

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017**



HOULDSWORTH, RUSSO & COMPANY

8675 S. Eastern Avenue | Las Vegas, Nevada 89123 | P: 702.269.9992 | F: 702.269.9993 | www.trustHRC.com

**ST. JUDE’S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
JUNE 30, 2017**

CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITOR’S REPORT | 1-2 |
| COMBINED STATEMENT OF FINANCIAL POSITION..... | 3 |
| COMBINED STATEMENT OF ACTIVITIES | 4 |
| COMBINED STATEMENT OF FUNCTIONAL EXPENSES | 5 |
| COMBINED STATEMENT OF CASH FLOWS | 6-7 |
| NOTES TO COMBINED FINANCIAL STATEMENTS..... | 8-17 |
| INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE COMBINED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 18-19 |
| INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE..... | 20-21 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... | 22 |
| NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 23 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... | 24 |
| SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS | 24 |
| COMBINING STATEMENTS OF FINANCIAL POSITION..... | 25-26 |
| COMBINING STATEMENTS OF ACTIVITIES | 27-30 |
| COMBINING STATEMENTS OF EXPENSES BY NATURAL CLASS..... | 31 |

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
St. Jude's Ranch for Children, Inc. and Subsidiaries
Boulder City, Nevada

Report on the Financial Statements

We have audited the accompanying combined financial statements of St. Jude's Ranch for Children, Inc. and Subsidiaries (all nonprofit organizations), which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of St. Jude's Ranch for Children, Inc. and Subsidiaries as of June 30, 2017, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedules on pages 25 through 31 is presented for the purpose of additional analysis and are not a required part of the combined financial statements. Additionally, the accompanying schedule of expenditures of

federal awards on pages 22 through 24, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2017, on our consideration of St. Jude’s Ranch for Children, Inc. and Subsidiaries’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Jude’s Ranch for Children, Inc. and Subsidiaries’ internal control over financial reporting and compliance.

Las Vegas, Nevada
September 22, 2017

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS

CURRENT ASSETS

| | |
|----------------------------------|--------------|
| Cash and equivalents | \$ 2,076,428 |
| Cash and equivalents, restricted | 75,480 |
| Investments | 448,784 |
| Investments, restricted | 3,166,789 |
| Accounts receivable | 56,487 |
| Grants receivable | 73,983 |
| Pledges receivable | 250,000 |
| Inventories | 4,967 |
| Prepaid expenses | 35,919 |
| | 6,188,837 |

OTHER ASSETS

| | |
|-----------------------------|---------------|
| Deposits | 3,868 |
| Property and equipment, net | 7,207,684 |
| | \$ 13,400,389 |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|--|-----------|
| Accounts payable | \$ 72,711 |
| Accrued expenses | 198,799 |
| Deferred compensation, current portion | 82,000 |
| Line of credit | 725,000 |
| | 1,078,510 |

OTHER LIABILITIES

| | |
|---|-----------|
| Deferred compensation, net of current portion | 695,750 |
| | 1,774,260 |

NET ASSETS

| | |
|------------------------|---------------|
| Unrestricted | 8,068,860 |
| Temporarily restricted | 737,735 |
| Permanently restricted | 2,819,534 |
| | 11,626,129 |
| | \$ 13,400,389 |

See accompanying notes to financial statements

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Revenues and support: | | | | |
| Contributions | \$ 3,893,689 | \$ 34,471 | \$ - | \$ 3,928,160 |
| Grants | 1,191,171 | - | - | 1,191,171 |
| Special event revenue | \$ 245,789 | | | |
| Less: costs of direct benefits to donor | <u>(91,520)</u> | | | |
| Net revenues from special events | 154,269 | - | - | 154,269 |
| In-kind donations | 239,344 | - | - | 239,344 |
| Program service fees | 669,999 | - | - | 669,999 |
| Sale of merchandise | 151,283 | - | - | 151,283 |
| Investment income | 53,165 | 62,101 | 6,800 | 122,066 |
| Rental income | 8,642 | - | - | 8,642 |
| Realized and unrealized gain on investments | <u>148,327</u> | <u>-</u> | <u>8,005</u> | <u>156,332</u> |
| | 6,509,889 | 96,572 | 14,805 | 6,621,266 |
| Net assets released or transferred from restriction | <u>535,934</u> | <u>(39,921)</u> | <u>(496,013)</u> | <u>-</u> |
| Total revenues and support | 7,045,823 | 56,651 | (481,208) | 6,621,266 |
| Expenses and losses: | | | | |
| Program services | 3,915,145 | - | - | 3,915,145 |
| Supporting services: | | | | |
| General and administrative | 1,088,676 | - | - | 1,088,676 |
| Fundraising | 408,444 | - | - | 408,444 |
| Change in value of accrued compensation | <u>53,991</u> | <u>-</u> | <u>-</u> | <u>53,991</u> |
| Total expenses and losses | <u>5,466,256</u> | <u>-</u> | <u>-</u> | <u>5,466,256</u> |
| INCREASE (DECREASE) IN NET ASSETS | 1,579,567 | 56,651 | (481,208) | 1,155,010 |
| NET ASSETS, BEGINNING OF YEAR | <u>6,489,293</u> | <u>681,084</u> | <u>3,300,742</u> | <u>10,471,119</u> |
| NET ASSETS, END OF YEAR | <u>\$ 8,068,860</u> | <u>\$ 737,735</u> | <u>\$ 2,819,534</u> | <u>\$11,626,129</u> |

See notes to financial statements

ST. JUDE'S RANCH FOR CHILDREN, INC. AND SUBSIDIARIES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

| | Program Services | Supporting Services | | Totals |
|--|---------------------|-------------------------------|-------------------|---------------------|
| | | General and Administrative | Fundraising | |
| Salaries and wages | \$ 1,662,277 | \$ 491,376 | \$ 254,784 | \$ 2,408,437 |
| Employee benefits | 179,920 | 33,934 | 15,246 | 229,100 |
| Payroll taxes | 161,453 | 37,784 | 22,948 | 222,185 |
| Advertising | - | 1,751 | 4,700 | 6,451 |
| Audit and accounting fees | - | 70,994 | - | 70,994 |
| Automobile | 52,647 | 128 | - | 52,775 |
| Client support services | 388,417 | 3,077 | - | 391,494 |
| Client food | 60,540 | 1,580 | - | 62,120 |
| Client housing | 381,339 | 4,931 | - | 386,270 |
| Conferences and conventions | 2,316 | 7,671 | 335 | 10,322 |
| Depreciation | 541,356 | 61,385 | 467 | 603,208 |
| Dues and subscriptions | 605 | 5,724 | 749 | 7,078 |
| Employee costs | 2,094 | 5,777 | - | 7,871 |
| Event expense | 2,482 | 1,157 | 28,121 | 31,760 |
| Grants to affiliates | - | 3,434 | - | 3,434 |
| Insurance | 111,967 | 24,505 | - | 136,472 |
| Interest | - | 46,494 | - | 46,494 |
| Other | 6,499 | 1,993 | 1,009 | 9,501 |
| Postage and shipping | 6,114 | 14,958 | 8,306 | 29,378 |
| Printing | 14,844 | 11,788 | 28,337 | 54,969 |
| Professional fees | 56,368 | 100,112 | 25,500 | 181,980 |
| Recognition and appreciation | 4,489 | 2,605 | 75 | 7,169 |
| Rent | 18,699 | - | - | 18,699 |
| Small equipment and furniture | 7,757 | - | - | 7,757 |
| Software costs | 2,979 | 78,912 | 9,461 | 91,352 |
| Supplies | 19,979 | 5,527 | 200 | 25,706 |
| Taxes, licenses and fees | 5,375 | 41,136 | 2,555 | 49,066 |
| Thrift store | 14,203 | - | - | 14,203 |
| Travel | 10,314 | 8,081 | 1,327 | 19,722 |
| Utilities | 200,112 | 21,862 | 4,324 | 226,298 |
| | <u>3,915,145</u> | <u>1,088,676</u> | <u>408,444</u> | <u>5,412,265</u> |
| Costs of direct benefits, food and supplies to donors | - | - | 91,520 | 91,520 |
| | <u>\$ 3,915,145</u> | <u>\$ 1,088,676</u> | <u>\$ 499,964</u> | <u>\$ 5,503,785</u> |

See notes to financial statements

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

| | |
|---|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase in net assets | \$ 1,155,010 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 603,208 |
| Donated property and equipment | (96,004) |
| Donated inventory | (115,516) |
| Changes in deferred compensation | 53,991 |
| Realized and unrealized gain on investments | (156,332) |
| (Increase) decrease in operating assets: | |
| Accounts receivable | (9,464) |
| Grants receivable | 44,756 |
| Pledge receivable | 250,000 |
| Inventory | 112,341 |
| Prepaid expenses | 7,228 |
| Deposits | (3,868) |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | (201,269) |
| Accrued expenses | 22,767 |
| Due to affiliate | (365,083) |
| | <hr/> |
| Net cash provided by operating activities | <u>1,301,765</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchases of investments | (589,669) |
| Proceeds from sale of investments | 587,759 |
| Purchases of property and equipment | (15,640) |
| | <hr/> |
| Net cash used in investing activities | <u>(17,550)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Proceeds from line of credit | 400,000 |
| Payments on line of credit | (750,000) |
| Payments of accrued deferred compensation | (82,000) |
| | <hr/> |
| Net cash used in financing activities | <u>(432,000)</u> |

See notes to financial statements

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

| | |
|---|----------------------------|
| NET INCREASE IN CASH | \$ 852,215 |
| CASH AND EQUIVALENTS, BEGINNING OF YEAR | <u>1,299,693</u> |
| CASH AND EQUIVALENTS, END OF YEAR | <u><u>\$ 2,151,908</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | |
| Cash paid for interest | <u><u>\$ 46,494</u></u> |
| Cash and cash equivalents | \$ 2,076,428 |
| Cash and cash equivalents, restricted | <u>75,480</u> |
| | <u><u>\$ 2,151,908</u></u> |

See notes to financial statements

**ST. JUDE’S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

St. Jude’s Ranch for Children, Inc. and Subsidiaries (the Organization) is a nonprofit organization, including St. Jude’s Ranch for Children – National (National), St. Jude’s Ranch for Children – Nevada Region (Nevada Region), St. Jude’s Ranch for Children – Charitable Foundation (Foundation) and Hope Shines Bright Holding Company (Holding Company).

The Organization’s primary charitable purpose is to transform the lives of abused and at-risk children, young adults and families through residential and community-based foster care, counseling of pregnant and parenting teens, providing transitional and supportive housing environments, emergency placement of children in crisis, and related programs.

National

National, which is incorporated under the laws of the State of Nevada, as the sole member, controls the Nevada Region, a 501(c)(3) not-for-profit organization, referred to as a subsidiary. These entities are required under generally accepted accounting principles to be consolidated as they are financially interrelated. The function of National is to oversee the affiliate and provide financial and operational assistance to the affiliate. As of July 1, 2008, the Foundation was created to support the Organization and the subsidiary. The Foundation is a wholly separate Nevada nonprofit corporation and its assets and liabilities are separate and segregated from the Organization’s assets and liabilities. In 2012, the Holding Company was created to support the Organization’s donation activity. Both the Foundation and Holding Company operate out of Boulder City, Nevada, and hold a separate Internal Revenue Service exempt determination letter and are required to be reported separately for federal compliance purposes. National is the specified beneficiary of the Foundation and the Holding Company.

Nevada Region

Nevada Region, which is supported by National, is a nonprofit organization incorporated under the laws of the State of Nevada. The Organization includes three nonsectarian facilities, one located in Boulder City, Nevada, and two located in Las Vegas, Nevada. The facility located in Boulder City, Nevada is licensed by the Clark County Department of Child and Family Services of the State of Nevada to care for a maximum of 66 children, from infant to 21 years of age. The facility has ten group homes which are not mixed by gender, but are mixed by age and ethnic background, where these children live and receive residential therapeutic foster care services. These services include basic, moderate, and specialized levels of care, transitional living care, or pregnant and parenting teen care, in a home-like environment. The Crossings program, located in Las Vegas, Nevada, serves as a 15-unit apartment style building owned by the Organization, which provides supportive housing and services for homeless youth ages 18 to 25. The third facility, also located in Las Vegas, Nevada, serves as the office for the Child Focus Program, which is devoted to the mission of preserving sibling bonds while children are in foster care.

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foundation

The Foundation is a nonprofit organization and was incorporated under the laws of the State of Nevada on July 1, 2008. The Foundation is located in Boulder City, Nevada and was organized to support the Organization and its affiliates. The Foundation is supported primarily through state and local government contracts, as well as donations from individuals, corporations, and foundations throughout the United States.

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The accompanying combined financial statements include the accounts of National, Nevada Region, Foundation, and the Holding Company. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC). Under FASB ASC, the Organization is required to report information regarding its financial position and activities according to three classes of net assets - permanently restricted, temporarily restricted, or unrestricted as follows:

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained in perpetuity while permitting the Organization to use or expend part or all of the income derived from the donated assets.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations.

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Income Tax Status

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash-on-hand and highly-liquid investments with maturities of three months or less at the date of purchase.

ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported on the combined statement of financial position at fair value. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investments in real estate consist of property recorded at cost or the fair market value at the date of the donation.

Accounts Receivable and Grants Receivable

Accounts and grants receivable consists of amounts due from state and county agencies for services provided in the care for children. Receivables are stated at the amount management expects to collect from outstanding balances. It is the Organization's policy to charge off uncollectible accounts receivable for program fees when management determines the receivable will not be collected. The program fees are delinquent when not received within the contractual terms. The Organization estimates an allowance for doubtful accounts based on periodic assessment. If receivables become uncollectible, the balance will be changed to expense when the determination is made. All amounts recorded are expected to be received within one year.

Pledges Receivable

Pledges are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met. No allowance has been recorded as all amounts are considered to be fully collectible.

Inventories

Inventories, consisting of purchased and donated goods, are recorded at the lower of cost or market under the first-in, first-out method.

Property and Equipment

Purchased assets are recorded at cost and donated assets are recorded at their fair market value at the date of the donation. The Organization capitalizes all fixed assets in excess of \$1,000 and with a useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|--|----------------|
| Furniture and fixtures, vehicles, software and equipment | 3 to 10 years |
| Land improvements | 3 to 25 years |
| Buildings | 25 to 39 years |

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in that period.

Gifts of Long-Lived Assets

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fundraising, administration, or program based on evaluations of the related benefits. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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.

Combined Statements

The combined financial statements include the financial information of the St. Jude's Ranch for Children, Inc. and its interrelated entities, which include National, Nevada Region, Foundation, and Holding Company. St. Jude's Ranch for Children, Inc. and its interrelated entities are combined because the Organization holds common control of the campuses through a majority voting interest in its governing board. All material inter-organizational transactions have been eliminated.

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed as incurred. Total advertising costs for the year ended June 30, 2017 were \$6,451.

Subsequent Events

Subsequent events have been evaluated through September 22, 2017, which is the date the combined financial statements were available to be issued.

NOTE 2. ACCOUNTS AND GRANTS RECEIVABLE

The Organization's accounts and grants receivable balance consists of amounts due from federal, state and county agencies for child care services and programs provided. Accounts receivable was \$56,488 and grants receivable was \$73,983 as of June 30, 2017. There were no allowances recorded as of June 30, 2017.

NOTE 3. PLEDGES RECEIVABLE

The pledges receivable balance consists of unrestricted pledges to be received within one year totaling \$250,000. All pledges were deemed fully collectible for the year ended June 30, 2017.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2017:

| | |
|--------------------------------|---------------------|
| Vehicles | \$ 101,571 |
| Buildings | 11,084,169 |
| Computer equipment | 213,759 |
| Furniture and fixtures | 385,160 |
| Land improvements | 922,648 |
| Equipment | 508,865 |
| Land | 39,180 |
| Land, restricted | <u>65,000</u> |
| Total property and equipment | 13,320,352 |
| Less: accumulated depreciation | <u>(6,112,668)</u> |
| | <u>\$ 7,207,684</u> |

Included in the above totals is fully depreciated equipment purchased under capital leases. Depreciation expense was \$603,208 for the year ended June 30, 2017.

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 5. INVESTMENTS AND FAIR VALUE

In accordance with the FASB ASC 820-10, the following are quantitative disclosures about the fair value measurements of assets. Fair value measurements are categorized on three levels:

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, which are traded by dealers and brokers in active markets. Valuations are obtained from readily available pricing.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets and liabilities.

For the year ended June 30, 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. Investments measured at fair value on a recurring basis at June 30, 2017, are summarized as follows:

| | <u>Level 1</u> | <u>Total</u> |
|----------------------------|---------------------|---------------------|
| Equities: | | |
| Common stock | \$ 1,606,045 | \$ 1,606,045 |
| Mutual funds | 1,370,191 | 1,370,191 |
| Exchange traded | 95,418 | 95,418 |
| Fixed income: | | |
| U.S. government securities | <u>543,919</u> | <u>543,919</u> |
| | <u>\$ 3,615,573</u> | <u>\$ 3,615,573</u> |

NOTE 6. LINE OF CREDIT

The Organization has a line of credit under which the Organization may borrow on a secured basis at the prime rate with credit totaling \$1,500,000. The prime rate at June 30, 2017 was 4.25%. Borrowings under the agreement are collateralized by the property in Boulder City, Nevada. The Organization has outstanding balances of \$725,000 as of June 30, 2017. The credit agreement matures during August 2019.

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 7. DEFERRED COMPENSATION ARRANGEMENT

In April 2001, a separation agreement was entered into between the Organization and a former officer. The present value of the benefits expected to be paid to the former officer (or beneficiaries) was recognized as expense in the period at the time the Board of Directors approved the plan of separation, which was June 30, 2001.

In 2013, an actuarial valuation was performed for the deferred compensation agreement. An adjustment was made in the year ending June 30, 2017 to record additional expense and increase the liability by \$126,027, as the life expectancy of the former employee is now beyond the original estimate. The present value of the benefits recognized as of June 30, 2017, amounted to \$777,750. The Organization's current obligation is payable in monthly installments of approximately \$6,833. The discount rate used to compute the estimated present value was 4.5% during the year ended June 30, 2017. The Organization also recorded amortization of the discount on the estimated present value of the future payments of \$53,991 during the year ended June 30, 2017. These amounts are included in the statements of activities as the change in value of the deferred compensation arrangement.

NOTE 8. RESTRICTED NET ASSETS

Temporarily restricted assets were restricted for the following purposes as of June 30, 2017:

| | |
|---------------------------|-------------------|
| Appliances and repairs | \$ 578 |
| Campus renovations | 21,386 |
| Education skills training | 629,491 |
| Youth care operations | 21,280 |
| Land | <u>65,000</u> |
| | <u>\$ 737,735</u> |

Temporarily restricted assets were held as follows as of June 30, 2017:

| | |
|-------------|-------------------|
| Cash | \$ 75,480 |
| Investments | 597,255 |
| Land | <u>65,000</u> |
| | <u>\$ 737,735</u> |

The restricted land is property that was purchased by the Organization on August 17, 2011, on which housing is being built for the St. Jude's Ranch Crossings, a supportive housing program. The parcel of land has an attached deed restriction of 20 years to be used for the Organization's program. If the Organization loses possession of the land or enters into a sublease without prior approval, the Organization must pay Clark County \$1,954,439. The restrictions to land attach to the land and any successor owners.

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 8. RESTRICTED NET ASSETS (CONTINUED)

Permanently restricted net assets consist of endowment fund investments to be held indefinitely and a pledge receivable. During the year, there was \$496,013 in transfers from permanently restricted which consisted of \$250,000 transferred to unrestricted from the donor and \$246,013 transferred to Texas, a former subsidiary, as part of a separation agreement. Permanently restricted net assets as of June 30, 2017 totaled \$2,819,534.

NOTE 9. ENDOWMENTS

Endowment funds include permanently and temporarily restricted donor funds, as detailed in Note 8. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment funds consist of the following assets as of June 30, 2017:

| | |
|----------------------|---------------------|
| Cash and equivalents | \$ 217,440 |
| Investments | 3,598,010 |
| Pledge receivable | <u>250,000</u> |
| | <u>\$ 4,065,450</u> |

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Nevada state laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in accordance with the donor's wishes.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 9. ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a current policy of retaining the earnings within the endowment fund until such time that the Board has determined specific expenditures in which to use the earnings not restricted by the donor. This policy is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature would be included in unrestricted net assets. There were no deficiencies at June 30, 2017.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets, the primary emphasis of which is on capital growth. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results attainable over a more than ten-year time frame. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately equal to that of the overall market for similar investment types. Actual returns in any given year may vary from this rate of return.

Changes in endowment net assets for the year ended June 30, 2017:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 547,528 | \$ 535,154 | \$ 3,300,742 | \$ 4,383,424 |
| Investment return | | | | |
| Investment income | 36,077 | 78,411 | 6,800 | 121,288 |
| Net appreciation | <u>76,278</u> | <u>72,049</u> | <u>8,005</u> | <u>156,332</u> |
| Total investment return | 112,355 | 150,460 | 14,805 | 277,620 |
| Appropriation of endowment assets for expenditure | (261,222) | (88,359) | (246,013) | (595,594) |
| Release of restriction | <u>250,000</u> | <u>-</u> | <u>(250,000)</u> | <u>-</u> |
| Endowment net assets, end of year | <u>\$ 648,661</u> | <u>\$ 597,255</u> | <u>\$ 2,819,534</u> | <u>\$ 4,065,450</u> |

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**

NOTE 9. ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 10. OPERATING LEASES

The Organization leases space in Nevada for its Child Focus program under a 65-month lease expiring in July 2018. The Organization also leases office equipment under operating leases expiring in August 2018. Total rent expense is \$60,324 for the year ended June 30, 2017. The future minimum payments under these operating leases at June 30, 2017 are as follows:

| | |
|------|------------------|
| 2018 | \$ 56,998 |
| 2019 | 13,543 |
| 2020 | <u>8,062</u> |
| | <u>\$ 78,603</u> |

NOTE 11. CONCENTRATIONS

The Organization maintains cash balances in one banking institution located in Nevada. The non-interest bearing and interest-bearing cash held by the banking institution is insured up to the Federal Deposit Insurance Corporation insurance limit of \$250,000. As of June 30, 2017, the total uninsured cash balance in these accounts was \$1,433,755.

The Organization maintains cash balances in investment accounts held at two investment brokers. The cash held by each broker is insured up to the Securities Investor Protection Corporation ("SIPC") insurance limit of \$500,000 of the investment balance, including \$100,000 in cash. SIPC insurance covers losses due to investment fraud. As of June 30, 2017, all balances were insured.

The Organization receives all program service fees from the State of Nevada.

The Organization has received three contributions which make up 70% of total contributions and 42% of total revenue.

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
St. Jude’s Ranch for Children, Inc. and Subsidiaries
Boulder City, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of St. Jude’s Ranch for Children, Inc. and Subsidiaries (collectively, the Organization) (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated September 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Certified Public Accountants
20 YEARS & COUNTING

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Las Vegas, Nevada
September 22, 2017

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Board of Trustees
St. Jude’s Ranch for Children, Inc. and Subsidiaries
Boulder City, Nevada

Report on Compliance for Each Major Federal Program

We have audited St. Jude’s Ranch for Children, Inc. and Subsidiaries’ (collectively, the “Organization”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2017. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

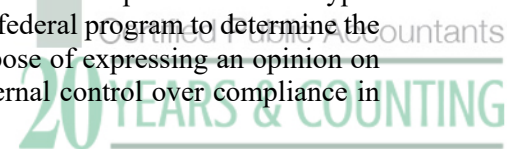
We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in



accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Las Vegas, Nevada
September 22, 2017

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

| <u>Grantor Agency</u> | <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor Number</u> | <u>Expenditures</u> |
|---|--------------------------------------|------------------------------------|--|---------------------|
| Passed through Clark County, Nevada: | | | | |
| U.S. Department of Housing and Urban Development | Continuum of Care Program | 14.267 | NV0036L9T001503 | \$ 655,708 |
| U.S. Department of Housing and Urban Development | Emergency Solutions Grant | 14.231 | | <u>52,393</u> |
| | | | | 708,101 |
| Passed through the City of Las Vegas: | | | | |
| U.S. Department of Housing and Urban Development | Community Development Block Grant | 14.218 | | <u>39,974</u> |
| U.S. Department of Housing and Urban Development Total | | | | <u>748,075</u> |
| Passed through the State of Nevada Division of Child and Family Services: | | | | |
| U.S. Department of Justice | Victims of Crime Act | 16.575 | 2015-VA-GX-0024 | 98,724 |
| Passed through Workforce Connections: | | | | |
| U.S. Department of Labor | WIOA Youth Activities | 17.259 | 14-WIA-YOUTH-STJUDE-02 | 63,397 |
| Passed through the State of Nevada Division of Child and Family Services: | | | | |
| U.S. Department of Health and Human Services | Title IV-B Grant | 93.556 | G-1601NVFPSS | 46,309 |
| Passed through the State of Nevada Department of Agriculture | | | | |
| U.S. Department of Agriculture | National School Lunch Program | 10.555 | | <u>39,489</u> |
| | | | | <u>\$ 995,994</u> |

ST. JUDE'S RANCH FOR CHILDREN, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal award activity of the Organization under programs of the federal government for the year ended June 30, 2017. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule only presents a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of the Organization.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Cost principles are recognized following the cost principles contained in the Uniform Guidance.

For various grants, the Organization has been allowed to charge reasonable administrative and overhead charges, as allowable per the specific grant agreements and, therefore, elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

NOTE 3. PASS-THROUGH AWARDS

The Organization received certain federal financial assistance from pass-through awards of the pass-through entities listed on the schedule of expenditures of federal awards.

**ST. JUDE'S RANCH FOR CHILDREN, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of the Organization.
2. No instances of significant deficiencies or material weaknesses related to the audit of the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

4. No instances of significant deficiencies or material weaknesses related to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the Organization expresses an unmodified opinion.
6. Audit findings required to be reported in accordance with 2 CFR 200.516 (a) are included in this schedule.
7. The program tested as a major program was the U.S. Department of Housing and Urban Development Continuum of Care Program, CFDA #14.267.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. The Organization does not qualify as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

PRIOR YEAR AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT

None.

PRIOR YEAR AUDIT FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017**

| | National | Nevada | Foundation | Hope Shines Bright | Elimination | Combined |
|----------------------------------|---------------------|----------------------|---------------------|-----------------------|------------------------|----------------------|
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and equivalents | \$ 1,522,915 | \$ 411,553 | \$ 141,960 | \$ - | \$ - | \$ 2,076,428 |
| Cash and equivalents, restricted | - | - | 75,480 | - | - | 75,480 |
| Investments | - | 17,563 | 431,221 | - | - | 448,784 |
| Investments, restricted | - | - | 3,166,789 | - | - | 3,166,789 |
| Accounts receivable | - | 56,487 | - | - | - | 56,487 |
| Grants receivable | - | 73,983 | - | - | - | 73,983 |
| Pledges receivable | - | - | 250,000 | - | - | 250,000 |
| Due from affiliates | 4,769,980 | 6,845,044 | 250,802 | - | (11,865,826) | - |
| Inventories | - | 4,967 | - | - | - | 4,967 |
| Prepaid expenses | 9,701 | 26,218 | - | - | - | 35,919 |
| | 6,302,596 | 7,435,815 | 4,316,252 | - | (11,865,826) | 6,188,837 |
| OTHER ASSETS | | | | | | |
| Deposits | - | 3,868 | - | - | - | 3,868 |
| Property and equipment, net | 491,586 | 6,676,918 | - | 39,180 | - | 7,207,684 |
| | <u>\$ 6,794,182</u> | <u>\$ 14,116,601</u> | <u>\$ 4,316,252</u> | <u>\$ 39,180</u> | <u>\$ (11,865,826)</u> | <u>\$ 13,400,389</u> |

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINING STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2017**

| | National | Nevada | Foundation | Hope Shines Bright | Elimination | Combined |
|---|---------------------|----------------------|---------------------|-----------------------|------------------------|----------------------|
| LIABILITIES AND NET ASSETS | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable | \$ 72,711 | \$ - | \$ - | \$ - | \$ - | \$ 72,711 |
| Accrued expenses | 36,666 | 162,133 | - | - | - | 198,799 |
| Due to affiliates | 7,173,574 | 4,649,244 | 43,008 | - | (11,865,826) | - |
| Deferred compensation, current portion | 82,000 | - | - | - | - | 82,000 |
| Line of credit | 725,000 | - | - | - | - | 725,000 |
| | 8,089,951 | 4,811,377 | 43,008 | - | (11,865,826) | 1,078,510 |
| OTHER LIABILITIES | | | | | | |
| Deferred compensation, net of current portion | 695,750 | - | - | - | - | 695,750 |
| | 8,785,701 | 4,811,377 | 43,008 | - | (11,865,826) | 1,774,260 |
| NET ASSETS | | | | | | |
| Unrestricted | (1,991,519) | 8,567,489 | 1,453,710 | 39,180 | - | 8,068,860 |
| Temporarily restricted | - | 737,735 | - | - | - | 737,735 |
| Permanently restricted | - | - | 2,819,534 | - | - | 2,819,534 |
| | (1,991,519) | 9,305,224 | 4,273,244 | 39,180 | - | 11,626,129 |
| | <u>\$ 6,794,182</u> | <u>\$ 14,116,601</u> | <u>\$ 4,316,252</u> | <u>\$ 39,180</u> | <u>\$ (11,865,826)</u> | <u>\$ 13,400,389</u> |

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| | National | | | Nevada | | | Foundation | | | |
|---|--------------|------------------------|-------|--------------|------------------------|--------------|--------------|------------------------|------------------------|---------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenues and support: | | | | | | | | | | |
| Contributions | \$ - | \$ - | \$ - | \$ 3,893,689 | \$ 34,471 | \$ 3,928,160 | \$ - | \$ - | \$ - | \$ - |
| Grants | - | - | - | 1,181,831 | - | 1,181,831 | 9,340 | - | - | 9,340 |
| Special event revenue, net | - | - | - | 154,269 | - | 154,269 | - | - | - | - |
| In-kind donations | 572 | - | 572 | 238,772 | - | 238,772 | - | - | - | - |
| Program service fees | - | - | - | 669,999 | - | 669,999 | - | - | - | - |
| Sale of merchandise | - | - | - | 151,283 | - | 151,283 | - | - | - | - |
| Investment income | 529 | - | 529 | 248 | - | 248 | 52,388 | 62,101 | 6,800 | 121,289 |
| Rental income | - | - | - | 8,642 | - | 8,642 | - | - | - | - |
| Realized and unrealized gain on investments | - | - | - | - | - | - | 148,327 | - | 8,005 | 156,332 |
| | 1,101 | - | 1,101 | 6,298,733 | 34,471 | 6,333,204 | 210,055 | 62,101 | 14,805 | 286,961 |
| Net assets released from restriction | 24,840 | (24,840) | - | 15,081 | (15,081) | - | 496,013 | - | (496,013) | - |
| Total revenues and support | 25,941 | (24,840) | 1,101 | 6,313,814 | 19,390 | 6,333,204 | 706,068 | 62,101 | (481,208) | 286,961 |

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

| | Hope Shines Bright | | Combined | | | |
|---|--------------------|-------|--------------|---------------------------|---------------------------|--------------|
| | Unrestricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenues and support: | | | | | | |
| Contributions | \$ - | \$ - | \$ 3,893,689 | \$ 34,471 | \$ - | \$ 3,928,160 |
| Grants | - | - | 1,191,171 | - | - | 1,191,171 |
| Special event revenue, net | - | - | 154,269 | - | - | 154,269 |
| In-kind donations | - | - | 239,344 | - | - | 239,344 |
| Program service fees | - | - | 669,999 | - | - | 669,999 |
| Sale of merchandise | - | - | 151,283 | - | - | 151,283 |
| Investment income | - | - | 53,165 | 62,101 | 6,800 | 122,066 |
| Rental income | - | - | 8,642 | - | - | 8,642 |
| Realized and unrealized gain on investments | - | - | 148,327 | - | 8,005 | 156,332 |
| | - | - | 6,509,889 | 96,572 | 14,805 | 6,621,266 |
| Net assets released from restriction | - | - | 535,934 | (39,921) | (496,013) | - |
| Total revenues and support | - | - | 7,045,823 | 56,651 | (481,208) | 6,621,266 |

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINING STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

| | National | | | Nevada | | | Foundation | | | |
|---|----------------|------------------------|----------------|--------------|------------------------|--------------|--------------|------------------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Expenses and losses: | | | | | | | | | | |
| Program services | \$ 103,999 | \$ - | \$ 103,999 | \$ 3,811,146 | \$ - | \$ 3,811,146 | \$ - | \$ - | \$ - | \$ - |
| Supporting services: | | | | | | | | | | |
| General and administrative | 829,171 | - | 829,171 | 227,446 | - | 227,446 | 32,059 | - | - | 32,059 |
| Fundraising | 35,591 | - | 35,591 | 372,853 | - | 372,853 | - | - | - | - |
| Change in value of accrued compensation | 53,991 | - | 53,991 | - | - | - | - | - | - | - |
| Total expenses | 1,022,752 | - | 1,022,752 | 4,411,445 | - | 4,411,445 | 32,059 | - | - | 32,059 |
| INCREASE (DECREASE) IN NET ASSETS | (996,811) | (24,840) | (1,021,651) | 1,902,369 | 19,390 | 1,921,759 | 674,009 | 62,101 | (481,208) | 254,902 |
| NET ASSETS, BEGINNING OF YEAR | (994,708) | 24,840 | (969,868) | 6,727,221 | 656,244 | 7,383,465 | 717,600 | - | 3,300,742 | 4,018,342 |
| NET ASSETS, END OF YEAR | \$ (1,991,519) | \$ - | \$ (1,991,519) | \$ 8,629,590 | \$ 675,634 | \$ 9,305,224 | \$ 1,391,609 | \$ 62,101 | \$ 2,819,534 | \$ 4,273,244 |

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINING STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

| | Hope Shines Bright | | Combined | | | |
|---|----------------------|----------------------|-------------------------|---------------------------|---------------------------|--------------------------|
| | Unrestricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Expenses and losses: | | | | | | |
| Program services | \$ - | \$ - | \$ 3,915,145 | \$ - | \$ - | \$ 3,915,145 |
| Supporting services: | | | | | | |
| General and administrative | - | - | 1,088,676 | - | - | 1,088,676 |
| Fundraising | - | - | 408,444 | - | - | 408,444 |
| Change in value of accrued compensation | - | - | 53,991 | - | - | 53,991 |
| Total expenses | - | - | \$ 5,466,256 | \$ - | \$ - | \$ 5,466,256 |
| INCREASE (DECREASE) IN NET ASSETS | - | - | 1,579,567 | 56,651 | \$ (481,208) | 1,155,010 |
| NET ASSETS, BEGINNING OF YEAR | <u>39,180</u> | <u>39,180</u> | <u>6,489,293</u> | <u>681,084</u> | <u>3,300,742</u> | <u>10,471,119</u> |
| NET ASSETS, END OF YEAR | <u>\$ 39,180</u> | <u>\$ 39,180</u> | <u>\$ 8,068,860</u> | <u>\$ 737,735</u> | <u>\$ 2,819,534</u> | <u>\$ 11,626,129</u> |

**ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
COMBINING STATEMENTS OF EXPENSES BY NATURAL CLASS
FOR THE YEAR ENDED JUNE 30, 2017**

| | National | Nevada | Foundation | Hope Shines Bright | Combined |
|---|-------------------|---------------------|------------------|-----------------------|---------------------|
| Salaries and wages | \$ 444,578 | \$ 1,963,859 | \$ - | \$ - | \$ 2,408,437 |
| Employee benefits | 26,998 | 202,102 | - | - | 229,100 |
| Payroll taxes | 36,090 | 186,095 | - | - | 222,185 |
| Advertising | 1,700 | 4,751 | - | - | 6,451 |
| Audit and accounting fees | 70,994 | - | - | - | 70,994 |
| Automobile | 597 | 52,178 | - | - | 52,775 |
| Client support services | 1,672 | 389,822 | - | - | 391,494 |
| Client food | 1,157 | 60,963 | - | - | 62,120 |
| Client housing | 4,825 | 381,445 | - | - | 386,270 |
| Conferences and conventions | 6,276 | 4,046 | - | - | 10,322 |
| Depreciation | 61,385 | 541,823 | - | - | 603,208 |
| Dues and subscriptions | 5,659 | 1,419 | - | - | 7,078 |
| Employee costs | 5,255 | 2,616 | - | - | 7,871 |
| Event expense | 1,157 | 30,603 | - | - | 31,760 |
| Grants to affiliates | 3,434 | - | - | - | 3,434 |
| Insurance | 22,261 | 111,967 | 2,244 | - | 136,472 |
| Interest | 46,494 | - | - | - | 46,494 |
| Other | 953 | 8,548 | - | - | 9,501 |
| Postage and shipping | 13,452 | 15,926 | - | - | 29,378 |
| Printing | 7,305 | 47,664 | - | - | 54,969 |
| Professional fees | 86,130 | 95,850 | - | - | 181,980 |
| Recognition and appreciation | 1,884 | 5,285 | - | - | 7,169 |
| Rent | - | 18,699 | - | - | 18,699 |
| Small equipment and furniture | - | 7,757 | - | - | 7,757 |
| Software costs | 74,547 | 16,805 | - | - | 91,352 |
| Supplies | 3,294 | 22,412 | - | - | 25,706 |
| Taxes, licenses and fees | 11,883 | 7,368 | 29,815 | - | 49,066 |
| Thrift store | - | 14,203 | - | - | 14,203 |
| Travel | 4,819 | 14,903 | - | - | 19,722 |
| Utilities | 23,962 | 202,336 | - | - | 226,298 |
| | <u>968,761</u> | <u>4,411,445</u> | <u>32,059</u> | <u>-</u> | <u>5,412,265</u> |
| Costs of direct benefits, food and supplies to donors | - | 91,520 | - | - | 91,520 |
| | <u>\$ 968,761</u> | <u>\$ 4,502,965</u> | <u>\$ 32,059</u> | <u>\$ -</u> | <u>\$ 5,503,785</u> |