



## FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

JOY RANCH, INC.  
FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2019

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**Independent Auditors' Report**

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**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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Robinson, Jarman, Cox Associates*

Blacksburg, Virginia  
March 9, 2020

## Financial Statements

JOY RANCH, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

Assets:	<u>2019</u>	<u>2018</u>
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 687,561	\$ 719,524
Investments	106,599	-
Accounts receivable	-	13,334
Prepaid expenses	<u>10,230</u>	<u>8,814</u>
<i>Total Current Assets</i>	<u>\$ 804,390</u>	<u>\$ 741,672</u>
<i>Noncurrent Assets:</i>		
Assets restricted to investment in land, buildings and equipment	\$ 151,583	\$ 258,212
Property and equipment, net of accumulated depreciation	<u>1,094,754</u>	<u>1,044,215</u>
<i>Total Noncurrent Assets</i>	<u>\$ 1,246,337</u>	<u>\$ 1,302,427</u>
<b>Total Assets</b>	<u><u>\$ 2,050,727</u></u>	<u><u>\$ 2,044,099</u></u>
 <i>Liabilities:</i>		
<i>Current Liabilities:</i>		
Accounts payable	\$ 11,528	\$ 25,009
Accrued expenses	<u>16,907</u>	<u>17,742</u>
<i>Total Current Liabilities</i>	<u>\$ 28,435</u>	<u>\$ 42,751</u>
<b>Total Liabilities</b>	<u><u>\$ 28,435</u></u>	<u><u>\$ 42,751</u></u>
 <i>Net Assets:</i>		
Net assets without donor restrictions	\$ 1,839,509	\$ 1,730,256
Net assets with donor restrictions	<u>182,783</u>	<u>271,092</u>
<b>Total Net Assets</b>	<u><u>\$ 2,022,292</u></u>	<u><u>\$ 2,001,348</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 2,050,727</u></u>	<u><u>\$ 2,044,099</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, 2019  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<b>Revenues, Gains, and Other Support</b>				
<i>Revenues</i>				
Child care payments:				
Department of Social Services and Social Security	\$ 356,998	\$ -	\$ 356,998	\$ 430,236
Guardian	190	-	190	342
In-kind revenue	10,979	-	10,979	20,876
<b>Total Revenues</b>	<b>\$ 368,167</b>	<b>\$ -</b>	<b>\$ 368,167</b>	<b>\$ 451,454</b>
<i>Gains and Other Support</i>				
Contributions:				
Regular	\$ 318,620	\$ 20,000	\$ 338,620	\$ 318,001
Bequests	-	-	-	311,478
Distributions as income beneficiary	62,719	-	62,719	70,487
Employee contributions	390	-	390	390
Other contributions	142,314	-	142,314	144,977
Grants	4,780	-	4,780	8,750
Miscellaneous	33,419	-	33,419	27,458
Realized and unrealized gain (loss) on investment	-	-	-	(5,106)
Net assets released from restrictions	108,309	(108,309)	-	-
<b>Total Gains and Other Support</b>	<b>\$ 670,551</b>	<b>\$ (88,309)</b>	<b>\$ 582,242</b>	<b>\$ 876,435</b>
<b>Total Revenues, Gains, and Other Support</b>	<b>\$ 1,038,718</b>	<b>\$ (88,309)</b>	<b>\$ 950,409</b>	<b>\$ 1,327,889</b>
<b>Expenses</b>				
Program services:				
Foster care	\$ 716,849	\$ -	\$ 716,849	\$ 548,097
Supporting services:				
Management and general	105,928	-	105,928	202,747
Fundraising	54,267	-	54,267	87,871
<b>Total Expenses</b>	<b>\$ 877,044</b>	<b>\$ -</b>	<b>\$ 877,044</b>	<b>\$ 838,715</b>
Loss on sale of assets	52,421	-	52,421	-
<b>Total Expenses and Losses</b>	<b>\$ 929,465</b>	<b>\$ -</b>	<b>\$ 929,465</b>	<b>\$ 838,715</b>
<b>Change in Net Assets</b>	<b>\$ 109,253</b>	<b>\$ (88,309)</b>	<b>\$ 20,944</b>	<b>\$ 489,174</b>
<b>Net Assets, Beginning of Year</b>	<b>1,730,256</b>	<b>271,092</b>	<b>2,001,348</b>	<b>1,512,174</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,839,509</b>	<b>\$ 182,783</b>	<b>\$ 2,022,292</b>	<b>\$ 2,001,348</b>

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

JOY RANCH, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	Program Services	Supporting Services		Total 2019	Total 2018
	Foster Care	Management and General	Fundraising		
Activities	\$ 22,203	\$ -	\$ -	\$ 22,203	\$ 20,428
Advertising	-	981	420	1,401	5,887
Automotive	11,324	4,954	1,415	17,693	18,903
Bank charges	939	410	117	1,466	2,040
Clothes and school supplies	1,174	-	-	1,174	3,665
Contracted services	1,014	444	127	1,585	1,585
Cottage and residence allowance	5,717	-	-	5,717	5,292
Depreciation	35,573	22,744	-	58,317	48,176
Donor related/fundraising	-	-	546	546	3,255
Dues and subscriptions	2,879	1,259	360	4,498	4,373
Employee insurance	41,878	5,606	1,522	49,006	50,131
In-kind expenses	10,979	-	-	10,979	20,876
Insurance	18,405	8,053	2,301	28,759	29,530
Joy for All Kids	-	-	-	-	249
Kitchen and food supplies	26,424	-	-	26,424	26,184
Maintenance	9,740	4,260	1,217	15,217	20,680
Missions/Church groups	-	-	-	-	851
General supplies	4,189	1,833	524	6,546	5,267
Medical	451	-	-	451	1,851
Miscellaneous	28,684	-	-	28,684	6,506
Office supplies and expense	7,489	3,276	936	11,701	4,941
Other employee benefits	9,556	314	373	10,243	9,679
Payroll taxes	26,939	3,175	1,683	31,797	29,096
Printing and postage	7,717	-	18,894	26,611	37,810
Professional fees	5,305	2,203	653	8,161	7,922
Reimbursable expenses	7,514	-	-	7,514	-
Retirement	4,891	917	322	6,130	7,061
Salaries	349,841	41,286	21,812	412,939	381,940
Taxes and licenses	2,214	920	273	3,407	4,438
Telephone	2,411	1,017	339	3,767	1,206
Training	3,488	872	-	4,360	3,092
Travel	2,493	1,074	268	3,835	1,272
Utilities and oil	65,418	330	165	65,913	74,529
<b>Total Expenses</b>	<b>\$ 716,849</b>	<b>\$ 105,928</b>	<b>\$ 54,267</b>	<b>\$ 877,044</b>	<b>\$ 838,715</b>

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



JOY RANCH, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 20,944	\$ 489,174
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	58,317	48,176
(Gain) loss from sale of assets	52,421	-
Unrealized (gain) loss on investments	(7,572)	5,000
Investment administrative expenses	1,017	-
Decrease (increase) in:		
Accounts receivable	13,334	(7,028)
Prepaid expenses	(1,416)	5
Assets restricted to investment in land, buildings and equipment	106,629	213,388
Increase (decrease) in:		
Accounts payable	(13,481)	8,655
Accrued expenses	(835)	(995)
	<u>229,358</u>	<u>756,375</u>
Cash flows provided by (used for) operating activities	\$ <u>229,358</u>	\$ <u>756,375</u>
Cash flows from investing activities:		
Purchase of property and equipment	\$ (161,277)	\$ (359,901)
Purchase of investments	(100,044)	-
	<u>(261,321)</u>	<u>(359,901)</u>
Cash flows provided by (used for) investing activities	\$ <u>(261,321)</u>	\$ <u>(359,901)</u>
Net increase (decrease) in cash and cash equivalents	\$ (31,963)	\$ 396,474
Cash and cash equivalents, beginning of year	<u>719,524</u>	<u>323,050</u>
Cash and cash equivalents, end of year	<u>687,561</u>	<u>719,524</u>

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

JOY RANCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**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, net assets with donor restrictions 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.

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

F. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories.

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Inputs to valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Inputs to valuations are obtained from third party pricing services for identical or similar assets or liabilities and include observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets or liabilities.

Level 3 - Inputs to valuations for assets and liabilities that are derived from other unobservable inputs that are supported by little or no market activity and are significant to the fair value, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions.

For the year ended December 31, 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

*Cash and cash equivalents:* The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

*Investments:* Investments include equities, international equities, fixed income, international fixed income, short-term inflation pro sec, REITs, money markets, and certificates of deposit. The fair values of investments are based on quoted market prices for those or similar investments.

JOY RANCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 (CONTINUED)

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

G. 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. The Organization had no allowance of doubtful accounts as of December 31, 2019.

H. 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

I. 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, 2019 by May 15, 2020.

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.

JOY RANCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 (CONTINUED)

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

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. 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.

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. Some amounts have been reclassified to conform with the presentation in the current year financial statements.

**NOTE 2 - INVESTMENTS:**

As of December 31, 2019, all investments are recorded at fair value and considered Level 1 investments. Investments consist of the following at December 31:

	<u>2019</u>
National Christian Foundation	
Balanced Growth Funds	\$ 26,744
Growth Funds	53,540
Moderate Income Fund	26,315
Total Investments	<u>\$ 106,599</u>

The Organization does not have a formally adopted investment policy.

JOY RANCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 (CONTINUED)

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**NOTE 3 - PROPERTY AND EQUIPMENT:**

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

	2019	2018
Land	\$ 130,071	\$ 130,071
Buildings and Improvements	1,919,252	1,898,757
Furniture and Equipment	250,391	245,404
Vehicles	222,292	222,292
Signs	8,940	8,940
Construction in Progress	351,699	295,820
Paving	22,222	22,222
Total	\$ 2,904,867	\$ 2,823,506
Less: Accumulated Depreciation	1,810,113	1,779,291
Net Property and Equipment	\$ 1,094,754	\$ 1,044,215

**NOTE 4 - ACCOUNTS RECEIVABLE:**

Receivables at December 31, 2019 and 2018 amounted to \$0 and \$13,334, respectively, and consisted primarily of child support amounts due for residents.

**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, 2019 and 2018 was \$6,130 and \$7,061, respectively.

**NOTE 6 - RESTRICTIONS AND DESIGNATIONS OF NET ASSETS:**

At December 31, 2019, net assets with donor restrictions are available for the following purposes:

Ruby Handy Estate	\$ 151,583
Ruby Handy Industrial Arts Building	31,200
Total Net Assets with Donor Restrictions	\$ 182,783

JOY RANCH, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 (CONTINUED)

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**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 statement of financial position to fund expenses without limitations:

	2019
Cash and cash equivalents	\$ 687,561
Donor imposed restrictions	(182,783)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 504,778</u>

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

**NOTE 8 - DATE OF MANAGEMENT'S REVIEW:**

In preparing these financial statements, management of Joy Ranch, Inc. has evaluated events and transactions for potential recognition of disclosure through March 9, 2020, the date the financial statements were available to be issued.