses	-		-	-	-	112
Retirement	4,520		1,906	635	7,061	7,495
Salaries	247,000		104,204	34,735	385,939	394,952
Taxes and licenses	2,885		1,198	355	4,438	1,719
Telephone	771		326	109	1,206	1,772
Training	2,474		618	-	3,092	3,778
Travel	827		356	89	1,272	3,733
Utilities and oil	47,699		20,868	5,962	74,529	65,226
Total Expenses	\$ 548,097		\$ 202,747	\$ 87,871	\$ 838,715	\$ 827,724

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

JOY RANCH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 489,174	\$ (94,890)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	48,176	43,812
(Gain) loss from sale of assets	-	15,935
Unrealized (gain) loss on investments	5,000	-
Decrease (increase) in:		
Accounts receivable	(7,028)	21,088
Prepaid expenses	5	285
Assets restricted to investment in land, buildings and equipment	213,388	26,907
Increase (decrease) in:		
Accounts payable	8,655	9,292
Accrued expenses	(995)	2,944
	\$ 756,375	\$ 25,373
Cash flows from investing activities:		
Purchase of property and equipment	\$ (359,901)	\$ (55,676)
	\$ (359,901)	\$ (55,676)
Net increase (decrease) in cash and cash equivalents	\$ 396,474	\$ (30,303)
Cash and cash equivalents, beginning of year	323,050	353,353
Cash and cash equivalents, end of year	\$ 719,524	\$ 323,050

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

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 two classes of net assets based on existence or absence of donor-imposed restrictions:

Net Assets Without Donor Restriction - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

Net Assets With Donor Restriction - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization as well as net assets whose use is limited by donor-imposed time and/or purpose restrictions.

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, if any. The Organization provides for losses on accounts receivable using the allowance method.

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 (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 revenue without donor restrictions unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use are reported as donor 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, 2018 by May 15, 2019.

I. 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.

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 (CONTINUED)

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

J. 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. The expenses that are allocated include depreciation and utilities and oil which are allocated on estimated usage as well as salaries and related benefits which are allocated based on estimated time and effort.

K. 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.

L. Comparative Totals

Comparative totals are presented for informational purposes only. Some amounts have been reclassified to conform with the presentation in the current year financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT:

A summary of property and equipment at December 31, follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 130,071	\$ 130,071
Buildings and Improvements	1,898,757	1,898,757
Furniture and Equipment	245,404	224,003
Vehicles	222,292	164,039
Signs	8,940	8,940
Construction in Progress	295,820	57,115
Paving	<u>22,222</u>	<u>22,222</u>
Total	\$ 2,823,506	\$ 2,505,147
Less: Accumulated Depreciation	<u>1,779,291</u>	<u>1,772,657</u>
Net Property and Equipment	\$ <u>1,044,215</u>	\$ <u>732,490</u>

NOTE 3 - ACCOUNTS RECEIVABLE:

Receivables at December 31, 2018 and 2017 amounted to \$13,334 and \$6,306, respectively, and consisted primarily of child support amounts due for residents.

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 (CONTINUED)

NOTE 4 - 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, 2018 and 2017 was \$7,061 and \$7,495, respectively.

NOTE 5 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS:

At December 31, 2018, net assets with donor restrictions are available for the following purposes:

Ruby Handy Estate	\$	258,212
Ruby Handy Industrial Arts Building		11,200
Miller Independent Living Cottage		600
RV Park		180
Education Resource Center		900
Total Net Assets with Donor Restrictions	\$	<u>271,092</u>

NOTE 6 - COMMITMENTS AND CONTINGENT LIABILITIES:

Joy Ranch, Inc. had the following construction commitment at December 30, 2018:

Project	Original Contract Amount	Outstanding at December 30, 2018
Ruby Handy Building	\$ 178,105	\$ 31,999

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while attempting to maximize the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

	2018
Cash and cash equivalents	\$ 977,736
Accounts receivable	13,334
Donor imposed restrictions	<u>(271,092)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 719,978</u>

The Organization does not have a formal policy related to investing excess cash and maintaining balances.

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 (CONTINUED)

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENT:

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. As a result, changes in terminology used to describe the categories of net assets were made throughout the report. Disclosure regarding liquidity has also been added (Note 7). The accompanying information from the 2017 financial statements has been reclassified to conform to the 2018 presentation.

NOTE 9 - SUBSEQUENT EVENTS:

In preparing these financial statements, management of Joy Ranch, Inc. has evaluated events and transactions for potential recognition of disclosure through February 13, 2019, the date the financial statements were available to be issued.