ST. JUDE'S RANCH FOR CHILDREN, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

ST. JUDE'S RANCH FOR CHILDREN, INC.

JUNE 30, 2022

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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 Audit of the Financial Statements

Opinion

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, 2022, 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.

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, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Jude's Ranch for Children, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Jude's Ranch for Children, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 St. Jude's Ranch for Children, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Jude's Ranch for Children, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 November 28, 2022, 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
November 28, 2022

ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS	
CURRENT ASSETS	
Cash and equivalents	$ 2,664,273
Cash and equivalents, with donor restrictions	191,716
Investments	17,563
Accounts receivable	108,904
Grants receivable	504,033
Unconditional promises to give	50,000
Inventories	8,243
Prepaid expenses	33,486
	3,578,218
OTHER ASSETS	
Cash and equivalents, noncurrent	209,016
Cash and equivalents, with donor restrictions, noncurrent	2,370,294
Investments, noncurrent	1,112,017
Investments, with donor restrictions, noncurrent	415,124
Investments, with donor restrictions, perpetual	2,598,729
Unconditional promises to give, noncurrent	100,000
Deposits	5,955
Property and equipment, net	5,605,475
	$ 15,994,828
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 202,303
Accrued expenses	173,697
Deferred compensation	41,000
	417,000
OTHER LIABILITIES	
Deferred compensation, net of current portion and discount	456,979
	873,979
NET ASSETS	
Without donor restrictions	
Without donor restrictions	3,789,511
Without donor restrictions held in property and equipment	4,126,106
	7,915,617
With donor restrictions	
With donor restrictions	5,725,863
With donor restrictions held in property and equipment	1,479,369
	7,205,232
	15,120,849
	$ 15,994,828

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, 2022

		Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues and support:				
Contributions		$ 2,519,414	$ 718,163	$ 3,237,577
Grants		2,484,593	-	2,484,593
Special event revenue	$ 497,010			
Less: costs of direct benefits to donor	(303,741)			
Net revenues from special events		193,269	-	193,269
In-kind donations		771,964	-	771,964
Program service fees		1,161,273	-	1,161,273
Sale of merchandise		297,182	-	297,182
Gain on revaluation of deferred compensation		218,835	-	218,835
Gain on disposal of property and equipment		2,700	-	2,700
Rental income		11,903	-	11,903
		7,661,133	718,163	8,379,296
Net assets released from restriction		165,788	(165,788)	-
Total revenues and support		7,826,921	552,375	8,379,296
Expenses and losses:				
Program services		5,189,915	-	5,189,915
Supporting services:				
General and administrative		814,584	-	814,584
Fundraising		340,398	-	340,398
Investment return, net		165,776	363,177	528,953
Total expenses and losses		6,510,673	363,177	6,873,850
CHANGE IN NET ASSETS		1,316,248	189,198	1,505,446
NET ASSETS, BEGINNING OF YEAR		6,599,369	7,016,034	13,615,403
NET ASSETS, END OF YEAR		$ 7,915,617	$ 7,205,232	$ 15,120,849

See notes to consolidated financial statements

ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

		Supporting Services		
	Program Services	General and Administrative	Fundraising	Totals
Salaries and wages	$ 1,758,558	$ 275,072	$ 128,886	$ 2,162,516
Employee benefits	168,775	25,026	16,147	209,948
Payroll taxes	135,872	40,521	13,236	189,629
Advertising	6,001	40,326	30,828	77,155
Audit and accounting fees	-	41,500	-	41,500
Automobile	58,844	20	143	59,007
Client support services	896,624	7,050	41	903,715
Client food	77,789	-	-	77,789
Client housing	839,326	-	-	839,326
Conferences and conventions	1,711	8,460	2,611	12,782
Entertainment and food	4,343	2,371	41,375	48,089
Depreciation	301,991	102,917	45,691	450,599
Dues and subscriptions	4,574	14,249	5,337	24,160
Employee costs	4,902	2,753	99	7,754
Honoraria	-	-	4,500	4,500
Insurance	94,033	62,609	8,401	165,043
Postage and shipping	2,475	3,728	2,667	8,870
Printing	9,870	6,240	2,122	18,232
Professional fees	61,513	40,657	123,170	225,340
Recognition and appreciation	2,308	12,271	316	14,895
Rent	81,637	-	-	81,637
Retirement	-	50,765	-	50,765
Small equipment and furniture	258,993	2,430	-	261,423
Software costs	66,923	2,777	12,613	82,313
Supplies	116,343	5,838	98,129	220,310
Taxes, licenses and fees	5,362	3,129	21,942	30,433
Thrift store	-	-	16,979	16,979
Travel	9,455	4,498	1,825	15,778
Utilities	221,693	59,377	11,880	292,950
Venue	-	-	55,201	55,201
	5,189,915	814,584	644,139	6,648,638
Costs of direct benefits to donors	-	-	(303,741)	(303,741)
	$ 5,189,915	$ 814,584	$ 340,398	$ 6,344,897

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,505,446
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	450,599
Donated inventory	259,832
Gain on disposal of property and equipment	(2,700)
Amortization of discount on deferred compensation	50,765
Gain on revaluation of deferred compensation	(218,835)
Forgiveness of Paycheck Protection Program Loan	(410,871)
Realized and unrealized loss on investments	602,026
(Increase) decrease in operating assets:	
Accounts receivable	73,384
Grants receivable	(94,911)
Unconditional promises to give	(100,000)
Inventories	(262,123)
Prepaid expenses	13,038
Increase in operating liabilities:	
Accounts payable	88,389
Accrued expenses	9,961
Net cash provided by operating activities	1,964,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(2,287,548)
Proceeds from sale of investments	2,096,788
Purchases of property and equipment	(392,490)
Proceeds from sale of property and equipment	2,700
Net cash used in investing activities	(580,550)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments of accrued deferred compensation	(79,973)
Net cash used in financing activities	(79,973)

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, 2022

NET CHANGE IN CASH	1,303,477
CASH AND EQUIVALENTS, BEGINNING OF YEAR	4,131,822
CASH AND EQUIVALENTS, END OF YEAR	$ 5,435,299
Cash and equivalents	$ 2,664,273
Cash and equivalents, with donor restrictions	191,716
Cash and equivalents, noncurrent	209,016
Cash and equivalents, with donor restrictions, noncurrent	2,370,294
	$ 5,435,299

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.

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.

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.

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

Program Service Fee Revenues

Program service fees are from contracts with Clark County, NV and the State of Nevada. The Organization provides residential therapeutic foster care services under these agreements. For each monthly period, the Organization submits for reimbursement for therapeutic services provided as well as for room and board for individuals under the Organization's care. Revenue is recognized in the monthly period during which services were rendered.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions 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 expense was allocated on a square footage basis: depreciation.

The following expense was allocated on employee time and effort: salaries and wages.

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, postage and shipping, payroll taxes, 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.

The following expense was allocated on the basis of a combination of square footage and directly by function based on the nature of the expense: utilities.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 November 28, 2022, which is the date the consolidated financial statements were available to be issued.

Recently Adopted Accounting Pronouncements

During fiscal year 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The standard requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the Organization, with the exception of increased disclosure.

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. Assets held in the endowment fund that may be appropriated for use within twelve months of fiscal year end are considered 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, 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date:

Cash and equivalents	$ 5,435,299
Investments	4,143,433
Accounts receivable	108,904
Grants receivable	504,033
Unconditional promises to give, current	50,000
Total financial assets	10,241,669
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Cash and equivalents, with donor restrictions, noncurrent	(2,370,294)
Restricted by donors in perpetuity	(2,598,729)
Total financial assets available to management for general expenditure within one year	$ 5,272,646

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022:

Buildings	$ 11,154,197
Land improvements	930,947
Computer equipment	242,488
Furniture and fixtures	396,859
Equipment	605,066
Vehicles	276,775
Land	104,180
Construction in progress	469,649
Total property and equipment	14,180,161
Less: accumulated depreciation	(8,574,686)
	$ 5,605,475

NOTE 4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give (pledges) are recorded at the net present value of estimated future cash flows. Based on the expected collection of pledges receivable, no discount has been recorded for the year ended June 30, 2022. Amounts are recorded as net assets with donor restrictions until released from restriction. All unconditional promises to give were deemed fully collectible at June 30, 2022.

NOTE 4. UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

Unconditional promises to give consist of the following at June 30, 2022:

Current receivable balance	$ 50,000
Long-term receivable balance	100,000
Net receivable balance	$ 150,000

Expected collections of unconditional promises to give are as follows at June 30, 2022:

Gross receivable due in less than one year	$ 130,000
Gross receivable due in one to five years	20,000
Net receivable balance	$ 150,000

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, 2022, are summarized as follows:

	Level 1	Total
Equities:		
Common stock	$ 3,555,271	$ 3,555,271
Mutual funds	107,931	107,931
Fixed income:		
U.S. government securities	480,231	480,231
	$ 4,143,433	$ 4,143,433

NOTE 6. PAYCHECK PROTECTION PROGRAM LOAN

On March 19, 2021, St. Jude's Ranch for Children, Nevada Region, Inc. (Borrower) qualified for and received a second 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 (PPP Lender), for an aggregate principal amount of $410,871 (PPP Loan). During the year ended June 30, 2022, the PPP loan and all accrued interest was forgiven. As a result, the Organization recognized contribution income totaling $410,871.

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, 2022 was 4.38%, 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 $0 as of June 30, 2022. The credit agreement is scheduled to mature on 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 former officer passed away during the year ended June 30, 2022 and his spouse will continue to receive half the original benefit for the remainder of her life at which time the benefit will cease.

The present value of the benefits to be recognized as of June 30, 2022, amounted to $497,979. The Organization's current obligation is payable in monthly installments of approximately $3,417. The discount rate used to compute the estimated present value was 4% during the year ended June 30, 2022. The Organization recorded amortization of the discount on the estimated present value of the future payments of $50,765 which is included in the consolidated statement of functional expenses as retirement expense. Additionally, the Organization recorded a gain on revaluation of deferred compensation of $218,835 during the year ended June 30, 2022 which is included on the consolidated statement of activities.

NOTE 9. OPERATING LEASES

The Organization leases office space for its Child Focus program which expires in January 2024 with monthly payments of $7,460. The Organization leases office equipment under operating leases expiring through March 2025 with monthly payments totaling $1,149. The Organization also maintains vehicle leases under 36-month terms expiring in April 2024 with monthly payments totaling $1,000. Total rent expense is $111,312 for the year ended June 30, 2022. Future minimum payments under operating leases at June 30, 2022 are as follows:

2023	$ 111,717
2024	70,897
2025	6,513
	$ 189,127

NOTE 10. CONCENTRATIONS

In the ordinary course of business, the Organization normally maintains cash balances at financial institutions in excess of federally insured limits. The cash held by the banking institutions is insured up to the Federal Deposit Insurance Corporation ("FDIC") limit of $250,000. The Organization has not experienced any losses on its accounts and does not believe it is exposed to any significant credit risk.

For the year ended June 30, 2022, approximately 28% of contribution revenues were received from two donors. Approximately 60% of grant revenue came from the U.S. Department of Housing and Urban Development for the year ended June 30, 2022. The Organization receives all program service fees from the State of Nevada.

NOTE 11. IN-KIND CONTRIBUTIONS

The Organization's in-kind contributions consisted of the following as of June 30, 2022:

Category	Usage		
Clothing, household goods, furniture and educational items	Residential therapeutic foster care and transitional living care	$	768,740
Professional services	Varies based on nature of the service		1,524
Vehicles	Varies based on nature of the vehicle		1,700
		$	771,964

Donations of clothing, household items, furniture and educational items are commonly received through on-site donations at the Organization's Boulder City location or through direct pickups by the Organization at a donor location. The Organization values bagged clothing and household item donations at $50 per bag which is based on the Organization's normal selling cost for these items in its thrift store. Other donated items are valued based on the estimated selling price for those items in a thrift store environment. Donated professional services are primarily related to repairs performed at the Organization's facilities, as well as marketing, legal, accounting, and other professional services and vary in type and amount from year to year. Professional services are valued based on the estimated cost of those services if they would otherwise be paid for by the Organization. Vehicle donations to the Organization are valued based on the fair value of a similar vehicle at the time of donation. The Organization uses vehicles if they fill a need for the Organization's programs and for those that do not, they are sold to private parties or auctioned.

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2022:

Subject to expenditure for a specified purpose:	
Healing Center	$ 2,839,943
Youth care operations	188,718
Education skills training	2,998
Total subject to expenditure for specified purposes	3,031,659
Subject to passage of time:	
Unconditional promises to give	50,000
The Crossings property	1,009,720
Total subject to passage of time	1,059,720
Subject to expenditure for a specified purpose and the passage of time:	
Unconditional promises to give	100,000
Endowments:	
Subject to endowment spending policy and appropriations:	
Education skills training	415,124
Endowments:	
Investments in perpetuity	2,598,729
Total net assets with donor restrictions	$ 7,205,232

Net assets with donor restrictions consist of the following at June 30, 2022:

Cash and equivalents	$ 191,716
Cash and equivalents, noncurrent	2,370,294
Investments, noncurrent	415,124
Investments, perpetual	2,598,729
Unconditional promises to give	50,000
Unconditional promises to give, noncurrent	100,000
Land and building	1,479,369
	$ 7,205,232

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, 2022:

Satisfaction of purpose restrictions:		
Youth care operations	$	19,028
Expiration of time restrictions:		
Land and building		100,972
		120,000
Endowments:		
Subject to endowment spending policy and appropriations:		
Education skills training		45,788
	$	165,788

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, 2022:

Cash and equivalents	$	209,016
Investments		4,125,870
	$	4,334,886

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, 2022.

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)

Endowment net assets consists of the following at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds:			
Perpetual in duration - original gift amount	$ -	$ 2,598,729	$ 2,598,729
Donor restricted endowment funds:			
Education and skills training	1,321,033	415,124	1,736,157
	$ 1,321,033	$ 3,013,853	$ 4,334,886

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,436,069	$ 3,422,818	$ 4,858,887
Investment return, net	(165,776)	(363,177)	(528,953)
Donor contributions	4,952	-	4,952
Appropriation of endowment assets for expenditure	45,788	(45,788)	-
Endowment net assets, end of year	$ 1,321,033	$ 3,013,853	$ 4,334,886

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. SUBSEQUENT EVENTS

On August 8, 2022, the Organization entered into a lease agreement with the Clark County School District (CCSD). Under this agreement the Organization agreed to lease CCSD 16,235 square feet of property at its Boulder City, Nevada location. CCSD intends to build a school on the leased property and to provide educational services for the children at the Organization's Healing Center facility once it is constructed. The initial lease term expires on July 1, 2071 and allows for two additional consecutive terms of 25 years at the option of CCSD. Under the lease agreement, CCSD agrees to construct, operate and maintain the school as its compensation to the Organization and no additional rental fees will be charged.

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, 2022, 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 November 28, 2022.

Report on 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) as a basis for designing 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 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on 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 financial statements. 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*.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
November 28, 2022

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

Opinion on 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 identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
November 28, 2022

ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Grantor Agency	Program Title	Federal AL Number	Pass-Through Grantor Number	Expenditures
U.S. Department of Housing and				
Urban Development	Continuum of Care Program	14.267	NV0036L9001705	$ 444,431
	Continuum of Care Program	14.267	NV0119L9T001700	365,462
	Continuum of Care Program	14.267	NV0082L9T001704	228,665
	Continuum of Care Program	14.267	NV0034L9T001706	163,305
				1,201,863
Passed through Clark County, Nevada:				
	Emergency Solutions Grant	14.231		54,732
	COVID-19 Emergency Solutions Grant	14.231		178,568
				233,300
	CDGB–Entitlement Grants Cluster			
	COVID-19 Community Development Block Grant	14.218		56,621
U.S. Department of Housing and Urban Development Total				1,491,784
U.S. Department of Justice				
Passed through the State of Nevada Health and Human Services:				
	Victims of Crime Act	16.575	16575-20-052	170,486
Passed through the Rape Crisis Center:				
	Victims of Crime Act	16.575		33,863
	Victims of Crime Act	16.575		58,925
U.S. Department of Justice Total				263,274
U.S. Department of Agriculture				
Passed through the State of Nevada Department of Agriculture				
	Child Nutrition Cluster			
	National School Lunch Program	10.555	R-2110-09	39,845
				$ 1,794,903

ST. JUDE'S RANCH FOR CHILDREN, INC.
AND SUBSIDIARIES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. 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, 2022**

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 and one instance of a significant deficiency 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. There are no audit findings that are required to be reported in accordance with 2 CFR 200.516 (a).

7. The program tested as a major program was the U.S. Department of Housing and Urban Development, Continuum of Care Program, Assistance Listing #14.267.

8. The threshold used for distinguishing between Type A and Type B programs was $750,000.

9. The Organization qualifies as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

2022-001 Tracking and Recognition of Unconditional Promises to Give

Criteria: In order for financial statements to be fairly stated in accordance with accounting principles generally accepted in the United States of America, all unconditional promises to give must be recognized and properly classified based on any applicable restrictions.

Condition: During the audit, unrecorded adjustments to unconditional promises to give (pledges) were discovered that needed to be made to the accounting records in order for the consolidated financial statements to be presented in accordance with the accounting principles generally accepted in the United States of America. Additionally, the subsequent receipt of a pledge payment was not properly identified as being part of a pledge and the related restriction on those funds was not considered when classifying restricted net assets.

FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2022-001 Tracking and Recognition of Unconditional Promises to Give (Continued)

Cause: Internal controls over monitoring for and recognition of unconditional promises to give in order for the consolidated financial statements to be presented in accordance with the accounting principles generally accepted in the United States of America were not well defined or consistently implemented.

Effect: Certain unconditional promises to give were not posted to the accounting records and the classification of certain unconditional promises to give was not appropriate to be in accordance with the accounting principles generally accepted in the United States of America which resulted in the understatement of the Organization's revenues and net assets with donor restrictions.

Repeat Finding: No

Recommendation: We recommend that management design a system of controls whereby all activity related to unconditional promises to give is tracked, evaluated, recognized and properly classified in the accounting records. This recognition and classification should be included in the accounting records prior to the general ledger balances being submitted for audit procedures.

Views of Responsible Officials and Planned Corrective Actions:

St. Jude's Ranch for Children has already taken action to ensure that this does not occur during future reporting periods. All parties involved are aware that all future or potential bequests or requests for Contributions must be reviewed by the CFO immediately to determine the proper tracking and recording of each transaction.

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, 2022

PRIOR YEAR AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT

None.

PRIOR YEAR AUDIT FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.