

**WEARS VALLEY RANCH, INC.**

**Sevierville, Tennessee**

**FINANCIAL STATEMENTS**

**December 31, 2023 and 2022**





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## 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, 2023 and 2022, 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, 2023 and 2022, 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 audit 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 Audit 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 Audit 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.



An independently owned member  
**RSM US Alliance**



**TSCPA**  
Members of the Tennessee Society  
Of Certified Public Accountants

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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Pugh & Company, P.C.*

Certified Public Accountants  
Knoxville, Tennessee  
May 1, 2024

**WEARS VALLEY RANCH, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	As of December 31,	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		\$ 647,403	\$ 657,232
Receivables and Other Current Assets		<u>4,523</u>	<u>283,756</u>
<b>Total Current Assets</b>		<u>651,926</u>	<u>940,988</u>
<b>NONCURRENT ASSETS</b>			
Cash Held for Capital Improvements		856,423	858,389
Cash Held for Quasi-Endowments		4,529	15,818
Investments		562,935	442,711
Property and Equipment, Net		7,088,462	7,075,308
Other Assets		<u>120,283</u>	<u>130,726</u>
<b>Total Noncurrent Assets</b>		<u>8,632,632</u>	<u>8,522,952</u>
<b>TOTAL ASSETS</b>		<u>\$ 9,284,558</u>	<u>\$ 9,463,940</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Other Liabilities		<u>\$ 30,666</u>	<u>\$ 34,756</u>
<b>NET ASSETS</b>			
Without Donor Restrictions		8,117,504	8,351,694
With Donor Restrictions		<u>1,136,388</u>	<u>1,077,490</u>
<b>Total Net Assets</b>		<u>9,253,892</u>	<u>9,429,184</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u>\$ 9,284,558</u>	<u>\$ 9,463,940</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,	<u>2023</u>	<u>2022</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>			
<b>REVENUES AND SUPPORT</b>			
<b>Revenues</b>			
Contributions		\$ 2,363,018	\$ 2,209,213
Contributions of Nonfinancial Assets		66,684	332,337
Tuition, Camp and Other Fees		397,364	350,429
Investment Return, Net		60,517	(49,020)
Net Gain (Loss) on Sale of Property and Equipment		(15,524)	(2,300)
Other Revenue		107,211	50,591
<b>Total Revenues Without Donor Restrictions</b>		<u>2,979,270</u>	<u>2,891,250</u>
<b>Net Assets Released from Restrictions</b>			
Satisfaction of Capital Restrictions		197,353	63,322
Satisfaction of Program Restrictions		99,960	81,450
<b>Total Net Assets Released from Restrictions</b>		<u>297,313</u>	<u>144,772</u>
<b>Total Revenues and Support Without Donor Restrictions</b>		<u>3,276,583</u>	<u>3,036,022</u>
<b>EXPENSES</b>			
<b>Program Services:</b>			
Residential		977,906	798,409
Counseling and Recreation		471,347	526,134
Education		1,075,955	991,977
Camps and Retreats		381,579	320,292
<b>Support Services:</b>			
General and Administrative		373,752	370,292
Fundraising		230,234	228,855
<b>Total Expenses</b>		<u>3,510,773</u>	<u>3,235,959</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		<u>(234,190)</u>	<u>(199,937)</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>			
Contributions		345,653	347,844
Investment Return, Net		10,558	(11,478)
Net Assets Released from Restrictions		(297,313)	(144,772)
<b>INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>		<u>58,898</u>	<u>191,594</u>
<b>INCREASE (DECREASE) IN TOTAL NET ASSETS</b>		<u>(175,292)</u>	<u>(8,343)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>		<u>9,429,184</u>	<u>9,437,527</u>
<b>NET ASSETS, END OF YEAR</b>		<u>\$ 9,253,892</u>	<u>\$ 9,429,184</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, 2023**

	<u>Residential Program</u>	<u>Counseling and Recreation Program</u>	<u>Education Program</u>	<u>Camps and Retreats Program</u>	<u>Total Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 524,661	\$ 355,418	\$ 445,772	\$ 177,793	\$ 1,503,644	\$ 265,878	\$ 137,053	\$ 1,906,575
Payroll Taxes	32,233	23,130	31,154	12,209	98,726	17,252	3,490	119,468
Utilities	38,669	6,190	37,265	8,689	90,813	6,075	135	97,023
Supplies	10,791	7,250	99,820	43,793	161,654	1,450	0	163,104
Telephone, Internet and Paging	3,859	4,594	4,948	2,278	15,679	6,293	23	21,995
Postage and Shipping	0	0	0	223	223	0	13,520	13,743
Maintenance and Occupancy	59,823	20,237	71,980	13,751	165,791	6,138	528	172,457
Food and Paper	98,778	86	42,568	44,895	186,327	0	0	186,327
Equipment	0	1,772	5,618	21,382	28,772	10,119	7,489	46,380
Printing and Publications	0	0	135,190	462	135,652	0	26,795	162,447
Travel	24,125	0	4,445	3,715	32,285	2,417	0	34,702
Conferences and Meetings	10,228	312	5,067	4,432	20,039	3,036	11,818	34,893
Fees and Permits	24,000	0	4,220	14,052	42,272	40,904	25,616	108,792
Recreation and Entertainment	24,762	10,918	10,847	0	46,527	0	0	46,527
Automobile	24,560	2,971	12,694	2,431	42,656	3,698	270	46,624
Insurance	33,988	12,892	55,085	10,548	112,513	3,516	1,172	117,201
<b>Total</b>	910,477	445,770	966,673	360,653	2,683,573	366,776	227,909	3,278,258
Depreciation	67,429	25,577	109,282	20,926	223,214	6,976	2,325	232,515
<b>Total Expenses</b>	<u>\$ 977,906</u>	<u>\$ 471,347</u>	<u>\$ 1,075,955</u>	<u>\$ 381,579</u>	<u>\$ 2,906,787</u>	<u>\$ 373,752</u>	<u>\$ 230,234</u>	<u>\$ 3,510,773</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, 2022**

	<b>Residential Program</b>	<b>Counseling and Recreation Program</b>	<b>Education Program</b>	<b>Camps and Retreats Program</b>	<b>Total Programs</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and Benefits	\$ 412,479	\$ 345,735	\$ 441,605	\$ 148,494	\$ 1,348,313	\$ 264,624	\$ 129,187	\$ 1,742,124
Payroll Taxes	26,228	21,888	30,943	10,266	89,325	17,410	4,398	111,133
Utilities	36,701	7,779	32,359	8,890	85,729	5,341	98	91,168
Supplies	8,170	49,090	53,426	27,712	138,398	2,476	0	140,874
Telephone, Internet and Paging	3,072	4,411	4,879	1,425	13,787	6,281	23	20,091
Postage and Shipping	0	0	0	267	267	0	12,391	12,658
Maintenance and Occupancy	56,588	32,035	67,166	12,077	167,866	4,369	424	172,659
Food and Paper	67,702	48	39,285	41,570	148,605	0	0	148,605
Equipment	0	0	19,235	10,970	30,205	12,405	9,546	52,156
Printing and Publications	0	0	111,034	1,432	112,466	0	35,491	147,957
Travel	26,317	184	3,677	17,084	47,262	2,182	0	49,444
Conferences and Meetings	5,274	2,605	1,822	4,573	14,274	1,960	10,462	26,696
Fees and Permits	24,000	0	2,824	9,082	35,906	38,065	23,057	97,028
Recreation and Entertainment	14,600	9,461	2,354	0	26,415	0	0	26,415
Automobile	24,962	5,031	17,251	2,516	49,760	4,922	359	55,041
Insurance	27,018	14,009	48,032	7,005	96,064	3,002	1,001	100,067
<b>Total</b>	<b>733,111</b>	<b>492,276</b>	<b>875,892</b>	<b>303,363</b>	<b>2,404,642</b>	<b>363,037</b>	<b>226,437</b>	<b>2,994,116</b>
Depreciation	65,298	33,858	116,085	16,929	232,170	7,255	2,418	241,843
<b>Total Expenses</b>	<b>\$ 798,409</b>	<b>\$ 526,134</b>	<b>\$ 991,977</b>	<b>\$ 320,292</b>	<b>\$ 2,636,812</b>	<b>\$ 370,292</b>	<b>\$ 228,855</b>	<b>\$ 3,235,959</b>

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

**WEARS VALLEY RANCH, INC.**  
**STATEMENTS OF CASH FLOWS**

	2023	2022
For the Years Ended December 31,		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Total Net Assets	\$ (175,292)	\$ (8,343)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	232,515	241,843
Net Realized and Unrealized (Gains) Losses on Investments	(43,012)	87,726
Forgiveness of Notes Receivable	1,244	5,000
Net (Gain) Loss on Disposal of Property and Equipment	15,524	2,300
(Increase) Decrease in Receivables and Other Assets	257,248	(290,819)
Increase (Decrease) in Accounts Payable and Other Liabilities	(4,090)	(62,632)
Contributions Restricted for Long-Term Purposes	(246,535)	(261,460)
Total Adjustments	212,894	(278,042)
<b>Net Cash Provided by (Used In) Operating Activities</b>	37,602	(286,385)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditures, Net	(234,075)	(434,603)
Purchases of Investments	(212,241)	(29,175)
Proceeds from the Sale of Investments	135,029	27,773
Proceeds from the Sale of Property and Equipment	3,200	0
Payments Received on Notes Receivable	866	0
<b>Net Cash Provided by (Used in) Investing Activities</b>	(307,221)	(436,005)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Long-Term Purposes	246,535	261,460
<b>Net Cash Provided by (Used In) Financing Activities</b>	246,535	261,460
<b>NET INCREASE (DECREASE) IN CASH</b>	(23,084)	(460,930)
<b>CASH, BEGINNING OF YEAR</b>	1,531,439	1,992,369
<b>CASH, END OF YEAR</b>	\$ 1,508,355	\$ 1,531,439
<b>Cash, End of Year Consists of:</b>		
Cash	\$ 647,403	\$ 657,232
Cash Held for Capital Improvements	856,423	858,389
Cash Held for Quasi-Endowments	4,529	15,818
	\$ 1,508,355	\$ 1,531,439
<b>Supplementary Disclosures of Cash Flow Information:</b>		
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, 2023 and 2022**

**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 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, 2023 and 2022, the Ranch had unconditional promises to give of \$0 and \$275,000, 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:

	2023	2022
Revenue Recognized at a Point in Time	\$ 66,872	\$ 36,041
Revenue Recognized Over Time	397,364	350,429
	\$ 464,236	\$ 386,470

**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, 2023 and 2022, the Ranch recorded \$138,684 and \$126,182, respectively, in expenses for services received from personnel of Jim Wood Ministries, Inc., an affiliate of the Ranch. This includes \$72,000 in cash payments to Jim Wood Ministries, Inc. and \$66,684 in contributed services for the year ended December 31, 2023, which were included in contributions without donor restrictions (\$72,000 in cash payments and \$54,182 in contributed services for the year ended December 31, 2022). See Note 8 for contributed services.

**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.

**Leases** - The Organization assesses contracts at inception to determine whether an arrangement is or includes a lease, which conveys the Organization's right to control the use of an identified asset for a period of time in exchange for consideration. Lease arrangements will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In accordance with ASU 2016-02, Leases (topic 842 or ASC 842), the Organization has elected to not apply the guidance of ASC 842 to leases with a term of twelve months or less and has elected to use a risk-free rate as the discount rate if an implicit rate is not readily determined. Refer to Note 7 for more information on the Organization's leasing activities.

**Income Taxes** - As exempt from federal income tax under Internal Revenue Code Section 501(c)(3), the Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization is no longer subject to examinations by tax authorities for years before 2020.

**Subsequent Events** - Management has evaluated subsequent events through May 1, 2024, 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, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Financial Assets, At Year End	\$ 2,071,290	\$ 1,974,150
Less Those Unavailable for General Expenditures Within One Year, Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donor With Time or Purpose Restrictions	(1,136,388)	(1,077,490)
Board Designations:		
Quasi-Endowment Fund, Primarily for Education Expenditures	<u>(434,853)</u>	<u>(386,683)</u>
	<u>\$ 500,049</u>	<u>\$ 509,977</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 \$820,000.

**NOTE 4 - INVESTMENTS**

Investments carried at estimated fair value (see Note 10) as of December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Mutual Funds		
Domestic Equity	\$ 145,829	\$ 118,851
International Equity	136,477	95,909
Fixed Income	<u>280,629</u>	<u>227,951</u>
	<u>\$ 562,935</u>	<u>\$ 442,711</u>

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

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 29,545	\$ 28,672
Net Realized Gains (Losses)	(18,241)	(2,584)
Net Unrealized Gains (Losses)	61,253	(85,142)
Administrative Fees	<u>(1,482)</u>	<u>(1,444)</u>
	<u>\$ 71,075</u>	<u>\$ (60,498)</u>

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2023 and 2022, are summarized as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 3,016,723	\$ 3,016,723
Land Improvements	464,599	498,076
Buildings	6,239,775	5,855,984
Vehicles	275,486	242,638
Equipment, Furniture and Other	266,831	443,748
Construction in Progress	<u>14,621</u>	<u>291,412</u>
	10,278,035	10,348,581
Less Accumulated Depreciation	<u>(3,189,573)</u>	<u>(3,273,273)</u>
	<u>\$ 7,088,462</u>	<u>\$ 7,075,308</u>

**NOTE 6 - NET ASSETS**

Net assets without donor restrictions as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Designated by the Board for:		
Scholarships - Randolph Memorial Education Fund	\$ 434,853	\$ 386,683
Undesignated	<u>7,682,651</u>	<u>7,965,011</u>
	<u>\$ 8,117,504</u>	<u>\$ 8,351,694</u>

Net assets with donor restrictions as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specific purpose:		
Capital Projects		
Land Acquisition	\$ 742,600	\$ 728,353
Camp Development	47,166	13,438
Equestrian Program	29,066	21,357
General Capital Development	20,001	33,738
Greenhouse	7,254	7,254
New Vehicles	0	48,052
Tennis Courts	9,139	5,000
WVR Market	<u>1,197</u>	<u>1,197</u>
Total Capital Projects	<u>856,423</u>	<u>858,389</u>
Operating Purposes		
Scholarships - Grace Scholarship Fund	132,611	97,053
Camp Scholarships	20,503	11,760
Camp Operations	2,531	3,150
Education	7,596	7,596
Grants	25,000	25,000
Recreation and Entertainment	6,299	5,728
Special Needs	22,675	27,821
Wood Skills	10,969	13,609
SAS Curriculum Development	23,199	0
Other Miscellaneous	<u>28,582</u>	<u>27,384</u>
Total Operating Purposes	<u>279,965</u>	<u>219,101</u>
	<u>\$ 1,136,388</u>	<u>\$ 1,077,490</u>

**NOTE 7 - LEASE COMMITMENTS**

The Ranch entered into an operating lease agreement for use of a residential lake house property in Sevierville, Tennessee. Rent expense, which is included under Residential Program, Fees and Permits in the statement of functional expenses, paid under this lease was \$24,000 for both years ended December 31, 2023 and 2022. The lease term began on January 1, 2022 and ended on December 31, 2022 with the option to extend under a month-to-month basis with either the landlord or tenant having the option to cancel the arrangement. The Ranch made an accounting policy election available under Topic 842 to not recognize lease assets and lease liabilities for leases with a term of 12 months or less, so no lease asset or liability has been recorded for this arrangement for the year ended December 31, 2023 or 2022.

**NOTE 8 - CONTRIBUTED NONFINANCIAL ASSETS**

Contributed nonfinancial assets as of December 31, 2023 and 2022, are summarized as follows:

	<u>2023</u>	<u>2022</u>
Property and Equipment	\$ 0	\$ 275,000
Services	<u>66,684</u>	<u>57,337</u>
	<u>\$ 66,684</u>	<u>\$ 332,337</u>

The Ranch recognizes contributed nonfinancial assets within revenue, including contributed property and equipment, goods, and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

For the year ended December 31, 2022, contributed property and equipment consisted of a pledge of a house located in Sevierville, Tennessee. In valuing the contributed pledged property, the Ranch estimated the fair value on the basis of a recent real estate appraisal conducted by a licensed firm. The Ranch monetized this property in 2023 for use in operations. The Ranch did not monetize any contributed nonfinancial assets for the year ended December 31, 2022.

A number of individuals and organizations have volunteered their services to the Ranch. For the year ended December 31, 2023, contributed services recognized include services provided by personnel of Jim Wood Ministries, Inc., an affiliate of the Ranch. For the year ended December 31, 2022, contributed services recognized include professional services received from a clinical counselor, a land surveyor, a cleaning service, and services provided by personnel of Jim Wood Ministries, Inc. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current market rates for similar professional services. For those services that do not require special expertise, the estimated value of such donated services has not been recorded in the financial statements.

A number of individuals and organizations have made in-kind donations of food, clothing, or operational goods and supplies for use by the Ranch. In valuing such items, the Ranch estimates the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. For those items that are of insignificant value, the estimated value of such donated goods has not been recorded in the financial statements.

**NOTE 9 - 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 \$5,595 and \$4,828 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 10 - 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.

**NOTE 10 - FAIR VALUE DISCLOSURES (Continued)**

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.

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, 2023 and 2022. 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:

	Carrying Amount in the Statements of Financial Position	Fair Value Measurements Using		
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b><u>As of December 31, 2023</u></b>				
Investments:				
Mutual Funds	\$ <u>562,935</u>	\$ <u>562,935</u>	\$ <u>0</u>	\$ <u>0</u>
<b><u>As of December 31, 2022</u></b>				
Investments:				
Mutual Funds	\$ <u>442,711</u>	\$ <u>442,711</u>	\$ <u>0</u>	\$ <u>0</u>