

WEARS VALLEY RANCH, INC.

Sevierville, Tennessee

FINANCIAL STATEMENTS

December 31, 2021 and 2020





PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Senior Management
Wears Valley Ranch, Inc.
Sevierville, Tennessee

Opinion

We have audited the financial statements of Wears Valley Ranch, Inc. (a non-profit organization) (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.



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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Organization's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
April 28, 2022

WEARS VALLEY RANCH, INC.
STATEMENTS OF FINANCIAL POSITION

	As of December 31,	<u>2021</u>	<u>2020</u>
ASSETS			
CURRENT ASSETS			
Cash	\$	1,012,057	\$ 1,296,327
Receivables and Other Current Assets		<u>17,937</u>	<u>1,929</u>
Total Current Assets		<u>1,029,994</u>	<u>1,298,256</u>
NONCURRENT ASSETS			
Cash Held for Capital Improvements		976,400	51,022
Cash Held for Quasi-Endowments		3,912	35,141
Investments		529,035	399,050
Property and Equipment, Net		6,882,070	5,743,665
Other Assets		<u>113,504</u>	<u>95,840</u>
Total Noncurrent Assets		<u>8,504,921</u>	<u>6,324,718</u>
TOTAL ASSETS	\$	<u><u>9,534,915</u></u>	\$ <u><u>7,622,974</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable and Other Liabilities	\$	<u>97,388</u>	\$ <u>5,000</u>
NET ASSETS			
Without Donor Restrictions		8,551,631	7,488,280
With Donor Restrictions		<u>885,896</u>	<u>129,694</u>
Total Net Assets		<u>9,437,527</u>	<u>7,617,974</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>9,534,915</u></u>	\$ <u><u>7,622,974</u></u>

The accompanying notes are an integral part of these financial statements.

WEARS VALLEY RANCH, INC.

STATEMENTS OF ACTIVITIES

	For the Years Ended December 31,	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
REVENUES AND SUPPORT			
Revenues			
Contributions	\$	2,279,586	\$ 2,491,024
Tuition, Camp and Other Fees		329,274	79,287
Investment Return, Net		55,151	46,351
Net Gain (Loss) on Sale of Property and Equipment		(7,516)	(4,588)
Other Revenue		48,556	43,816
Total Revenues Without Donor Restrictions		<u>2,705,051</u>	<u>2,655,890</u>
Net Assets Released from Restrictions			
Satisfaction of Property and Equipment Acquisition Restrictions		1,157,255	150,779
Satisfaction of Program Restrictions		7,933	17,209
Total Net Assets Released from Restrictions		<u>1,165,188</u>	<u>167,988</u>
Total Revenues and Support Without Donor Restrictions		<u>3,870,239</u>	<u>2,823,878</u>
EXPENSES			
Program Services:			
Residential		659,307	627,596
Counseling and Recreation		395,602	363,421
Education		875,840	688,564
Camps and Retreats		243,031	144,036
Support Services:			
General and Administrative		390,804	381,980
Fundraising		242,304	122,128
Total Expenses		<u>2,806,888</u>	<u>2,327,725</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS		<u>1,063,351</u>	<u>496,153</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS			
Contributions		1,919,460	114,549
Investment Return, Net		1,930	0
Net Assets Released from Restrictions		(1,165,188)	(167,988)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS		<u>756,202</u>	<u>(53,439)</u>
INCREASE (DECREASE) IN TOTAL NET ASSETS		<u>1,819,553</u>	<u>442,714</u>
NET ASSETS, BEGINNING OF YEAR		<u>7,617,974</u>	<u>7,175,260</u>
NET ASSETS, END OF YEAR	\$	<u><u>9,437,527</u></u>	\$ <u><u>7,617,974</u></u>

The accompanying notes are an integral part of these financial statements.

WEARS VALLEY RANCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Residential Program	Counseling and Recreation Program	Education Program	Camps and Retreats Program	Total Programs	General and Administrative	Fundraising	Total
Salaries and Benefits	\$ 340,016	\$ 264,207	\$ 362,803	\$ 103,468	\$ 1,070,494	\$ 273,557	\$ 123,071	\$ 1,467,122
Payroll Taxes	21,446	16,748	24,030	6,736	68,960	17,254	4,081	90,295
Utilities	36,786	8,326	29,968	10,102	85,182	5,725	91	90,998
Supplies	8,084	31,129	49,339	21,416	109,968	3,867	0	113,835
Telephone, Internet and Paging	2,448	3,229	5,538	1,167	12,382	5,581	34	17,997
Postage and Shipping	0	0	0	87	87	0	13,229	13,316
Maintenance and Occupancy	48,887	22,449	57,969	13,843	143,148	7,750	427	151,325
Food and Paper	65,774	0	34,187	32,190	132,151	0	0	132,151
Equipment	0	0	13,021	8,997	22,018	14,852	13,179	50,049
Printing and Publications	0	0	119,829	2,012	121,841	0	29,845	151,686
Travel	19,140	0	2,403	10,982	32,525	3,134	0	35,659
Conferences and Meetings	3,974	2,736	1,484	2,711	10,905	5,092	23,347	39,344
Fees and Permits	0	0	3,246	6,180	9,426	40,507	31,694	81,627
Recreation and Entertainment	13,935	496	13,346	0	27,777	0	0	27,777
Automobile	11,562	1,038	3,558	519	16,677	3,790	74	20,541
Insurance	23,703	12,291	42,139	6,145	84,278	2,634	878	87,790
Total	595,755	362,649	762,860	226,555	1,947,819	383,743	239,950	2,571,512
Depreciation	63,552	32,953	112,980	16,476	225,961	7,061	2,354	235,376
Total Expenses	\$ 659,307	\$ 395,602	\$ 875,840	\$ 243,031	\$ 2,173,780	\$ 390,804	\$ 242,304	\$ 2,806,888

The accompanying notes are an integral part of these financial statements.

WEARS VALLEY RANCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Residential Program	Counseling and Recreation Program	Education Program	Camps and Retreats Program	Total Programs	General and Administrative	Fundraising	Total
Salaries and Benefits	\$ 335,830	\$ 259,904	\$ 258,840	\$ 86,454	\$ 941,028	\$ 285,869	\$ 50,283	\$ 1,277,180
Payroll Taxes	19,332	13,360	17,440	3,778	53,910	15,812	3,017	72,739
Utilities	30,890	6,123	19,548	6,688	63,249	4,663	73	67,985
Supplies	10,841	18,562	32,928	8,817	71,148	1,655	0	72,803
Telephone, Internet and Paging	3,291	3,066	5,175	958	12,490	5,712	17	18,219
Postage and Shipping	0	0	0	301	301	0	11,081	11,382
Maintenance and Occupancy	31,203	21,205	38,615	7,350	98,373	3,817	339	102,529
Food and Paper	68,090	0	41,532	3,191	112,813	0	0	112,813
Equipment	0	0	12,969	997	13,966	15,124	8,226	37,316
Printing and Publications	0	0	111,870	433	112,303	0	23,774	136,077
Travel	19,109	0	2,003	141	21,253	557	0	21,810
Conferences and Meetings	3,239	29	1,477	929	5,674	1,898	1,025	8,597
Fees and Permits	0	0	2,070	3,630	5,700	35,621	21,383	62,704
Recreation and Entertainment	11,024	434	4,424	0	15,882	0	0	15,882
Automobile	17,428	647	2,217	323	20,615	4,823	46	25,484
Insurance	22,615	11,726	40,204	5,863	80,408	2,513	838	83,759
Total	572,892	335,056	591,312	129,853	1,629,113	378,064	120,102	2,127,279
Depreciation	54,704	28,365	97,252	14,183	194,504	3,916	2,026	200,446
Total Expenses	\$ 627,596	\$ 363,421	\$ 688,564	\$ 144,036	\$ 1,823,617	\$ 381,980	\$ 122,128	\$ 2,327,725

The accompanying notes are an integral part of these financial statements.

WEARS VALLEY RANCH, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Total Net Assets	\$ 1,819,553	\$ 442,714
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	235,376	200,446
Donated Assets	(8,535)	(5,000)
Net Realized and Unrealized (Gains) Losses on Investments	(24,484)	(27,887)
Forgiveness of Notes Receivable	12,336	5,000
Net (Gain) Loss on Disposal of Property and Equipment	19,516	4,588
(Increase) Decrease in Receivables and Other Assets	(46,008)	(1,929)
Increase (Decrease) in Accounts Payable and Other Liabilities	92,388	540
Contributions Restricted for Long Term Purposes	(1,853,322)	(71,205)
Total Adjustments	(1,572,733)	104,553
Net Cash Provided by (Used In) Operating Activities	246,820	547,267
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures, Net	(1,384,762)	(189,615)
Purchases of Investments	(151,108)	(99,463)
Proceeds from the Sale of Investments	45,607	82,887
Net Cash Provided by (Used in) Investing Activities	(1,490,263)	(206,191)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Long Term Purposes	1,853,322	71,205
Net Cash Provided by (Used In) Financing Activities	1,853,322	71,205
NET INCREASE (DECREASE) IN CASH	609,879	412,281
CASH, BEGINNING OF YEAR	1,382,490	970,209
CASH, END OF YEAR	\$ 1,992,369	\$ 1,382,490
Cash, End of Year Consists of:		
Cash	\$ 1,012,057	\$ 1,296,327
Cash Held for Capital Improvements	976,400	51,022
Cash Held for Quasi-Endowments	3,912	35,141
	\$ 1,992,369	\$ 1,382,490
Supplementary Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	\$ 0	\$ 0

The accompanying notes are an integral part of these financial statements.

WEARS VALLEY RANCH, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization - Wears Valley Ranch, Inc. (the "Ranch") is incorporated as an exempt organization under section 501(c)(3) of the Internal Revenue Code and the Tennessee non-profit code. Accordingly, the Ranch is exempt from both federal and state income tax. The Ranch is supported primarily through donor contributions.

The Ranch was organized to glorify God by demonstrating the love of Jesus, who said, "Come unto me, all ye that labor and are heavy laden, and I will give you rest. Take my yoke upon you and learn of me; for I am meek and lowly in heart; and ye shall find rest unto your souls. For my yoke is easy, and my burden is light" (Matthew 11:28-30). Wears Valley Ranch, Inc. exists to promote the spiritual, emotional, intellectual, social and physical development of children in need of a stronger family support system through Christ-centered home settings. The Ranch provides a wonderful home environment, a Christian education, ministering and counseling for abused and neglected children, admitted from age 6 to 18. The children may remain until they graduate from their K-12 accredited school.

Principles of Accounting - The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Financial Accounting Standards Board (FASB).

Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Ranch that is, in substance, unconditional. The Ranch uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of December 31, 2021 and 2020, the Ranch had unconditional promises to give of \$14,621 and \$0, respectively. No allowance for uncollectible promises was considered necessary.

Investments - The Ranch's investments are stated at fair value in the statements of financial position. Fair value of the Ranch's investments is based on quoted market prices. Investment transactions are recorded on trade date. Any realized and/or unrealized gain or loss is reported in the statement of activities. Dividend income is accrued when earned. Investment management fees have been netted against investment income.

Property and Equipment - Purchased or constructed buildings and equipment in excess of \$5,000 are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or construct buildings and equipment are reported as donor restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Ranch reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Ranch reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Buildings and equipment are depreciated using the straight-line method based on estimated useful lives of three to forty years.

Financial Statement Presentation - The Ranch is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Ranch is required to present a statement of cash flows.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Contributions are recognized as revenue when contributions are made, which may be when cash is received, unconditional promises to give are made, or ownership of donated assets is transferred to the Ranch. Donated assets are recorded as contributions at their estimated fair values at the date of donation. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions are recorded as with donor restrictions or without donor restrictions depending on the existence of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in restricted net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue Recognition - The Ranch recognizes revenue from exchange transactions in accordance with FASB Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers," which provides a five-step model for recognizing revenue from contracts with customers as follows: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognize revenue when or as performance obligations are satisfied.

Tuition, Camp and Other Fees: The Ranch recognizes tuition, camp and other fee revenue over time as the participant simultaneously receives and consumes the benefits throughout the period. The timing of revenue recognition is based on a time-based measure of progress as the Ranch provides education, activities, room and board. Payments for tuition, camp and other fees received for future periods are recorded as a contract liability, unearned revenue, until earned.

Other Revenue: The Ranch records other revenue upon delivery of product or services to the customer, which is when the performance obligation is satisfied.

As discussed previously, tuition, camp and other fee revenues are recognized over time, whereas other revenue is recognized at a point in time. Total exchange revenue recognized at a point in time and over time was as follows for the years ended December 31:

	2021	2020
Revenue Recognized at a Point in Time	\$ 34,156	\$ 29,416
Revenue Recognized Over Time	329,274	79,287
	<u>\$ 377,830</u>	<u>\$ 123,103</u>

Contributed Services - Contributed services are recorded in the financial statements at fair value when received. In-kind donations are recorded as revenue in the Statements of Activities and are included in contributions without donor restrictions. Furthermore, a like amount is recorded as expense in the Statements of Activities. For the years ended December 31, 2021 and 2020, the values of contributed services meeting the requirements for recognition in the financial statements were \$2,700 and \$7,560, respectively. Many individuals volunteer their time and perform a variety of tasks that assist the Ranch, but these services do not meet the criteria for recognition as contributed services.

Services from Affiliates - The Ranch is required to recognize the value of all services received from personnel of affiliates that directly benefit the Ranch. During the years ended December 31, 2021 and 2020, the Ranch recorded \$132,224 and \$169,933, respectively, in expenses for services received from personnel of Jim Wood Ministries, Inc., an affiliate of the Ranch. This includes \$42,000 in cash payments to Jim Wood Ministries, Inc., \$12,000 in noncash compensation, and \$78,224 in contributed services for the year ended December 31, 2021, which were included in contributions without donor restrictions (\$72,000 in cash payments and \$97,933 in contributed services for the year ended December 31, 2020). Additionally, the Ranch is provided with administrative services by Thrive Lonsdale, also an affiliate of the Ranch, for which the Ranch paid \$20,000 in 2021 (\$0 in 2020).

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses - The costs of providing various program services and other activities of the Ranch have been summarized on a functional basis in the statement of activities. Costs are charged to program services, general and administrative, and fundraising functions based on direct expenses incurred. Indirect expenses are allocated among the program services benefited.

Recent Accounting Pronouncements - In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 enhances presentation and disclosure of contributed nonfinancial assets for not-for-profit entities. The ASU is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The adoption of ASU 2020-07 is not expected to have a material impact on the Ranch's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The standard is effective for annual reporting periods beginning after December 15, 2021. The Ranch is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements.

Reclassifications - Certain items in the 2020 financial statements have been reclassified to conform with the presentation in the 2021 financial statements and footnotes.

Subsequent Events - Management has evaluated subsequent events through April 28, 2022, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Ranch maintains its cash accounts in two local banks. The cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per legal ownership. The Ranch has also entered into a repurchase agreement with one of the banks whereby government agency securities are purchased and resold on a daily basis as collateral for amounts in excess of FDIC insurance limits. At December 31, 2021 and 2020, the Ranch did not have any cash balances subject to custodial credit risk.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2021	2020
Financial Assets, At Year End	\$ 2,521,404	\$ 1,781,540
Less Those Unavailable for General Expenditures Within One Year, Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donor With Time or Purpose Restrictions	(885,896)	(129,694)
Board Designations:		
Quasi-Endowment Fund, Primarily for Education Expenditures	(449,621)	(408,995)
Amounts Set Aside for Capital Development	(272,291)	(5,475)
	<u>\$ 913,596</u>	<u>\$ 1,237,376</u>

Amounts reported on the statement of financial position as donor restricted cash represent contributions from donors that are restricted for long-term purposes. Amounts reported on the statement of financial position as board designated cash and investments represent the board's intent to use these amounts for specific purposes and are self-imposed limitations on the availability of financial assets. See Note 6 for additional detail of donor restricted and board designated net assets. Income from the quasi-endowments are limited to education expenditures. There is no set spending rate for the quasi-endowments. The Ranch has a goal to end the year with cash on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$642,000.

NOTE 4 - INVESTMENTS

Investments carried at estimated fair value (see Note 8) as of December 31 are as follows:

	2021	2020
Mutual Funds		
Domestic Equity	\$ 161,550	\$ 129,229
International Equity	102,168	86,823
Fixed Income	265,317	182,998
	<u>\$ 529,035</u>	<u>\$ 399,050</u>

Investment return, net, is summarized below for the years ended December 31:

	2021	2020
Interest and Dividends	\$ 33,998	\$ 19,536
Net Realized Gains (Losses)	6,893	4,382
Net Unrealized Gains (Losses)	17,591	23,505
Administrative Fees	(1,401)	(1,072)
	<u>\$ 57,081</u>	<u>\$ 46,351</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 and 2020, are summarized as follows:

	2021	2020
Land	\$ 3,016,723	\$ 2,023,470
Land Improvements	498,075	476,812
Buildings	5,450,308	5,349,253
Vehicles	242,638	263,942
Equipment, Furniture and Other	430,602	398,383
Construction in Progress	281,900	58,527
	9,920,246	8,570,387
Less Accumulated Depreciation	<u>(3,038,176)</u>	<u>(2,826,722)</u>
	<u>\$ 6,882,070</u>	<u>\$ 5,743,665</u>

NOTE 6 - NET ASSETS

Net assets without donor restrictions as of December 31, 2021 and 2020 consisted of the following:

	2021	2020
Designated by the Board for:		
Capital Development	\$ 272,291	\$ 5,475
Scholarships - Randolph Memorial Education Fund	449,621	408,995
Undesignated	<u>7,829,719</u>	<u>7,073,810</u>
	<u>\$ 8,551,631</u>	<u>\$ 7,488,280</u>

NOTE 6 - NET ASSETS (Continued)

Net assets with donor restrictions as of December 31, 2021 and 2020 consisted of the following:

	2021	2020
Subject to expenditure for a specific purpose:		
Capital Projects		
Land Acquisition	\$ 656,709	\$ 0
Camp Development	6,534	0
General Capital Development	0	883
New Vehicles	5,055	18,653
Equestrian Program	27,360	17,560
Greenhouse	7,254	7,254
WVR Market	1,197	1,197
Total Capital Projects	<u>704,109</u>	<u>45,547</u>
Operating Purposes		
Special Needs	31,385	23,525
Scholarships - Grace Scholarship Fund	83,326	25,196
Education	7,596	7,596
Camp Scholarships	13,104	5,110
Wood Skills	13,109	12,534
Other Miscellaneous	33,267	10,186
Total Operating Purposes	<u>181,787</u>	<u>84,147</u>
	<u>\$ 885,896</u>	<u>\$ 129,694</u>

NOTE 7 - RETIREMENT PLAN

The Ranch has a 403(b) defined contribution plan, to which employees may elect to contribute up to Internal Revenue Code limitations. The Ranch makes matching employer contributions of 50% of employee contributions up to \$375. The Ranch recorded retirement plan expense of \$6,561 and \$6,231 for the years ended December 31, 2021 and 2020, respectively.

NOTE 8 - FAIR VALUE DISCLOSURES

GAAP generally permits the measurement of selected eligible financial instruments at fair value at specified election dates. The Ranch has not elected to adopt the fair value option for any financial instruments. However, other accounting pronouncements require the Ranch to measure certain financial instruments at fair value as described below.

GAAP defines fair value as the exchange price that would be received for an asset (an exit price) in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Unadjusted quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.
- Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs for determining the fair value of assets that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset.

NOTE 8 - FAIR VALUE DISCLOSURES (Continued)

A description of valuation methodologies used for assets recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. There have been no changes in the methodologies used at December 31, 2021 and 2020. The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets Recorded at Fair Value on a Recurring Basis

Investments are recorded at fair value on a recurring basis, based on the following:

Mutual Funds – Valued at quoted prices in an active market.

Below is a table that presents information about certain assets measured at fair value on a recurring basis:

		Fair Value Measurements Using		
	Carrying Amount in the Statements of Financial Position	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>As of December 31, 2021</u>				
Investments:				
Mutual Funds	\$ <u>529,035</u>	\$ <u>529,035</u>	\$ <u>0</u>	\$ <u>0</u>
<u>As of December 31, 2020</u>				
Investments:				
Mutual Funds	\$ <u>399,050</u>	\$ <u>399,050</u>	\$ <u>0</u>	\$ <u>0</u>