ST. JUDE'S RANCH FOR CHILDREN, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

ST. JUDE'S RANCH FOR CHILDREN, INC.

JUNE 30, 2020

CONTENTS

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 consolidated financial statements of St. Jude's Ranch for Children, Inc. and Subsidiaries (all nonprofit organizations), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of St. Jude's Ranch for Children, Inc. and Subsidiaries as of June 30, 2020, 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.

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Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 October 6, 2020, 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.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
October 6, 2020

ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS	
CURRENT ASSETS	
Cash and equivalents	$ 1,566,798
Cash and equivalents, with donor restrictions	149,058
Investments	912,496
Investments, with donor restrictions	423,870
Accounts receivable	134,529
Grants receivable	134,759
Unconditional promises to give	100,000
Inventories	119,159
Prepaid expenses	32,011
	3,572,680
OTHER ASSETS	
Deposits	3,868
Property and equipment, net	5,872,172
Investments, with donor restrictions, perpetual	2,591,901
	$ 12,040,621
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 32,485
Accrued expenses	172,432
Deferred compensation, current portion	82,000
Paycheck Protection Program loan	410,871
	697,788
OTHER LIABILITIES	
Deferred compensation, net of current portion and discount	695,483
Line of credit	575,000
	1,968,271
NET ASSETS	
Without donor restrictions	5,595,860
With donor restrictions	4,476,491
	10,072,351
	$ 12,040,622

See notes to consolidated financial statements

ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and support:				
Contributions		$ 1,374,408	$ 66,891	$ 1,441,299
Grants		1,928,363	-	1,928,363
Special event revenue	$ 122,394			
Less: costs of direct benefits to donor	(82,872)			
Net revenues from special events		39,522	-	39,522
In-kind donations		84,790	-	84,790
Program service fees		1,438,548	-	1,438,548
Sale of merchandise		149,010	-	149,010
Investment return, net		(31,414)	(10,885)	(42,299)
Rental income		11,550	-	11,550
		4,994,777	56,006	5,050,783
Net assets released from restriction		213,554	(213,554)	-
Total revenues and support		5,208,331	(157,548)	5,050,783
Expenses and losses:				
Program services		3,917,775	-	3,917,775
Supporting services:				
General and administrative		987,254	-	987,254
Fundraising		426,255	-	426,255
Total expenses and losses		5,331,284	-	5,331,284
CHANGE IN NET ASSETS		(122,953)	(157,548)	(280,501)
NET ASSETS, BEGINNING OF YEAR		5,718,813	4,634,039	10,352,852
NET ASSETS, END OF YEAR		$ 5,595,860	$ 4,476,491	$ 10,072,351

ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

		Supporting Services		
	Program Services	General and Administrative	Fundraising	Totals
Salaries and wages	$ 1,813,519	$ 402,304	$ 218,742	$ 2,434,565
Employee benefits	173,333	28,969	25,608	227,910
Payroll taxes	160,694	35,648	19,383	215,725
Advertising	-	17,500	25,956	43,456
Audit and accounting fees	-	43,850	-	43,850
Automobile	40,819	-	-	40,819
Client support services	305,529	-	-	305,529
Client food	75,574	-	-	75,574
Client housing	520,039	-	-	520,039
Conferences and conventions	1,484	4,616	105	6,205
Entertainment and food	2,249	491	7,066	9,806
Depreciation	329,669	112,335	49,927	491,931
Dues and subscriptions	2,432	28,581	7,769	38,782
Employee costs	45	1,402	204	1,651
Honoraria	-	-	10,362	10,362
Insurance	92,213	54,054	-	146,267
Interest	-	33,241	-	33,241
Postage and shipping	144	4,243	2,386	6,773
Printing	9,674	13,948	3,699	27,321
Professional fees	36,427	59,767	35,356	131,550
Recognition and appreciation	1,199	5,579	375	7,153
Rent	49,942	-	-	49,942
Retirement	-	50,423	-	50,423
Small equipment and furniture	1,544	294	161	1,999
Software costs	70,386	3,821	3,750	77,957
Supplies	25,436	10,840	31,139	67,415
Taxes, licenses and fees	2,364	3,745	8,124	14,233
Thrift store	-	-	12,502	12,502
Travel	2,146	3,141	1,957	7,244
Utilities	200,914	68,462	30,427	299,803
Venue	-	-	14,129	14,129
	3,917,775	987,254	509,127	5,414,156
Costs of direct benefits to donors	-	-	(82,872)	(82,872)
	$ 3,917,775	$ 987,254	$ 426,255	$ 5,331,284

See notes to consolidated financial statements

ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (280,501)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	491,931
Donated property and equipment	(3,509)
Donated inventory	(124,532)
Changes in deferred compensation	50,423
Realized and unrealized losses on investments	231,629
(Increase) decrease in operating assets:	
Accounts receivable	(32,272)
Grants receivable	85,098
Unconditional promises to give	50,000
Inventories	123,419
Prepaid expenses	(6,916)
Increase (decrease) in operating liabilities:	
Accounts payable	(40,699)
Accrued expenses	31,328
Net cash provided by operating activities	575,399
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(953,392)
Proceeds from sale of investments	776,668
Purchases of property and equipment	(50,315)
Net cash used in investing activities	(227,039)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Paycheck Protection Program Loan	410,871
Payments of accrued deferred compensation	(82,000)
Net cash provided by financing activities	328,871

See notes to consolidated financial statements

ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

NET CHANGE IN CASH		677,231
CASH AND EQUIVALENTS, BEGINNING OF YEAR		1,038,626
CASH AND EQUIVALENTS, END OF YEAR	$	1,715,857
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$	33,241
SUMMARY OF CASH ACCOUNTS		
Cash and equivalents	$	1,566,798
Cash and equivalents, with donor restrictions		149,058
	$	1,715,856

See notes to consolidated financial statements

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), Hope Shines Bright Receiving Company (Receiving Company) 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 2011, the Holding Company and the Receiving Company were created to support the Organization's donation activity. The Foundation, Holding Company and Receiving Company operate out of Boulder City, Nevada, and hold separate Internal Revenue Service exempt determination letters and are required to be reported separately for federal compliance purposes. National is the specified beneficiary of the Foundation, the Holding Company and the Receiving 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 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 residential foster 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 Sibling Preservation Program, which is devoted to the mission of preserving sibling bonds while children are in foster care as well as for other agency programs such as family support and a rapid re-housing program.

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.

Holding and Receiving Companies

The Holding and Receiving Companies are nonprofit organizations and were incorporated under the laws of the State of Nevada on May 31, 2011. The Holding Company was organized for the purpose of acquiring, holding title to, collecting income from, and managing real property. The Receiving Company was organized to serve as a supporting organization to National. There has been no activity in the Receiving Company since it was created. The Holding Company maintains the land for the Boulder City campus.

Basis of Accounting

The accompanying consolidated 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 consolidated financial statements include the accounts of National, Nevada Region, Foundation, Holding Company, and Receiving 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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions as follows.

Income Tax Status

Nevada Region and National are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code. Foundation and Receiving Company are organized as supporting organizations as described in Section 509(a)(3) of the Internal Revenue Code. Holding Company is organized as a real property title-holding corporation under Section 501(c)(25) of the Internal Revenue Code. All are generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities with readily determinable fair values are reported in the consolidated statement of financial position at fair value. Investment return, net, restricted by a donor is reported as an increase in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the investment return, net, is recognized.

Accounts Receivable and Grants Receivable

Accounts and grants receivable consist 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 and no allowance is recognized.

Promises to Give

Promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional pledge receivables 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 goods, are recorded at net realizable value. Donated inventories are valued at fair market value on the date of donation.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue With and Without Restrictions

Contributions received are recorded as increases in net assets with or without restrictions, depending on the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following expenses were allocated on the basis of employee time and effort: payroll taxes and salaries and wages.

The following expenses were allocated on a square footage basis: depreciation and utilities.

The following expenses were directly allocated by function based on the nature of the expense: advertising, audit and accounting fees, automobile, client support services, client food, client housing, conferences and conventions, entertainment and food, dues and subscriptions, employee costs, honoraria, insurance, interest, postage and shipping, printing, professional fees, recognition and appreciation, rent, retirement, small equipment and furniture, software costs, supplies, taxes, licenses and fees, thrift store, travel and venue.

The following expenses were allocated on the basis of a combination of employee time and effort and directly by function based on the nature of the expense: employee benefits.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measure by the amount which the carrying amount of the assets exceeds the fair value of the assets.

Cash and Equivalents

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

Consolidated Statements

The consolidated 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, Holding Company and Receiving Company. St. Jude's Ranch for Children, Inc. and its interrelated entities are consolidated 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.

Advertising

Advertising costs are expensed as incurred.

Subsequent Events

Subsequent events have been evaluated through October 6, 2020, which is the date the consolidated financial statements were available to be issued.

NOTE 2. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by contribution, grant, and program revenues and considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 2. INFORMATION REGARDING LIQUIDITY AND AVAILABILITY (CONTINUED)

The following table reflects the financial assets as of June 30, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Cash and cash equivalents	$ 1,715,856
Investments	3,928,267
Accounts receivable	134,529
Grants receivable	134,759
Unconditional promises to give, current	100,000
Total financial assets	6,013,411
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors in perpetuity	(2,591,901)
Total financial assets available to management for general expenditure within one year	$ 3,421,511

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

Buildings	$ 11,148,797
Land improvements	922,648
Computer equipment	213,758
Furniture and fixtures	396,859
Equipment	584,069
Vehicles	157,137
Land	104,180
Total property and equipment	13,527,448
Less: accumulated depreciation	(7,655,276)
	$ 5,872,172

NOTE 4. UNCONDITIONAL PROMISES TO GIVE

The unconditional promises to give (pledge) balance consists of a pledge to be received in $50,000 installments for a total of $100,000. There is no set payment schedule for the pledge, however, the Organization expects to collect the pledge within the next year. As the pledge is considered a current asset its value has not been discounted.

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.

Investments measured at fair value on a recurring basis at June 30, 2020, are summarized as follows:

	Level 1	Total
Equities:		
Common stock	$ 1,510,639	$ 1,510,639
Mutual funds	1,810,492	1,810,492
Fixed income:		
U.S. government securities	607,136	607,136
	$ 3,928,267	$ 3,928,267

NOTE 6. PAYCHECK PROTECTION PROGRAM LOAN

On May 1, 2020, St. Jude's Ranch for Children, Nevada Region, Inc. (the "Borrower") qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of $410,871 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal and accrued interest of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing the earlier of (1) the date that SBA remits the Borrower's loan forgiveness amount to the Lender or (2) 10 months after the end of

NOTE 6. PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

the Borrower's loan forgiveness covered period of 24 weeks, principal and interest payments will be required through the maturity date in May 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

The Company has accounted for the PPP loan as a financial liability in accordance with FASB ASC 470 and accrued interest in accordance with the interest method under FASB ASC 835-30. The loan will be recognized as revenue when loan forgiveness is provided by the SBA.

NOTE 7. 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 line of credit contains a provision for an interest rate floor of 4.0%. As the Prime Rate at June 30, 2020 was 3.25%, the interest rate on the loan was 4.0%. Borrowings under the agreement are collateralized by the property in Boulder City, Nevada. The Organization has an outstanding balance of $575,000 as of June 30, 2020. The credit agreement was scheduled to mature on November 30, 2019, however, the agreement was extended until November 30, 2024.

NOTE 8. 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.

The present value of the benefits recognized as of June 30, 2020, amounted to $777,483. 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% during the year ended June 30, 2020. The Organization also recorded amortization of the discount on the estimated present value of the future payments of $50,423 during the year ended June 30, 2020. These amounts are included in the consolidated statement of functional expenses as retirement expense.

NOTE 9. OPERATING LEASES

The Organization leases office space for its Child Focus program which expires in July 2022. In 2020, the Organization signed an additional lease to increase the total space for the Child Focus program. This expansion lease expires in June 2021. The Organization also leases office equipment under operating leases expiring through March 2025. Total rent expense is $65,218 for the year ended June 30, 2020. The future minimum payments under these operating leases at June 30, 2020 are as follows:

2021	$ 93,494
2022	70,374
2023	17,665
2024	8,684
2025	6,513
	$ 196,730

NOTE 10. CONCENTRATIONS

The Organization maintains cash balances in banking institutions located in Nevada. Cash balances held by the banking institutions are insured up to the Federal Deposit Insurance Corporation insurance limit of $250,000 per depositor, per institution. As of June 30, 2020, the total uninsured cash balance in these accounts was $1,060,852.

For the year ended June 30, 2020, approximately 34% of contribution revenue was received from three individual bequests. The entire balance of the unconditional promises to give at June 30, 2020 was due from one donor. Approximately 69% of grant revenue came from the U.S. Department of Housing and Urban Development for the year ended June 30, 2020. The Organization receives all program service fees from the State of Nevada.

NOTE 11. DONATED SERVICES

Donated services are recognized as contributions in accordance with FASB Codification, if the services (a) create or enhance nonfinancial assets or (b) requires specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated professional services for the year ended June 30, 2020 were $13,587.

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

Subject to expenditure for a specified purpose:	
Education skills training	$ 53,762
Youth care operations	95,296
Total subject to expenditure for specified purposes	149,058
Subject to passage of time:	
Unconditional promises to give	100,000
The Crossings property	1,211,663
Total subject to passage of time	1,311,663
Endowments:	
Subject to endowment spending policy and appropriations:	
Education skills training	423,870
Endowments:	
Investments in perpetuity	2,591,901
Total net assets with donor restrictions	$ 4,476,492

Net assets with donor restrictions consist of the following at June 30, 2020:

Cash	$ 149,058
Investments	423,870
Investments, long-term	2,591,901
Unconditional promises to give	100,000
Land and building	1,211,663
	$ 4,476,492

The restricted land and building is property that was purchased by the Organization on August 17, 2011, on which housing was built for the St. Jude's Ranch Crossings, a supportive housing program. The parcel of land, which was valued at $65,000 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 the land attach to the property and any successor owners. The restricted grant amount of $1,954,439 and land value of $65,000 for a total of $2,019,439 is amortized over 20 years beginning in June 2012.

Net assets in perpetuity consist of endowment fund investments to be held indefinitely.

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions during the year by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2020:

Satisfaction of purpose restrictions:	
Youth care operations	$ 22,977
Expiration of time restrictions:	
Unconditional promises to give	50,000
Land and building	100,972
	150,972
Endowments:	
Subject to endowment spending policy and appropriations:	
Education skills training	39,605
	$ 213,554

NOTE 13. ENDOWMENTS

Endowment funds include amounts to be used for education and skills training and a balance that will remain in perpetuity. 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, 2020:

Cash and equivalents	$ 257,543
Investments	3,910,704
	$ 4,168,247

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted Nevada state law 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 net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 as net assets with restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in accordance with the donor's wishes.

NOTE 13. ENDOWMENTS (CONTINUED)

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

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 net assets without donor restrictions. There were no deficiencies at June 30, 2020.

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 Trustees, 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.

NOTE 13. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds:			
Perpetual in duration - original gift amount	$ -	$ 2,591,901	$ 2,591,901
Donor restricted endowment funds:			
Education and skills training	1,152,476	423,870	1,576,346
	$ 1,152,476	$ 3,015,771	$ 4,168,247

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,144,923	$ 3,066,260	$ 4,211,183
Investment return, net	(32,052)	(10,884)	(42,936)
Appropriation of endowment assets for expenditure	39,605	(39,605)	-
Endowment net assets, end of year	$ 1,152,476	$ 3,015,771	$ 4,168,247

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 14. WORLDWIDE PANDEMIC

In March of 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its future operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing. These events preceded numerous fluctuations and volatility in the stock markets both in the United States and worldwide. The final effects on the investment values of the Organization is undeterminable at this time.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED 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 consolidated financial statements of St. Jude's Ranch for Children, Inc. and Subsidiaries (collectively, the Organization) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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*.

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.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
October 6, 2020

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

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, 2020. 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, 2020.

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.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
October 6, 2020

ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Grantor Agency	Program Title	Federal CFDA Number	Pass-Through Grantor Number	Expenditures
U.S. Department of Housing and Urban Development	Continuum of Care Program	14.267	NV0127L9T001800	$ 470,418
			NV0019L9T001801	328,319
			NV0082L9T001805	191,223
			NV0034L9T001807	177,945
				1,167,905
Passed through Clark County, Nevada:				
U.S. Department of Housing and Urban Development	Emergency Solutions Grant	14.231		37,121
Passed through the City of Las Vegas:				
U.S. Department of Housing and Urban Development	Emergency Solutions Grant	14.231		33,571
				70,692
Passed through the City of Las Vegas:				
U.S. Department of Housing and Urban Development	Community Development Block Grant Entitlement Grants Cluster	14.218		86,250
Passed through City of Henderson:				
U.S. Department of Housing and Urban Development	HOME Investment Partnerships Program	14.239		7,046
U.S. Department of Housing and Urban Development Total				1,331,893
Passed through the State of Nevada Division of Child and Family Services:				
U.S. Department of Justice	Victims of Crime Act	16.575	16575-18-046	102,804
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	93566-19-039	47,250
Passed through the State of Nevada Department of Agriculture				
U.S. Department of Agriculture	National School Lunch Program Child Nutrition Cluster	10.555	R-2110-09	50,046
				$ 1,531,993

ST. JUDE'S RANCH FOR CHILDREN, INC. AND SUBSIDIARIES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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 minimis 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
FOR THE YEAR ENDED JUNE 30, 2020

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of the Organization.

2. No instances of material weaknesses or significant deficiencies related to the audit of the consolidated 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 consolidated 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 material weaknesses or significant deficiencies related to the audit of the major federal award program is 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 reported 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.

ST. JUDE'S RANCH FOR CHILDREN, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

PRIOR YEAR AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT

None.

PRIOR YEAR AUDIT FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

2019-001: U.S. Department of Housing and Urban Development, Continuum of Care Program, CFDA #14.267, Internal Control System and Compliance Over Special Tests and Provisions – Rent Reasonableness

Criteria: As defined in 2 CFR 200.62, auditee is required to maintain a system of internal control over compliance designed to provide reasonable assurance that federal award transactions executed are in compliance with the terms and conditions of the federal award. When federal award funds are used to pay rent for individual housing units, the rent paid must be reasonable in relation to rents being charged for comparable units and the rent may not exceed HUD determined fair market rents.

Condition: Of the five leases selected for testing, two leases charged rent in excess of HUD fair market rent.

Cause: The internal control system over rent reasonableness was not operating effectively. The rent amount per the executed lease was not consistently verified against the HUD prescribed fair market rent amount.

Context: Based on the procedures performed, this appears to be a systemic problem. The internal control system, as defined, did not operate effectively for 40% of the items selected for testing.

Effect: The charging of rent amounts in excess of HUD-defined fair market rent is in violation of the terms of the federal grant agreement.

Recommendation: We recommend management design and implement a system of internal controls whereby all lease agreement, prior to execution, are reviewed and verified to be in compliance with applicable federal award agreement terms, to include conformance to HUD-defined fair market rents.

Views of Responsible Officials: Upon discovering leases that exceeded fair market rent (FMR), the Organization took immediate action and performed a full review of all lease and rental payments in fiscal year 2019 and current. Immediately, policy and procedures revisions were implemented to ensure that before any rental or lease agreements are signed or approved for payment there is process in place that confirms FMR. All initial leases and payments must be accompanied by documentation of a Rent Reasonableness form confirming FMR and copy of lease outlining monthly rental payments and inclusions, i.e. utilities. Any rental and lease payments without Rent Reasonableness Forms will not be approved for payment.

Current Status: The Organization has implemented an internal policy whereby all lease agreement, prior to execution, are reviewed and verified to be in compliance with applicable federal award agreement terms, to include conformance to HUD-defined fair market rents.