



FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

JOY RANCH, INC.
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robinson, Jarrett, Cox, Associates

Blacksburg, Virginia
January 19, 2021

JOY RANCH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2019)

Assets:	<u>2020</u>	<u>2019</u>
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 825,752	\$ 687,561
Investments	333,362	106,599
Prepaid expenses	10,118	10,230
<i>Total Current Assets</i>	\$ 1,169,232	\$ 804,390
<i>Noncurrent Assets:</i>		
Assets restricted to investment in land, buildings and equipment	\$ -	\$ 151,583
Property and equipment, net of accumulated depreciation	1,188,921	1,094,754
<i>Total Noncurrent Assets</i>	\$ 1,188,921	\$ 1,246,337
Total Assets	\$ 2,358,153	\$ 2,050,727
 Liabilities:		
<i>Current Liabilities:</i>		
Accounts payable	\$ 27,287	\$ 11,528
Accrued expenses	12,135	16,907
<i>Total Current Liabilities</i>	\$ 39,422	\$ 28,435
Total Liabilities	\$ 39,422	\$ 28,435
 Net Assets:		
Net assets without donor restrictions	\$ 2,252,114	\$ 1,839,509
Net assets with donor restrictions	66,617	182,783
Total Net Assets	\$ 2,318,731	\$ 2,022,292
Total Liabilities and Net Assets	\$ 2,358,153	\$ 2,050,727

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

JOY RANCH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, Gains, and Other Support				
<i>Revenues</i>				
Child care payments:				
Department of Social Services and Social Security	\$ -	\$ -	\$ -	\$ 356,998
Guardian	19	-	19	190
In-kind revenue	5,274	-	5,274	10,979
Total Revenues	\$ 5,293	\$ -	\$ 5,293	\$ 368,167
<i>Gains and Other Support</i>				
Contributions:				
Regular	\$ 338,590	\$ 66,617	\$ 405,207	\$ 338,620
Bequests	280,220	-	280,220	-
Distributions as income beneficiary	99,926	-	99,926	62,719
Employee contributions	345	-	345	390
Other contributions	115,792	-	115,792	142,314
Grants	85,000	-	85,000	4,780
Miscellaneous	5,580	-	5,580	33,419
Realized and unrealized gain (loss) on investment	20,126	-	20,126	-
Gain on sale of assets	8,659	-	8,659	-
Net assets released from restrictions	182,783	(182,783)	-	-
Total Gains and Other Support	\$ 1,137,021	\$ (116,166)	\$ 1,020,855	\$ 582,242
Total Revenues, Gains, and Other Support	\$ 1,142,314	\$ (116,166)	\$ 1,026,148	\$ 950,409
Expenses				
Program services:				
Foster care	\$ 652,465	\$ -	\$ 652,465	\$ 716,849
Supporting services:				
Management and general	45,483	-	45,483	105,928
Fundraising	31,761	-	31,761	54,267
Total Expenses	\$ 729,709	\$ -	\$ 729,709	\$ 877,044
Loss on sale of assets	-	-	-	52,421
Total Expenses and Losses	\$ 729,709	\$ -	\$ 729,709	\$ 929,465
Change in Net Assets	\$ 412,605	\$ (116,166)	\$ 296,439	\$ 20,944
Net Assets, Beginning of Year	1,839,509	182,783	2,022,292	2,001,348
Net Assets, End of Year	\$ 2,252,114	\$ 66,617	\$ 2,318,731	\$ 2,022,292

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

JOY RANCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	Program Services		Supporting Services		Total 2020	Total 2019
	Foster Care		Management and General	Fundraising		
Activities	\$ 14,195	\$ -	\$ -	\$ -	\$ 14,195	\$ 22,203
Advertising	1,100	-	-	-	1,100	1,401
Automotive	7,166	-	-	-	7,166	17,693
Bank charges	1,874	-	-	-	1,874	1,466
Clothes and school supplies	387	-	-	-	387	1,174
Contracted services	1,585	-	-	-	1,585	1,585
Cottage and residence allowance	2,095	-	-	-	2,095	5,717
Depreciation	54,641	6,753	-	-	61,394	58,317
Donor related/fundraising	-	-	-	-	-	546
Dues and subscriptions	3,723	-	-	-	3,723	4,498
Employee insurance	33,577	1,573	683	-	35,833	49,006
In-kind expenses	5,274	-	-	-	5,274	10,979
Insurance	30,612	-	-	-	30,612	28,759
Kitchen and food supplies	20,700	-	-	-	20,700	26,424
Maintenance	10,304	-	-	-	10,304	15,217
Missions/Church groups	354	-	-	-	354	-
General supplies	4,708	-	-	-	4,708	6,546
Medical	476	-	-	-	476	451
Miscellaneous	9,534	-	-	-	9,534	28,684
Office supplies and expense	6,539	-	-	-	6,539	11,701
Other employee benefits	8,672	330	385	-	9,387	10,243
Payroll taxes	29,612	2,495	1,565	-	33,672	31,797
Printing and postage	4,664	-	9,045	-	13,709	26,611
Professional fees	7,695	-	-	-	7,695	8,161
Reimbursable expenses	297	-	-	-	297	7,514
Retirement	3,954	715	289	-	4,958	6,130
Salaries	318,381	33,617	19,794	-	371,792	412,939
Taxes and licenses	2,673	-	-	-	2,673	3,407
Telephone	4,115	-	-	-	4,115	3,767
Training	3,011	-	-	-	3,011	4,360
Travel	149	-	-	-	149	3,835
Utilities and oil	60,398	-	-	-	60,398	65,913
Total Expenses	\$ 652,465	\$ 45,483	\$ 31,761	\$ -	\$ 729,709	\$ 877,044

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

JOY RANCH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 296,439	\$ 20,944
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	61,394	58,317
(Gain) loss from sale of assets	(8,659)	52,421
Unrealized (gain) loss on investments	(20,417)	(7,572)
Investment administrative expenses	1,814	1,017
Decrease (increase) in:		
Accounts receivable	-	13,334
Prepaid expenses	112	(1,416)
Assets restricted to investment in land, buildings and equipment	151,583	106,629
Increase (decrease) in:		
Accounts payable	15,759	(13,481)
Accrued expenses	(4,772)	(835)
	<u>\$ 493,253</u>	<u>\$ 229,358</u>
Cash flows from investing activities:		
Purchase of property and equipment	\$ (170,202)	\$ (161,277)
Purchase of investments	(208,160)	(100,044)
Proceeds from sale of property and equipment	23,300	-
	<u>\$ (355,062)</u>	<u>\$ (261,321)</u>
Net increase (decrease) in cash and cash equivalents	\$ 138,191	\$ (31,963)
Cash and cash equivalents, beginning of year	<u>687,561</u>	<u>719,524</u>
Cash and cash equivalents, end of year	<u>\$ 825,752</u>	<u>\$ 687,561</u>

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

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)

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, 2020, 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, 2020 (CONTINUED)

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, 2020.

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, 2020 by May 15, 2021.

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, 2020 (CONTINUED)

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, 2020, all investments are recorded at fair value and considered Level 1 investments. Investments consist of the following at December 31:

	<u>2020</u>
National Christian Foundation	
Balanced Growth Funds	\$ 83,050
Growth Funds	169,883
Moderate Income Fund	80,429
Total Investments	<u>\$ 333,362</u>

The Organization does not have a formally adopted investment policy.

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)

NOTE 3 - PROPERTY AND EQUIPMENT:

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

	2020	2019
Land	\$ 130,071	\$ 130,071
Buildings and Improvements	2,393,139	1,919,252
Furniture and Equipment	298,405	250,391
Vehicles	161,659	222,292
Signs	8,940	8,940
Construction in Progress	-	351,699
Paving	22,222	22,222
Total	<u>\$ 3,014,436</u>	<u>\$ 2,904,867</u>
Less: Accumulated Depreciation	<u>1,825,515</u>	<u>1,810,113</u>
Net Property and Equipment	<u>\$ 1,188,921</u>	<u>\$ 1,094,754</u>

Depreciation expense for the year ended December 31, 2020 totaled \$61,394.

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, 2020 and 2019 was \$4,958 and \$6,130, respectively.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS:

At December 31, 2020, net assets with donor restrictions are available for the following purposes:

Spring Trip Donation	\$ 5,440
Heiskell Donation	61,177
Total Net Assets with Donor Restrictions	<u>\$ 66,617</u>

JOY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 (CONTINUED)

NOTE 6 - 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:

	2020
Cash and cash equivalents	\$ 825,752
Investments	333,362
Donor imposed restrictions	<u>(66,617)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,092,497</u>

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

NOTE 7 - PAYCHECK PROTECTION PROGRAM (PPP) FORGIVABLE LOAN:

On April 15, 2020, the Organization issued a Paycheck Protection Program (PPP) Forgivable Loan as a result of the ongoing COVID-19 pandemic in the amount of \$80,000. The Organization applied for and was granted forgiveness of this loan on November 13, 2020; therefore, the amount is reported as grant revenue during fiscal year 2020.

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 January 19, 2021, the date the financial statements were available to be issued.

NOTE 9 - SUBSEQUENT EVENT:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.