



St. Jude's Ranch for Children, Inc. And Subsidiaries

Combined Financial Statements
As of and for the Year Ended
June 30, 2016

**St. Jude's Ranch for Children, Inc.
And Subsidiaries**

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St. Jude's Ranch for Children, Inc. and Subsidiaries

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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 financial statements of St. Jude's Ranch for Children Inc. and Subsidiaries, which comprise of the statement of financial position as of June 30, 2016, and the related statement of activities and changes in net assets, statement of 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 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 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, 2016, 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.

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 are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 March 3, 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.

BDO USA, LLP

March 3, 2017

Combined Financial Statements

St. Jude's Ranch for Children, Inc. and Subsidiaries

Combined Statement of Financial Position

<i>June 30,</i>	2016
Assets	
Current assets	
Cash and cash equivalents	\$ 237,738
Cash and cash equivalents, restricted	1,061,955
Investments	441,745
Investments, donor restricted	3,015,586
Receivables:	
Accounts receivable	47,024
Grants receivables	118,739
Pledges receivable	500,000
Net receivables	665,763
Inventory	1,792
Prepaid expenses	43,147
Total current assets	5,467,726
Property and equipment, net	7,699,247
Total assets	\$ 13,166,973
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 273,980
Accrued expenses	176,032
Deferred compensation, current portion	82,000
Due to affiliate	365,083
Line of Credit	1,075,000
Total current liabilities	1,972,095
Deferred compensation, net of current portion	723,759
Total liabilities	2,695,854
Net assets	
Unrestricted	6,489,293
Temporarily restricted	681,084
Permanently restricted	3,300,742
Total net assets	10,471,119
Total liabilities and net assets	\$ 13,166,973

See accompanying notes to financial statements.

St. Jude's Ranch for Children, Inc. and Subsidiaries

Combined Statement of Activities and Changes in Net Assets

Year ended June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues				
Support				
Contributions	\$ 820,079	\$ 115,649	\$ -	\$ 935,728
Grants	1,160,576	-	-	1,160,576
Donations for affiliates	580,090	-	-	580,090
Legacies and bequests	2,316,252	-	-	2,316,252
Special events, net	(5,550)	-	-	(5,550)
In-kind donations	306,139	-	-	306,139
Total support	5,177,586	115,649	-	5,293,235
Revenues				
Program service fees	782,746	-	-	782,746
Sale of merchandise	136,000	-	-	136,000
Investment income	-	84,948	9,439	94,387
Interest income	1,426	-	-	1,426
Rental income	7,637	-	-	7,637
Gain (Loss) on disposal of assets	390,446	(21,526)	(2,392)	366,528
Unrealized gain (loss) on investments	(103,210)	46,003	5,111	(52,096)
Change in value of accrued compensation	(57,137)	-	-	(57,137)
Total revenues	1,157,908	109,425	12,158	1,279,491
Net assets released from restrictions	1,583,944	(1,583,944)	-	-
Total support and revenues	7,919,438	(1,358,870)	12,158	6,572,726
Expenses				
Program Services	9,013,908	16,178	1,797	9,031,883
Supporting services:				
General and administrative	1,535,952	-	-	1,535,952
Fundraising	421,203	-	-	421,203
Total expenses	10,971,063	16,178	1,797	10,989,038
Changes in net assets	(3,051,625)	(1,375,048)	10,361	(4,416,312)
Net assets, beginning of year	9,540,918	2,056,132	3,290,381	14,887,431
Net assets, end of year	\$ 6,489,293	\$ 681,084	\$ 3,300,742	\$ 10,471,119

See accompanying notes to financial statements.

St. Jude's Ranch for Children, Inc. and Subsidiaries

Combined Statement of Functional Expenses

<i>Year ended June 30, 2016</i>	Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Personnel					
Salaries and wages	\$ 1,806,661	\$ 731,149	\$ 229,748	\$ 960,897	\$ 2,767,558
Employee benefits	201,222	21,248	17,448	38,696	239,918
Payroll taxes	177,084	69,645	22,842	92,487	269,571
Total personnel expenses	2,184,967	822,042	270,038	1,092,080	3,277,047
Administrative expenses	83,410	18,609	6,627	25,236	108,646
Audit and accounting fees	-	87,503	-	87,503	87,503
Auto expenses	67,142	386	-	386	67,528
Children's direct expenses	426,142	11,001	5,408	16,409	442,551
Children's food expenses	83,156	914	-	914	84,070
Children's housing expenses	389,594	14,527	291	14,818	404,412
Employee costs	1,492	17,679	90	17,769	19,261
Grants to affiliate	4,746,147	-	-	-	4,746,147
Insurance	98,796	48,167	-	48,167	146,963
Professional fees	73,238	125,791	35,064	160,855	234,093
Small equipment and furniture	40,699	1,625	-	1,625	42,324
Software costs	1,017	132,074	21,083	153,157	154,174
Supplies	51,482	47,076	55,549	102,625	154,107
Taxes, licenses and fees	6,027	93,809	2,113	95,922	101,949
Travel	36,670	31,345	2,663	34,008	70,678
Utilities	207,435	21,743	15,279	37,022	244,457
Total before depreciation and amortization	8,497,414	1,474,291	414,205	1,888,496	10,385,910
Depreciation and amortization	534,469	61,661	6,998	68,659	603,128
Total functional expenses	\$ 9,031,883	\$ 1,535,952	\$ 421,203	\$ 1,957,155	\$ 10,989,038

See accompanying notes to financial statements.

St. Jude's Ranch for Children, Inc. and Subsidiaries

Combined Statement of Cash Flows

Years ended June 30,	2016
Cash flows from operating activities	
Change in net assets	\$ (4,416,312)
Adjustments to reconcile change in net assets to net cash flows used in operating activities	
Donation to affiliate	2,902,388
Depreciation and amortization	603,128
Transfer of an asset to an affiliate	122,500
Gain on disposal of assets	(343,696)
Changes in deferred compensation	57,137
Unrealized gain on investments	(52,096)
(Increase) decrease in assets:	
Accounts receivable	36,380
Grants receivable	44,026
Pledges receivable	250,000
Inventory	411
Prepaid expenses	(23,798)
Increase (decrease) in liabilities	
Accounts payable	(503,051)
Accrued expenses	(66,402)
Net cash flows used in operating activities	(1,389,385)
Cash flows from investing activities	
Cash paid for purchases of property and equipment	(709,409)
Cash paid for investments, net	703,701
Cash from sale of investment in land	553,318
Net cash flows provided by investing activities	547,610
Cash flows from financing activities	
Cash received from line of credit	1,539,000
Cash payments to line of credit	(1,687,000)
Cash paid on accrued deferred compensation	(85,154)
Net cash flows used in financing activities	(233,154)
Net decrease in cash and cash equivalents	(1,074,929)
Cash and cash equivalents at beginning of year	2,374,622
Cash and cash equivalents at end of year	\$ 1,299,693
Supplemental cash flow information	
Donation to an affiliate	\$ 2,902,388
Cash paid for interest	\$ 37,649

See accompanying notes to financial statements.

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

1. Significant Accounting Policies

Organization and Nature of Activities

St. Jude's Ranch for Children, Inc. ("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").

National

National, which is incorporated under the laws of the State of Nevada, as the sole member, controls Nevada Region and Texas Region, two affiliated 501(c)(3) not-for-profit organizations, referred to as subsidiaries. Each of these two entities is required under generally accepted accounting principles to be consolidated as they are financially interrelated. The function of National is to oversee all affiliates, and provide financial and operational assistance to those affiliates. As of July 1, 2008, the Foundation was created, to support the Organization and its subsidiaries. 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. Each of these two, the Foundation and Holding Company operate out of Boulder City, Nevada and hold a separate Internal Revenue Service (IRS) 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.

St. Jude's Ranch for Children and its subsidiaries programs and services, which include room and board, childcare fees and food for children, are supported primarily through federal, state and local government contracts, as well as grants and donations from individuals, corporations, foundations, and its affiliates.

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 age's infancy to 21. 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. The 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 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 the Combined Financial Statements

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 St. Jude's Ranch for Children, Inc. and its subsidiaries and affiliates. The Foundation is supported primarily through donations and grants from the related organizations of St. Jude's Ranch for Children and donations from third parties such as individuals, corporations, and foundations.

The Organization's program services are supported primarily through state and local government contracts, as well as donations from individuals, corporations, and foundations throughout the United States. The Boulder City, Nevada Campus also houses a gift shop.

Financial Statement Presentation

The accompanying combined financial statements include the accounts of National, Nevada Region, Foundation, and the Holding Company. The financial statements have been prepared on the accrual basis of accounting and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). This guidance establishes standards for external financial reporting by not-for-profit organizations. 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 require permanent retention by the Organization.

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 those stipulations.

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

Cash and Cash Equivalents

Cash equivalents are generally comprised of certain highly liquid investments with maturities of three months or less at the date of purchase.

Cash and Cash Equivalents, Restricted

Restricted cash and cash equivalents are contributions and grants received that are subject to various donor-imposed stipulations.

Investments

Under FASB ASC 320, *Investments - Debt Securities*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. 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.

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

Fair Value Measurement

The Organization measures fair value in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, which establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Foundation's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1: Valuations based on quoted prices in active markets for identical assets that the organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2: Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

The Organization uses prices and inputs that are current as of the measurement date, obtained through multiple third party custodians from independent pricing services.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below:

- The fair value of domestic publicly traded market securities are valued using quoted prices in active markets when available. Such actively traded securities are categorized in Level 1 of the fair value hierarchy.
- Mutual funds are open-ended SEC registered investment funds with daily net asset values. The mutual funds allow investors to sell their interests to the fund at the published daily Net Asset Value (NAV), with no restrictions on redemptions. These mutual funds are categorized in Level 1 of the fair value hierarchy.
- U.S. Government securities and obligations are valued using quoted market prices and, accordingly, are categorized in Level 1 of the fair value hierarchy.
- Exchange traded funds are open ended SEC registered investment funds. The funds allow investors to sell their interests to the fund using quoted prices in active markets. These funds are categorized in Level 1 of the fair value hierarchy.

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

Accounts Receivable and Grants Receivable

Accounts 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 charged 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. \$500,000 of the pledges receivable at June 30, 2016 is restricted to be a permanent endowment by the donor. There are no other purpose restrictions present with the pledges receivable at June 30, 2016. The pledges are restricted by time only.

Inventories of Gift Shop Merchandise

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. 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

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.

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

The Organization reports gains and losses 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 gains and losses whose restrictions are met in the same reporting period are reported as unrestricted support.

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.

Donated materials, if significant in amount, are recorded at their fair market value if the Organization has a clearly measurable and objective basis for determining the value. In the case of materials where such values cannot reasonably be determined the donation is not recorded. Donated professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills and are provided by individuals possessing those skills and would otherwise need to be purchased by the Organization. Contributed services have included marketing services, advertising, building repairs and maintenance, training services, printing, legal services, and information technology services. No donated services were received for the year ended June 30, 2016. In-kind contributions were \$306,139 for the year ended June 30, 2016.

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 the appropriate 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.

Advertising

The Organization expensed all of its advertising costs as they were incurred. There were no advertising expenses for the year ended June 30, 2016.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

The organization has adopted ASC 740-10, *Accounting for Income Taxes*, in which an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. Management believes that the Organization has no uncertain tax positions.

Use of 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 financially interrelated entities, which include National, Nevada Region, Foundation, and Holding Company. St. Jude's Ranch for Children, Inc. and its financially interrelated entities are combined because the Organization has both an economic interest in the campuses and holds common control of the campuses through a majority voting interest in its Governing Board. All material inter-organizational transactions have been eliminated.

2. Accounts Receivable

The Organization's accounts receivable balance consists of amounts due from state and county agencies for the child care services provided. Accounts receivable as of June 30, 2016 was \$47,024. There were no allowances recorded as of June 30, 2016.

3. Pledge Receivable

Pledges receivable consist of the following at June 30:

	2016
Within one year	\$ 250,000
One to five years	250,000
Pledges Receivable	\$ 500,000

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

4. Investments

Investments at June 30 consist of the following:

<i>June 30,</i>	2016
Common stock	\$ 1,489,379
Mutual funds	1,373,097
U.S. Government securities	503,068
Exchange traded funds	91,787
Total	\$ 3,457,331

5. Fair Value Measurements

In accordance with the FASB ASC 820, the Foundation's investments are valued using market prices on both active markets (level 1) and less active markets (level 2). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Level 2 instrument valuations are obtained from readily available pricing sources for comparable instruments or identical instruments in less active markets. There are no investments categorized as Level 2 or 3 at June 30, 2016.

The aggregate carrying value of investments, exclusive of cash equivalents, at June 30, 2016 is summarized as follows:

<i>June 30, 2016</i>	Total	Level 1
Equities:		
Common stock	\$ 1,489,379	\$ 1,489,379
Mutual funds	1,373,097	1,373,097
Exchange traded and closed end funds	91,787	91,787
Fixed income:		
U.S. Government securities and obligations	503,068	503,068
Total	\$ 3,457,331	\$ 3,457,331

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

6. Property and Equipment

Property and equipment consist of the following at June 30, 2016:

	2016
Vehicles	\$ 99,971
Buildings	10,983,091
Computer equipment	210,394
Furniture and fixtures	400,155
Land improvements	919,663
Equipment	491,253
Land	39,180
Land, restricted	65,000
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Total	13,208,707
Less: accumulated depreciation	(5,509,460)
<hr/>	
Property and equipment, net	\$ 7,699,247

Included in the above totals is fully depreciated equipment purchased under capital leases. Depreciation expense was \$603,128 for the year ended June 30, 2016.

The restricted land above 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.

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 the Board of Directors at the time approved the plan of separation, which was June 30, 2001.

As of June 30, 2013, an actuarial valuation was performed for the deferred compensation agreement and an adjustment was made to record an 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, 2016 amounted to \$805,759. 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 June 30, 2016. The Organization also recorded amortization of the discount on the estimated present value of the future payments of \$57,137 during the year ended June 30, 2016. These amounts are included in the statements of activities as change in value of deferred compensation arrangement.

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

8. 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, 2016 was 4.00%. Borrowings under the agreement are collateralized by the property in Boulder City, Nevada. The Organization has outstanding balances of \$1,075,000 as of June 30, 2016. The credit agreement matures in August 2019.

9. Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	2016
Appliances and repairs	\$ 2,074
Campus renovations	34,771
Education and skills training	538,152
Youth care operations	41,087
Land	65,000
Total temporarily restricted net assets	\$ 681,084

Permanently restricted net assets consist of endowment fund investments to be held indefinitely. The permanently restricted net assets as of June 30, 2016 were \$3,300,742.

10. Related Party Transactions

The related party payable due at June 30, 2016 is \$365,083 to St. Jude's Ranch for Children, Inc. - Texas Region ("Texas Region"). The companies agreed to split as of July 1, 2016 as indicated in the Note 15 - Subsequent Events. As a result the Nevada entities forgave the debt of prior years and recorded a grant to Texas of \$4,746,147 for 2016.

11. Special Events

The revenues and expenses related to special events as of June 30:

	2016
Special event revenue	\$ 6,263
Direct benefit to donor	(11,813)
Special event (expense) revenue, net	\$ (5,550)

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

12. Endowment

The Organization has received contributions to an endowment fund in which 90% to 100% (based on donor instructions) of the earnings on the investments can be used for operations for the subsidiaries of St. Jude's Ranch for Children, Inc. The endowment fund consists of the following assets:

	2016
Cash and cash equivalents, donor restricted	\$ 966,240
Investments, donor restricted for long-term purposes	3,015,586
	<hr/>
	\$ 3,981,826

As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees has interpreted Nevada state laws as requiring the presentation 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 complies with this interpretation and 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 funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in accordance with the donors' 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 policy of the organization

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

Endowment net asset composition by type of fund as of June 30:

<i>2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted	\$ -	\$ -	\$ -	\$ -
Donor-restricted	-	-	3,300,742	3,300,742
Total funds	\$ -	\$ -	\$ 3,300,742	\$ 3,300,742

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

<i>2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ -	\$ -	3,290,381	\$ 3,290,381
Contributions	-	-	-	-
Investment return				
Investment income	-	31,483	10,361	41,844
Net depreciation unrealized	-	(31,483)	-	(31,483)
Net assets, end of year	\$ -	\$ -	\$ 3,300,742	\$ 3,300,742

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Board of Trustees for the Foundation developed an investment policy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation Board 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.

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a current policy of retaining the earnings within the endowment fund until such time as the National Board of Trustees requests a disbursement of earnings not restricted by the donor. This 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.

13. Commitments and Contingencies

Operating Leases as Lessee

The organization leases space in Nevada for its Child Focus program under a 65 month lease expiring in July 2017. The Organization leases office equipment under operating leases expiring through August 2018. The future minimum payments under these operating leases at June 30, 2016 are as follows:

2017	\$	84,889
2018		23,965
2019		16,647
2020		13,873
2021		4,461

As the sole member of the campuses, National holds the leases for the office equipment used by the entities. Each respective entity pays for its portion of the lease directly to the leasing company.

Commitments

In the normal course of business, the Organization is party to various claims, actions, and complaints. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Organization's financial position.

14. Significant Concentrations

The Foundation's financial instruments that are exposed to concentration of credit risk consist principally of cash. The Foundation places its cash with high quality banking institutions. At times, the balances in the various accounts exceed the \$250,000 Federal Deposit Insurance Corporation (FDIC) limit. Although such amounts may be in excess of FDIC insurance limits, the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash. At June 30, 2016, the amount of cash exceeding the FDIC limit was \$452,340.

The Foundation holds its investments primarily at two investment institutions. Cash balances totaling \$443,657 are held as part of the investment accounts. The investment balances are insured under the Securities Investor Protection Corporation (SIPC) to cover losses up to \$500,000, which includes coverage of \$100,000 for cash balances.

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

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Combined Financial Statements

During the year ended June 30, 2016 the organization received \$2,316,252 of bequests representing 27% of its total revenue.

15. Subsequent Events

Management has evaluated subsequent events through March 3, 2017, which is the date the financial statements were available to be issued. On July 1, 2016, it was determined that in the best interests of both the Nevada and the Texas Regions to terminate their contractual and shared relationships and to go forward as fully independent not for profit organizations. It was felt that the independent status of each would allow each organization to reduce management costs, communicate more directly with their core donor base, develop strategic plans appropriate to their unique environments and experience, and better serve the children within their states.

As a result there was an allocation of financial assets and liabilities including all unrestricted assets as well as temporarily and permanently restricted funds. Donors were also divided based on based on where they live or there specific donation intent. The name of the organization may be shared until June 30, 2018. The organizations will share historical data on an as needed basis. The Texas land that was recorded on the books of a subsidiary was transferred to Texas and all the intercompany debt between the entities was forgiven.

Supplementary Information

St. Jude's Ranch for Children, Inc. and Subsidiaries

Combining Statements of Financial Position

<i>June 30, 2016</i>	National	Nevada	Foundation	Hope Shines Bright	Combined
Assets					
Current Assets					
Cash and cash equivalents	\$ 175,608	\$ 62,130	\$ -	\$ -	\$ 237,738
Cash and cash equivalents, restricted	474,040	144,258	443,657	-	1,061,955
Investments	-	-	441,745	-	441,745
Investments, restricted	-	17,563	2,998,023	-	3,015,586
Accounts receivable	-	47,024	-	-	47,024
Grants receivable	-	118,739	-	-	118,739
Pledges receivable	-	-	500,000	-	500,000
Inventory	-	1,792	-	-	1,792
Prepaid expenses	17,080	26,067	-	-	43,147
Total Current Assets	666,728	417,573	4,383,425	-	5,467,726
Property and equipment, net	552,970	7,107,097	-	39,180	7,699,247
Total Assets	\$ 1,219,698	\$ 7,524,670	\$ 4,383,425	\$ 39,180	\$ 13,166,973

St. Jude's Ranch for Children, Inc. and Subsidiaries

Combining Statements of Financial Position (Continued)

<i>June 30, 2016</i>	National	Nevada	Foundation	Hope Shines Bright	Combined
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	\$ 273,980	\$ -	\$ -	\$ -	\$ 273,980
Accrued expenses	51,819	124,213	-	-	176,032
Line of Credit	1,075,000	-	-	-	1,075,000
Deferred compensation, current portion	82,000	-	-	-	82,000
Due to affiliate	(16,992)	16,992	365,083	-	365,083
Total Current Liabilities	1,465,807	141,205	365,083	-	1,972,095
Deferred compensation, net of current portion	723,759	-	-	-	723,759
Total Liabilities	2,189,566	141,205	365,083	-	2,695,854
Net Assets					
Unrestricted	(994,708)	6,727,221	717,600	39,180	6,489,293
Temporarily Restricted	24,840	656,244	-	-	681,084
Permanent Restricted	-	-	3,300,742	-	3,300,742
Net Assets	(969,868)	7,383,465	4,018,342	39,180	10,471,119
Total Liabilities and Net Assets	\$ 1,219,698	\$ 7,524,670	\$ 4,383,425	\$ 39,180	\$ 13,166,973

St. Jude's Ranch for Children, Inc. and Subsidiaries
Combining Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2016</i>	National			Nevada			Foundation			
	Unrestricted	Temp	Total	Unrestricted	Temp	Total	Unrestricted	Temp	Perm	Total
Support and Revenue										
Support										
Contributions	\$ 212,960	\$ -	\$ 212,960	\$ 607,119	\$ 115,649	\$ 722,768	\$ -	\$ -	\$ -	\$ -
Grants	-	-	-	1,117,125	-	1,117,125	43,451	-	-	43,451
Legacies and bequests	1,214,000	-	1,214,000	1,102,252	-	1,102,252	-	-	-	-
Donations from affiliates	1,318,394	-	1,318,394	-	-	-	2,117	-	-	2,117
Special events	-	-	-	(5,550)	-	(5,550)	-	-	-	-
In-kind donations	6,031	-	6,031	300,108	-	300,108	-	-	-	-
Total Support	2,751,385	-	2,751,385	3,121,054	115,649	3,236,703	45,568	-	-	45,568
Revenue										
Program service fees	-	-	-	782,746	-	782,746	-	-	-	-
Sale of merchandise	-	-	-	136,000	-	136,000	-	-	-	-
Investment income	-	-	-	-	-	-	-	84,948	9,439	94,387
Interest income	597	-	597	829	-	829	-	-	-	-
Rental income	7,637	-	7,637	-	-	-	-	-	-	-
Unrealized gain (loss) on investments	-	-	-	-	-	-	(103,210)	46,003	5,111	(52,096)
Realized gain (loss) on disposal	-	-	-	(18,273)	-	(18,273)	55,401	(21,526)	(2,392)	31,483
Change in value of deferred compensation	(57,137)	-	(57,137)	-	-	-	-	-	-	-
Total Revenue	(48,903)	-	(48,903)	901,302	-	901,302	(47,809)	109,425	12,158	73,774
Net assets released from restrictions	-	-	-	1,490,697	(1,490,697)	-	93,247	(93,247)	-	-
Total Support and Revenue	2,702,482	-	2,702,482	5,513,053	(1,375,048)	4,138,005	91,006	16,178	12,158	119,342

St. Jude's Ranch for Children, Inc. and Subsidiaries

Combining Statements of Activities and Changes in Net Assets (Continued)

<i>Year ended June 30, 2016</i>	Unrestricted	National Temp	Total	Unrestricted	Nevada Temp	Total	Unrestricted	Foundation Temp	Perm	Total
Expenses										
Program services	3,225,522	-	3,225,522	4,466,634	-	4,466,634	817,228	16,178	1,797	835,203
Supporting services:										
General and administrative	1,233,616	-	1,233,616	836,800	-	836,800	31,874	-	-	31,874
Fundraising	143,625	-	143,625	280,367	-	280,367	-	-	-	-
Total Expenses	4,602,763	-	4,602,763	5,583,801	-	5,583,801	849,102	16,178	1,797	867,077
Change in net assets	(1,900,281)	-	(1,900,281)	(70,748)	(1,375,048)	(1,445,796)	(758,096)	-	10,361	(747,735)
Net assets, beginning of year	905,573	24,840	930,413	6,797,969	2,031,292	8,829,261	1,475,696	-	3,290,381	4,766,077
Net assets, end of year	\$ (994,708)	\$ 24,840	\$ (969,868)	\$ 6,727,221	\$ 656,244	\$ 7,383,465	\$ 717,600	\$ -	\$ 3,300,742	\$ 4,018,342

St. Jude's Ranch for Children, Inc. and Subsidiaries

Combining Statements of Activities and Changes in Net Assets (Continued)

Year ended June 30, 2016	Hope Shines Bright			Eliminations			Combined			Total	
	Unrestricted	Temp	Total	Unrestricted	Temp	Perm	Unrestricted	Temp	Perm		
Support and Revenue											
Support											
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 820,079	\$ 115,649	\$ -	\$ 935,728
Grants	-	-	-	-	-	-	-	1,160,576	-	-	1,160,576
Legacies and bequests	-	-	-	-	-	-	-	2,316,252	-	-	2,316,252
Donations from affiliates	-	-	-	(740,421)	-	-	(740,421)	580,090	-	-	580,090
Special events	-	-	-	-	-	-	-	(5,550)	-	-	(5,550)
In-kind donations	-	-	-	-	-	-	-	306,139	-	-	306,139
Total Support	-	-	-	(740,421)	-	-	(740,421)	5,177,586	115,649	-	5,293,235
Revenue											
Program service fees	-	-	-	-	-	-	-	782,746	-	-	782,746
Sale of merchandise	-	-	-	-	-	-	-	136,000	-	-	136,000
Investment income	-	-	-	-	-	-	-	-	84,948	9,439	94,387
Interest income	-	-	-	-	-	-	-	1,426	-	-	1,426
Rental income	-	-	-	-	-	-	-	7,637	-	-	7,637
Unrealized gain (loss) on investments	-	-	-	-	-	-	-	(103,210)	46,003	5,111	(52,096)
Realized gain (loss) on disposal	353,318	-	353,318	-	-	-	-	390,446	(21,526)	(2,392)	366,528
Change in value of deferred compensation	-	-	-	-	-	-	-	(57,137)	-	-	(57,137)
Total Revenue	353,318	-	353,318	-	-	-	-	1,157,908	109,425	12,158	1,279,491
Net assets released from restrictions	-	-	-	-	-	-	-	1,583,944	(1,583,944)	-	-
Total Support and Revenue	353,318	-	353,318	(740,421)	-	-	(740,421)	7,919,438	(1,358,870)	12,158	6,572,726

St. Jude's Ranch for Children, Inc. and Subsidiaries

Combining Statements of Activities and Changes in Net Assets (Continued)

Year ended June 30, 2016	Hope Shines Bright			Eliminations			Combined			Total	
	Unrestricted	Temp	Total	Unrestricted	Temp	Perm	Unrestricted	Temp	Perm		
Expenses											
Program services	675,818	-	675,818	(171,294)	-	-	(171,294)	9,013,908	16,178	1,797	9,031,883
Supporting services:											-
General and administrative	-	-	-	(566,338)	-	-	(566,338)	1,535,952	-	-	1,535,952
Fundraising	-	-	-	(2,789)	-	-	(2,789)	421,203	-	-	421,203
Total Expenses	675,818	-	675,818	(740,421)	-	-	(740,421)	10,971,063	16,178	1,797	10,989,038
Change in net assets	(322,500)	-	(322,500)	-	-	-	-	(3,051,625)	(1,375,048)	10,361	(4,416,312)
Net assets, beginning of year	361,680	-	361,680	-	-	-	-	9,540,918	2,056,132	3,290,381	14,887,431
Net assets, end of year	\$ 39,180	\$ -	\$ 39,180	\$ -	\$ -	\$ -	\$ -	\$ 6,489,293	\$ 681,084	\$ 3,300,742	\$ 10,471,119

St. Jude's Ranch for Children, Inc. and Subsidiaries

Combining Statements of Functional Expenses

<i>Year ended June 30, 2016</i>	National	Hope Shines Bright	Nevada	Foundation	Elimination	Combined
Personnel						
Salaries and wages	\$ 662,700	\$ -	\$ 2,104,858	\$ -	\$ -	\$ 2,767,558
Employee benefits	28,842	-	211,076	-	-	239,918
Payroll Taxes	63,822	-	205,749	-	-	269,571
Total Personnel Expenses	755,364	-	2,521,683	-	-	3,277,047
Donations to affiliates	3,116,402	675,818	122,960	833,084	(2,117)	4,746,147
Support from National	-	-	738,304	-	(738,304)	-
Total	3,116,402	675,818	861,264	833,084	(740,421)	4,746,147
Administrative	19,834	-	88,812	-	-	108,646
Audit and accounting fees	87,503	-	-	-	-	87,503
Auto expense	24	-	67,504	-	-	67,528
Childrens direct expenses	3,750	-	438,801	-	-	442,551
Childrens food expenses	264	-	83,806	-	-	84,070
Childrens housing expenses	12,974	-	391,438	-	-	404,412
Employee costs	17,679	-	1,582	-	-	19,261
Insurance	46,622	-	98,796	1,545	-	146,963
Professional fees	136,017	-	98,076	-	-	234,093
Small furniture and equipment	205	-	42,119	-	-	42,324
Software costs	146,657	-	7,517	-	-	154,174
Supplies	79,003	-	75,104	-	-	154,107
Taxes, licenses and fees	61,360	-	8,141	32,448	-	101,949
Travel	32,640	-	38,038	-	-	70,678
Utilities	24,877	-	219,580	-	-	244,457
Total before depreciation and amortization	4,541,175	675,818	5,042,261	867,077	(740,421)	10,385,910
Depreciation and amortization	61,588	-	541,540	-	-	603,128
Total functional expenses	\$ 4,602,763	\$ 675,818	\$ 5,583,801	\$ 867,077	\$ (740,421)	\$ 10,989,038

Single Audit



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of 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 financial statements of St. Jude's Ranch for Children Inc. and Subsidiaries (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, statements of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 Organization'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*.

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.

BDO USA, LLP

March 3, 2017



Independent Auditor's Report on Compliance For Each Major Federal Program and Report 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' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of St. Jude's Ranch for Children Inc. and Subsidiaries' major federal programs for the year ended June 30, 2016. St. Jude's Ranch for Children Inc. and Subsidiaries' 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 St. Jude's Ranch for Children Inc. and Subsidiaries' 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 St. Jude's Ranch for Children Inc. and Subsidiaries' 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 St. Jude's Ranch for Children Inc. and Subsidiaries' compliance.

Opinion on Each Major Federal Program

In our opinion, St. Jude's Ranch for Children Inc. and Subsidiaries 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, 2016.

Report on Internal Control Over Compliance

Management of St. Jude's Ranch for Children Inc. and Subsidiaries 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 consider St. Jude's Ranch for Children Inc. and Subsidiaries' 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 St. Jude's Ranch for Children Inc. and Subsidiaries' 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.

BDO USA, LLP

March 3, 2017

St. Jude's Ranch for Children, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

<i>Federal Grantor Agency/Pass Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Grant/Project Number</i>	<i>Pass Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
U.S. Department of Housing and Urban Development <i>Passed through Clark County, Nevada</i>				
Continuum of Care	14.267	NV0036B9T001301, NV0069L9T001200	\$	677,914
Community Development Block Grants/Entitlement Grants	14.218	CDBG PS FY 14/15	83-137-9677	38,210
Emergency Solutions Grant Program	14.231	SJRC Rapid Re-housing ESG FY15/16		50,566
Total U.S. Department of Housing and Urban Development				766,690
U.S. Department of Labor <i>Passed through State of Nevada</i>				
WIA/WIOA Youth Activities	17.259	Contract #14	-	156,287
Total U.S. Department of Labor				156,287
U.S. Department of Justice <i>Passed through State of Nevada</i>				
Crime Victim Assistance	16.575	15-VA-GX		90,770
Total U.S. Department of Justice				90,770
Total Expenditures of Federal Awards			\$	1,013,747

St. Jude's Ranch for Children, Inc. and Subsidiaries

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of St. Jude's Ranch for Children Inc. and Subsidiaries under programs of the federal government for the year ended June 30, 2016. The information in this 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 the Schedule presents only a selected portion of the operations of St. Jude's Ranch for Children Inc. and Subsidiaries, it is not intended to and does not present the financial position, changes in net assets or cash flows of St. Jude's Ranch for Children Inc. and Subsidiaries.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Payments to Subrecipients

St. Jude's Ranch for Children, Inc. and Subsidiaries did not expend any federal awards through subrecipients in the current year.

St. Jude's Ranch for Children, Inc. and Subsidiaries
Summary of Auditor's Results and Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over federal major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for federal major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of federal major programs:

CFDA Number Name of Federal Program or Cluster

14.267 Continuum of Care

Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

St. Jude's Ranch for Children, Inc. and Subsidiaries
Summary of Auditor's Results and Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards as defined in 2 CFR 200.516(a) that are required to be reported.