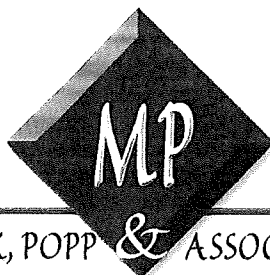


**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.**

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

CONTENTS

	Page
Independent Auditor's Report	2 - 3
Financial Statements:	
Combined Statements of Financial Position	4 - 5
Combined Statements of Activities	6 - 7
Combined Statements of Functional Expenses	8 - 9
Combined Statements of Cash Flows	10 - 11
Notes to Combined Financial Statements	12 - 26
Supplemental Information:	
Statements of Financial Position - Ranch	28 - 29
Statements of Activities - Ranch	30 - 31
Statements of Functional Expenses - Ranch	32 - 33
Statements of Cash Flows - Ranch	34 - 35



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Special K Ranch, Inc. and
Special K Ranch Foundation, Inc.

We have audited the accompanying financial statements of Special K Ranch, Inc. (a non-profit organization) and Special K Ranch Foundation, Inc. (a non-profit organization) (“the Entities”), which comprise the combined statements of financial position as of September 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Special K Ranch, Inc. and Special K Ranch Foundation, Inc. as of September 30, 2022 and 2021, 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. 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 Special K Ranch, Inc. and Special K Ranch Foundation, Inc. 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 opinion.

Management’s Responsibility 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 Special K Ranch, Inc. and Special K Ranch Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

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 generally accepted 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Special K Ranch, Inc. and Special K Ranch Foundation, Inc. '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 Special K Ranch, Inc. and Special K Ranch Foundation, Inc. '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.

Mrachek, Popp & Associates, PC
August 31, 2023
Billings, MT

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 596,673	\$ 457,637
Accounts receivable, net of \$0 and \$0 allowance for doubtful accounts	20,770	23,603
Prepaid expense	24,805	
Inventory	139,563	83,806
Cash restricted by the Board	<u>999,696</u>	<u>667,223</u>
Total Current Assets	<u>1,781,507</u>	<u>1,232,269</u>
Property and Equipment		
Land and improvements	1,299,149	1,267,898
Resident homes and ranch structures	3,811,264	3,752,450
Ranch equipment	598,814	558,955
Furniture and fixtures	181,299	176,299
Construction in progress	<u>58,256</u>	<u>105,896</u>
	5,948,782	5,861,498
Less accumulated depreciation	<u>(2,772,174)</u>	<u>(2,592,500)</u>
Total Property and Equipment	<u>3,176,608</u>	<u>3,268,998</u>
Other Assets		
Foundation investments	4,938,745	6,163,904
Beneficial interest in assets held by others	<u>63,303</u>	<u>36,679</u>
Total Other Assets	<u>5,002,048</u>	<u>6,200,583</u>
 Total Assets	 <u>\$ 9,960,163</u>	 <u>\$ 10,701,850</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021**

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current Liabilities		
Accounts payable	\$ 106,768	\$ 59,057
Unearned revenues	7,715	
Accrued expenses		
Payroll and withholding liabilities	42,910	8,664
Retirement plan	2,368	1,460
Miscellaneous		1,214
Deferred gift annuity payable – current portion		
Total Current Liabilities	<u>159,761</u>	<u>70,395</u>
Long-term Liabilities		
Deferred gift annuity payable, net of current portion	<u>144,155</u>	<u>114,922</u>
Total Liabilities	<u>303,916</u>	<u>185,317</u>
Net Assets		
Without donor restriction		
Invested in capital assets	3,176,608	3,268,998
Unreserved	<u>1,630,378</u>	<u>2,485,325</u>
	<u>4,806,986</u>	<u>5,754,323</u>
With donor restriction		
Purpose restricted	698,409	970,258
Perpetual in nature	<u>4,150,852</u>	<u>3,791,952</u>
	<u>4,849,261</u>	<u>4,762,210</u>
Total Net Assets	<u>9,656,247</u>	<u>10,516,533</u>
Total Liabilities and Net Assets	<u>\$ 9,960,163</u>	<u>\$ 10,701,850</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public Support and Revenue			
Public Support			
Public support	\$ 554,825	\$ 737,300	\$ 1,292,125
Sales to public	567,627		567,627
Less cost of goods sold	(168,916)		(168,916)
Special events	181,790		181,790
Less direct benefits to donors	(10,725)		(10,725)
Grants	62,163	20,000	82,163
Gifts in-kind	61,093		61,093
Resident fees	499,532		499,532
Miscellaneous income	(349)		(349)
Investment income	(428,517)	(645,614)	(1,074,131)
Net assets released from restrictions	<u>24,635</u>	<u>(24,635)</u>	<u>---</u>
Total public support and revenue	<u>1,343,158</u>	<u>87,051</u>	<u>1,430,209</u>
Expenses			
Program service	1,870,044		1,870,044
Fundraising	161,990		161,990
Administration	<u>258,461</u>		<u>258,461</u>
Total expenses	<u>2,290,495</u>		<u>2,290,495</u>
Change in Net Assets	(947,337)	87,051	(860,286)
Net Assets, Beginning of Year	<u>5,754,323</u>	<u>4,762,210</u>	<u>10,516,533</u>
Net Assets, End of Year	<u>\$ 4,806,986</u>	<u>\$ 4,849,261</u>	<u>\$ 9,656,247</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public Support and Revenue			
Public Support			
Public support	\$ 564,868	\$ 737,767	\$ 1,302,635
Sales to public	567,158		567,158
Less cost of goods sold	(168,815)		(168,815)
Special events	83,724		83,724
Less direct benefits to donors	(3,588)		(3,588)
Grants	167,200	36,020	203,220
Gifts in-kind	24,911		24,911
Resident fees	511,683		511,683
Miscellaneous income	16,694		16,694
Investment income	8,687	894,910	903,597
Net assets released from restrictions	<u>455,901</u>	<u>(455,901)</u>	<u>---</u>
Total public support and revenue	<u>2,228,423</u>	<u>1,212,796</u>	<u>3,441,219</u>
Expenses			
Program service	1,650,915		1,650,915
Fundraising	171,024		171,024
Administration	<u>236,836</u>		<u>236,836</u>
Total expenses	<u>2,058,775</u>		<u>2,058,775</u>
Change in Net Assets	169,648	1,212,796	1,382,444
Net Assets, Beginning of Year	<u>5,584,675</u>	<u>3,549,414</u>	<u>9,134,089</u>
Net Assets, End of Year	<u>\$ 5,754,323</u>	<u>\$ 4,762,210</u>	<u>\$ 10,516,533</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022**

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 914,381	\$ 77,939	\$ 99,950	\$ 1,092,270
Employee benefits	194,314	16,222	21,206	231,742
Payroll taxes	103,739	5,962	7,645	117,346
Staff enrichment	13,792			13,792
Farming program	72,233			72,233
Horticultural program	103,034			103,034
Services program	8,297			8,297
Occupancy	171,521	9,095	4,643	185,259
Advertising/public relations	1,329	714	280	2,323
Communication		2,738	6,506	9,244
Insurance	60,022		4,970	64,992
Interest and finance charges		2,900	8,079	10,979
Maintenance and repair	8,703		4,885	13,588
Management fees			55,538	55,538
Office supplies		1,556	4,301	5,857
Postage		4,706	910	5,616
Printing and publications		26,292	2,278	28,570
Professional fees	43,199	250	6,929	50,378
Property taxes	475			475
Scholarships	2,565			2,565
Software support		6,165	1,566	7,731
Special event costs		4,362		4,362
Training/conferences		1,062	714	1,776
Travel	14,327	2,027	6,500	22,854
Depreciation	<u>158,113</u>		<u>21,561</u>	<u>179,674</u>
Total expenses	<u>\$ 1,870,044</u>	<u>\$ 161,990</u>	<u>\$ 258,461</u>	<u>\$ 2,290,495</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021**

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 797,482	\$ 77,130	\$ 88,097	\$ 962,709
Employee benefits	185,188	17,911	20,457	223,556
Payroll taxes	103,117	9,973	11,390	124,480
Staff enrichment	7,843			7,843
Farming program	54,965			54,965
Horticultural program	84,407			84,407
Services program	11,646			11,646
Occupancy	149,695	9,095	3,563	162,353
Advertising/public relations	6,405	2,058	175	8,638
Communication		2,600	7,124	9,724
Insurance	59,278		4,853	64,131
Interest and finance charges		825	4,645	5,470
Maintenance and repair	12,764		862	13,626
Management fees			54,921	54,921
Office supplies		810	3,053	3,863
Postage		5,417	877	6,294
Printing and publications		22,792	50	22,842
Professional fees	13,619	150	7,719	21,488
Property taxes	930			930
Scholarships				---
Software support		2,571	1,823	4,394
Special event costs		17,708		17,708
Training/conferences		1,039	619	1,658
Travel	1,315	945	4,481	6,741
Depreciation	<u>162,261</u>		<u>22,127</u>	<u>184,388</u>
Total expenses	<u>\$ 1,650,915</u>	<u>\$ 171,024</u>	<u>\$ 236,836</u>	<u>\$ 2,058,775</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (860,286)	\$ 1,382,444
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	179,674	184,388
Unrealized (gain) loss on investments	1,210,787	(390,687)
Realized (gain) on sale of investments	9,553	(389,745)
Gain on sale of capital assets		(13,577)
Donated stocks received	(31,086)	(45,317)
Contribution of personal property	(3,000)	
Change in current assets and liabilities:		
Accounts receivable	2,833	(20,169)
Prepaid expense	(24,805)	
Inventory	(55,757)	10,772
Accounts payable	47,711	9,676
Accrued expenses	7,715	
Accrued expenses	33,940	5
Deferred annuity payable	29,233	18,114
Contributions restricted for long-term purposes		
Endowments	<u>(358,900)</u>	<u>(528,473)</u>
Net cash provided by operating activities	<u>187,612</u>	<u>217,431</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(84,284)	(67,885)
Proceeds from disposal of capital assets		33,578
Proceeds from sale of investments	1,623,412	1,390,750
Purchase of investments	<u>(1,614,131)</u>	<u>(1,769,881)</u>
Net cash provided by (used in) investing activities	<u>(75,003)</u>	<u>(413,438)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted to endowment	<u>358,900</u>	<u>528,473</u>
Net cash provided by financing activities	<u>358,900</u>	<u>528,473</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
Net Change in Cash, Cash Equivalents, and Restricted Cash	471,509	332,466
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	1,124,860	795,394
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 1,596,369	\$ 1,124,860

**Cash, Cash Equivalents, and Restricted Cash at
End of Year include the following:**

Cash and Cash Equivalents	\$ 596,673	\$ 457,637
Restricted Cash designated by the Board of Directors	999,696	667,223
	\$ 1,596,369	\$ 1,124,860

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

NOTE 1 - Summary of Significant Accounting Policies

Description of Entities - Special K Ranch, Inc. (the Ranch) is a non-profit organization that offers a living and learning experience in a rural agricultural setting for people who have developmental disabilities. The Ranch serves both men and women ages 18 and older. The Ranch is located on approximately 230 acres, 10 miles west of Park City, Montana and 8 miles east of Columbus, Montana. The Ranch's mission statement is as follows:

“Providing family oriented Christian homes on a working ranch for adults who have developmental disabilities.”

The Ranch undergoes an annual license review from the State of Montana Department of Public Health and Human Services for Community Homes for the Developmentally Disabled. The license has been renewed through December 31, 2022.

Special K Ranch Foundation, Inc. (the Foundation) is a non-profit organization established in 2000. The Foundation was organized and is operated exclusively for the benefit of Special K Ranch, Inc., primarily in the areas of raising funds and managing investments.

Basis of Accounting - The accompanying combined financial statements have been prepared on the accrual basis of accounting. The accompanying financial statements include the combined assets, liabilities, net assets, changes in net assets, and cash flows for the Special K Ranch, Inc. and Special K Ranch Foundation, Inc. in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

Financial Statement Presentation – The Entities have presented their financial statements to conform to U.S. generally accepted accounting principles (U.S. GAAP) as applicable to not-for-profit organizations. Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Entities and changes therein are classified and reported as follows:

Without donor restriction – Net assets that are not subject to donor-imposed stipulations.

With donor restriction – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Entities and/or passage of time. This also includes net assets subject to donor-imposed stipulations that must be maintained permanently by the Entities. Generally, the donors of these assets permit the Entities to use all or part of the income earned on related investments for general or specific purposes.

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents - The Ranch considers all highly liquid investments with an original maturity of three (3) months or less to be cash equivalents for purposes of the statements of cash flows. Cash and cash equivalents for purposes of the combined statements of cash flows exclude purpose restricted or perpetually restricted cash and cash equivalents.

Cash may be held from time to time that is restricted by the board or donors as to its use. Such restrictions, as imposed by the Board, may be removed at the discretion of the Board resulting in an increase to cash and cash equivalents. Cash restricted by the board is not considered cash and cash equivalents on the statement of cash flows. The Ranch held \$999,696 and \$667,223 in cash that is restricted for various purposes at September 30, 2022 and 2021, respectively.

Property and Equipment - All purchased property and equipment is carried at cost. Donations of property and equipment are recorded as support at their estimated fair value. Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives of assets, which range from five (5) to forty (40) years. Expenditures for major renewals and betterments that extend the useful life of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The Ranch has established a threshold amount of \$1,000 for items with a life of one year or more in determining when an item will be capitalized or expensed.

Income Taxes - Both Special K Ranch, Inc. and Special K Ranch Foundation, Inc. qualify as a tax-exempt organization under Section 501(c)(3) as described in Sections 509(a)(1) and 170(b)(1)(A)(iv) of the Internal Revenue Code, and accordingly, there is no provision for income taxes in the accompanying financial statements. In addition, the Entities have been determined by the Internal Revenue Service not to be "private foundations" within the meaning of section 509(a) of the Internal Revenue Code.

The Entities' Form 990, Return of Organization Exempt from Income Tax, for the years ending September 30, 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates - The preparation of combined 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. Significant estimates included in the accompanying combined financial statements include, primarily, the valuation of donated items received.

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable resulting from program sales are stated at unpaid balances, less an allowance for doubtful accounts. The Ranch provides for losses on accounts receivable using the allowance method. The allowance is based on experience, and other circumstances, which may affect the ability of customers to meet their obligations. It is the Ranch's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. For the periods ended September 30, 2022 and 2021, management has determined that no allowance for uncollectible accounts is necessary.

Public Support and Revenue - The Ranch charges each resident a fee per month for room, board, and life services. The residents' social security and /or supplemental security income may be applied toward the fee. The Ranch also supports itself through income from Ranch production (sale of livestock, growing crops, greenhouse and nursery sales, and contract services) and annual fundraising events.

Public support and revenue are generally available for use without restriction unless specifically restricted by the donor. Unconditional promises to give are recorded when the written promise to give is received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates (applicable to the years in which the promises are received) to discount the amounts. The majority of the promises to give are received from a broad base of contributors. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at the end of each fiscal year.

Revenue and other contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to without restriction and reported in the statement of activities as net assets released from restrictions. The Board of Directors adopted a policy whereby if restrictions are accomplished within the fiscal year, the support shall be classified as without restriction.

Endowment contributions and investments are restricted by the donor. Investment earnings available for distributions are recorded with restrictions until such a time as the earnings are transferred from the investment account to an account designated as without restrictions.

Contributions of donated material non-cash assets are recorded at their fair values in the period received. Contributions of donated services that meet the requirement for recognition according to the Internal Revenue Code are recorded at their fair values in the period received.

Continued...

SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The costs of providing the programs and activities of the Ranch have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investments - The Ranch and Foundation applies ASC No. 820, *Fair Value Measurement*, for fair value measurements of financial and nonfinancial assets and financial liabilities. The Entities' estimates of fair value for financial assets and liabilities are based on the framework in ASC No. 820 which considers the inputs be used in the valuations when available. The disclosure of fair value estimates in the ASC No. 820 hierarchy is based on whether the significant inputs relative to the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quotes priced in active markets and the lowest priority to unobservable inputs that reflect the Entities' significant market assumptions. The three levels of the hierarchy are described as follows:

- Level 1 – Valuation based on unadjusted quoted market prices for identical assets or liabilities in accessible and active markets;
- Level 2 – Valuation based on inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Valuation derived from unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions; based on reasonable and commonly accepted assertions.

The Ranch and Foundation adheres to the Uniform Prudent Management of Institutional Funds Act of 2006. The law eliminates the historical dollar threshold and establishes prudent spending guidelines that considers both the duration and preservation of the fund. As a result of this enactment, subject to the donor's intent as expressed in a gift agreement or similar document, the Entities may now spend the amount of the principal and income of an endowment fund, even from an underwater fund, after considering the factors listed in the Act.

The Entities recognize all financial assets at their fair value as defined as an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

The Entities are required to provide additional disclosures under reporting standards as part of its financial statements. Those additional disclosures are included in Note 9.

Continued...

SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Change in Accounting Methods - As of the calendar year beginning after December 15, 2021, the Entities are required to implement ASU No. 2016-02 *Leases (Topic 842)* which require the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and new disclosures on key information about leasing arrangements. The new standard will be applied using a retrospective approach. The entities are currently evaluating the impact of provisions of ASC 842.

NOTE 2 – Liquidity and Availability

Financial assets available for general expenditures within one year as of September 30, 2022 are as follows:

Total assets	\$ 9,960,163
Less	
Short-term investments (non-cash)	(111,431)
Cash equivalents restricted for a specific purpose	(697,074)
Investments	(4,938,745)
Beneficial interest in assets held by others	(63,303)
Land, buildings, improvements, and equipment, net	<u>(3,176,608)</u>
 Financial assets available within one year	 <u>\$ 973,002</u>

The Ranch holds short-term cash investments of \$191,190 included in financial assets available within one year. Although management does not intend to spend from its invested amounts, amounts could be made available, if necessary, with management approval and is included in the liquidity measurements.

NOTE 3 – Inventory and Prepaid Expenses

Inventory is recorded at the lower of cost or fair market value. Inventory recorded on the Ranch's books as of September 30, 2022 and 2021, is summarized as follows:

	2022	2021
Livestock	\$ 54,730	\$ 39,770
Feed	24,396	18,547
Miscellaneous	5,130	5,130
Greenhouse and nursery	55,307	20,359
	<u>\$ 139,563</u>	<u>\$ 83,806</u>

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 3 – Inventory and Prepaid Expenses (continued)

The Ranch receives, as donations, various non-cash items that are deemed inappropriate to be put into service on the Ranch. Management will make the determination to hold such items for sale to the public. The Ranch, upon sale of such items, notifies the donor of the selling price in such cases as deemed necessary consistent with Internal Revenue Service regulations. Livestock and other capital assets recognized by the Ranch as depreciable fixed assets are not included in the above inventory totals.

Prepaid expenses include payments made for events or other expenses occurring in the next fiscal year. Prepaid expense of \$24,805 includes expenses related to special events occurring in October 2022.

NOTE 4 - Endowment Funds

The Foundation's endowments consist of individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Montana Prudent Management of Institutional Funds Act (MTMIFA) 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 Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 4 - Endowment Funds (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MTMIFA. In accordance with MTMIFA, the Foundation 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 purpose of the Foundation 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. The investment policy of the Foundation

The composition of endowment investment assets by fund as of September 30, 2022 and 2021, is as follows:

September 30, 2022:	<u>Without Restriction</u>	<u>Purpose Restriction</u>	<u>Perpetual Restricted</u>	<u>Total</u>
Donor-restricted	\$	\$	\$ 4,088,884	\$ 4,088,884
Board restricted	<u>849,861</u>	<u> </u>	<u> </u>	<u>849,861</u>
	<u>\$ 849,861</u>	<u>\$ ---</u>	<u>\$ 4,088,884</u>	<u>\$ 4,938,745</u>
September 30, 2021:	<u>Without Restriction</u>	<u>Purpose Restriction</u>	<u>Perpetual Restricted</u>	<u>Total</u>
Donor-restricted	\$	\$	\$ 3,776,067	\$ 3,776,067
Board restricted	<u>1,740,888</u>	<u>646,949</u>	<u> </u>	<u>2,387,837</u>
	<u>\$ 1,740,888</u>	<u>\$ 646,949</u>	<u>\$ 3,776,067</u>	<u>\$ 6,163,904</u>

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 4 - Endowment Funds (continued)

Changes in endowment investment assets for the year ended September 30, 2022, is as follows:

	<u>Without Restriction</u>	<u>Purpose Restriction</u>	<u>Perpetual Restricted</u>	<u>Total</u>
Beginning of year	\$ 1,740,888	\$ 646,949	\$ 3,776,067	\$ 6,163,904
Investment returns:				
Interest/dividends		142,515		142,515
Gains/losses	(930,896)	(278,368)		(1,209,264)
Contributions	39,869		312,817	352,686
Appropriation of assets for expenditure:				
Transfers to charity		(445,884)		(445,884)
Fees/other charges		(62,312)		(62,312)
Annuity payments		(2,900)		(2,900)
End of year	<u>\$ 849,861</u>	<u>\$ ---</u>	<u>\$ 4,088,884</u>	<u>\$ 4,938,745</u>

Changes in endowment investment assets for the year ended September 30, 2021, is as follows:

	<u>Without Restriction</u>	<u>Purpose Restriction</u>	<u>Perpetual Restricted</u>	<u>Total</u>
Beginning of year	\$ 1,650,090	\$ 164,873	\$ 3,156,321	\$ 4,971,284
Investment returns:				
Interest/dividends		121,456		121,456
Gains/losses		773,454		773,454
Contributions	90,797		619,746	710,543
Appropriation of assets for expenditure:				
Transfers to charity		(350,144)		(350,144)
Fees/other charges	1	(61,290)		(61,289)
Annuity payments		(1,400)		(1,400)
End of year	<u>\$ 1,740,888</u>	<u>\$ 646,949</u>	<u>\$ 3,776,067</u>	<u>\$ 6,163,904</u>

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 4 - Endowment Funds (continued)

The Foundation adopted the policy to report earnings from all restricted assets as with restriction until funds are appropriated from the account designated as restricted. The Foundation's endowment spending policy requires that 1.25% of the endowment fund balance will be distributed quarterly, based on the most recent quarter end fair market value. The Foundation investment objective is to earn long-term returns comprised of capital appreciation and current income sufficient to fund distributions. The policy includes a rate of return performance benchmark to exceed inflation by 5.0% as measured by the Consumer Price Index. The Foundation will achieve returns by investing in equities (including international funds), government bonds, and cash funds that are actively managed through various investment management firms. The stated Foundation risk tolerance is moderate.

NOTE 5 - Investments and Beneficial Interest in Assets Held by Others

The Ranch transferred endowment funds with an original basis of \$23,085 to be held by the Montana Community Foundation, a non-profit organization that provides investment management for charitable organizations. The Montana Community Foundation does not maintain variance power over the funds held on behalf of the Ranch, therefore, the Ranch recognizes the fair market value of the endowment as an asset on its financial statements. Subsequent to that action, certain endowed funds have been collapsed into the fund, the status of which is perpetually restricted. The income that is derived from the endowment and forwarded by the Montana Community Foundation to the Ranch is considered unrestricted. As of September 30, 2022 and 2021, the endowment has a fair market value of \$63,303 and \$36,679, respectively.

NOTE 6 - Foundation Investments

As of September 30, 2022 and 2021, the Foundation assets and liabilities, carried at fair market value and invested in a variety of securities with varying yields and maturity dates, are as follows:

	<u>2022</u>	<u>2021</u>
Cash management accounts	\$ 337,702	\$ 193,178
Fixed income mutual funds/ETF	910,917	1,606,649
Equity mutual funds/ETF	1,262,551	1,855,128
Common stock equities	2,333,770	2,508,949
Alternative Investments	93,805	
Accounts payable	(4,500)	(5,350)
Deferred gift annuities payable	<u>(144,155)</u>	<u>(114,922)</u>
 Net Fair Market Value	 <u>\$ 4,790,090</u>	 <u>\$ 6,043,632</u>

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 6 - Foundation Investments (Continued)

The cash and investments activity of the Foundation for the years ended September 30, 2022 and 2021, is summarized as follows:

	<u>2022</u>	<u>2021</u>
Beginning Value	\$ 6,163,904	\$ 4,971,284
Contributions Received:		
Transfers from Special K Ranch, Inc.	10,675	72,108
Endowment contribution	342,011	638,435
Investment Earnings	142,515	121,456
Realized Gains	(5,983)	390,239
Unrealized Gains (Losses)	(1,203,281)	383,215
Investment Fees	(55,916)	(54,921)
Transfers to Special K Ranch, Inc.	(445,884)	(350,144)
Costs, Expenses, and Other Disbursements	<u>(9,296)</u>	<u>(7,768)</u>
Ending Value - Foundation investments	<u>\$ 4,938,745</u>	<u>\$ 6,163,904</u>

NOTE 7 - Line of Credit and Pledged Assets

The Ranch has an open-end line-of-credit agreement with Stockman Bank of Montana. Maximum available borrowing under the line-of-credit, bearing a maturity date of April 1, 2023, is \$200,000. The note bears an interest rate equal to the Wall Street Journal U.S. Prime Rate plus 1.5%, currently 8.5%. The note is secured by the real property located at 34 Special K Ranch, Columbus, Montana. As of September 30, 2021, and 2020, the outstanding balances on the line-of-credit were \$0 and \$0, respectively.

NOTE 8 - Net Assets with Restriction

Purpose restricted net assets are available for the following purpose or period:

	<u>2022</u>	<u>2021</u>
Building construction/upgrade	\$ 655,652	\$ 279,322
Septic/drain field	17,991	17,991
Scholarships	19,595	22,160
Programs	3,836	3,836
Endowment fund earnings	<u>1,335</u>	<u>646,949</u>
Total Purpose Restricted Net Assets	<u>\$ 698,409</u>	<u>\$ 970,258</u>

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 8 - Net Assets with Restriction (Continued)

Net assets released from restriction in the current period include endowment funds distributed or reduced through market valuation in the amount of \$511,096. Other decreases in purpose restricted net assets include capital building projects of \$22,070 and scholarship/program expenditures of \$2,565.

Perpetually restricted net assets are represented by the following:

	<u>2022</u>	<u>2021</u>
Community Foundation investment (non-variance)	\$ 61,968	\$ 15,885
Gift annuities	1,275,801	1,006,484
Endowment contributions restricted by donor	<u>2,813,083</u>	<u>2,769,583</u>
	<u>\$ 4,150,852</u>	<u>\$ 3,791,952</u>

The Ranch and Foundation have established investment accounts with highly liquid assets designated to maintain sufficient balances to fund the perpetual restrictions.

NOTE 9 - Investment Income

Investment income (loss) and gains for cash equivalents, other investments, and endowment funds for the periods ended September 30, 2022 and 2021, include:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 146,209	\$ 123,165
Realized gain on investment	(9,553)	389,745
Unrealized gain/(loss) on investments	<u>(1,210,787)</u>	<u>390,687</u>
	<u>\$ (1,074,131)</u>	<u>\$ 903,597</u>

Cumulative unrealized gains/(losses) on investments have been recognized in the amounts of (\$209,419) and \$858,319 for the periods ended September 30, 2022 and 2021, respectively.

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 9 - Investment Income (Continued)

The following table sets forth the level, within the fair value hierarchy, of investments and certain other assets that are measured at fair value on a recurring basis as of September 30, 2022 and 2021:

September 30, 2022	Quoted Prices In Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Total
Investments				
Money market funds	\$ 337,702	\$	\$	\$ 337,702
Fixed income/bonds	910,917			910,917
Domestic equity	3,690,126			3,690,126
Security interest		63,303		63,303
	<u>\$ 4,938,745</u>	<u>\$ 63,303</u>	<u>\$ ---</u>	<u>\$ 5,002,048</u>

September 30, 2021	Quoted Prices In Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Total
Investments				
Money market funds	\$ 193,178	\$	\$	\$ 193,178
Fixed income/bonds	1,606,649			1,606,649
Domestic equity	4,364,077			4,364,077
Security interest		36,679		36,679
	<u>\$ 6,163,904</u>	<u>\$ 36,679</u>	<u>\$ ---</u>	<u>\$ 6,200,583</u>

Observable input fair values include ownership in beneficial interests. Money market accounts, mutual funds and stocks are included in quoted prices in active markets. Leasehold interest fair value is the present value of the fair market rents.

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 10 - Retirement Plan

The Ranch has adopted a SIMPLE IRA plan which provides for an employer contribution of 2% of employee compensation for all eligible employees and a \$1:1 matching contribution of elective employee contributions which, when combined with employer contributions, would not exceed a total employer contribution of 3% of employee compensation. Total employer contributions to the Plan for the years ended September 30, 2022 and 2021, were \$16,440 and \$16,718 respectively.

NOTE 11 - Non-Cash Donations/Contributions

The Ranch received \$61,093 and \$24,911 of donated personal property, equipment, and consumables for the periods ending September 30, 2022 and 2021, respectively. The assets were classified as unrestricted as the Ranch currently has not established a policy of implying a time restriction on the use of the assets, and there were no donor-imposed restrictions placed on the assets.

NOTE 12 – Sales to Public

Sales to the public and associated direct costs are as follows:

Sales:	<u>2022</u>	<u>2021</u>
Livestock Sales	\$ 40,618	\$ 51,781
Greenhouse Sales	332,761	290,768
Nursery Sales	100,000	150,000
Produce Sales	36,950	24,984
Service Contracts Performed	44,472	35,795
Miscellaneous sales	<u>12,826</u>	<u>13,830</u>
	567,627	567,158
Cost of goods sold:		
Greenhouse	<u>(168,916)</u>	<u>(168,815)</u>
	<u>\$ 398,711</u>	<u>\$ 398,343</u>

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 13 – Combining Eliminating Entries

The following is a summary of the intercompany eliminating entries recognized in the combining of the related entities.

	Special K	Special K	Intercompany		Combined
	Ranch	Ranch	Adjustments		
	Incorporated	Foundation	Debit	Credit	Entities
Total Current Assets	\$ 1,781,507	\$	\$	\$	\$ 1,781,507
Property and Equipment	3,176,608				3,176,608
Foundation Investments		4,938,745			4,938,745
Other Assets	<u>63,303</u>				<u>63,303</u>
Total Assets	<u>5,021,418</u>	<u>4,938,745</u>			<u>9,960,163</u>
Accounts Payable	102,268	4,500			106,768
Unearned Revenue	7,715				7,715
Accrued Expense	45,278				45,278
Gift Annuity Payable		<u>144,155</u>			<u>144,155</u>
Total Liabilities	<u>155,261</u>	<u>148,655</u>			<u>303,916</u>
Without Restriction N/A	4,105,780	701,206			4,806,986
With Restriction N/A	<u>760,377</u>	<u>4,088,884</u>			<u>4,849,261</u>
Total Net Assets	<u>4,866,157</u>	<u>4,790,090</u>			<u>9,656,247</u>
Total Liabilities And Net Assets	<u>\$ 5,021,418</u>	<u>\$ 4,938,745</u>	<u>\$</u>	<u>\$</u>	<u>\$ 9,960,163</u>
Public Support	\$ 2,637,756	\$ 323,492	\$ 456,559	\$	\$ 2,504,689
Investment Income	(7,343)	(1,066,788)			(1,074,131)
Miscellaneous Revenue	<u>(349)</u>				<u>(349)</u>
Total Revenue	<u>2,630,064</u>	<u>(743,296)</u>	<u>456,559</u>		<u>1,430,209</u>
Program Expenses	1,880,719	445,884		(456,559)	1,870,044
Supporting Services	159,090	2,900			161,990
Fundraising Expense	<u>196,999</u>	<u>61,462</u>			<u>258,461</u>
Total Expenses	<u>2,236,808</u>	<u>510,246</u>		<u>(456,559)</u>	<u>2,290,495</u>
Net Income	<u>\$ 393,256</u>	<u>\$ (1,253,542)</u>	<u>\$ 456,559</u>	<u>\$ (456,559)</u>	<u>\$ (860,286)</u>

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

NOTE 14 - Subsequent Events

The Ranch had the following subsequent events for Type I events through August 31, 2023, which is the date the financial statements were available to be issued. Type I events would require recording or disclosure in the financial statements for the year ended September 30, 2022:

The Ranch is the defendant in a lawsuit filed by the United States Department of Labor (“DOL”), wherein the DOL asserts the claim that the Ranch was non-compliant with 14c certification requirements as set forth under Workforce Innovation and Opportunity Act and related regulations promulgated thereunder. Depending upon the result of the lawsuit it is possible that the Ranch may be subject to additional wage liability. As of the publication of this report, the Ranch has not recorded a provision for losses for these matters as management intends to continue vigorously defending itself against these claims and believes, based on known facts and circumstances, losses arising from these claims are not able to be estimated.

The Foundation had no subsequent events for Type I events through August 31, 2023, which is the date the financial statements were available to be issued. Type I events would require recording or disclosure in the financial statements for the year ended September 30, 2022.

SUPPLEMENTAL INFORMATION

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 596,673	\$ 457,637
Accounts receivable, net of \$0 allowance for doubtful accounts	20,770	23,603
Prepaid expenses	24,805	
Inventory	139,563	83,806
Cash restricted by the Board	<u>999,696</u>	<u>667,223</u>
Total Current Assets	<u>1,781,507</u>	<u>1,232,269</u>
Property and Equipment		
Land and improvements	1,299,149	1,267,898
Resident homes and ranch structures	3,811,264	3,752,450
Ranch equipment	598,814	558,955
Furniture and fixtures	181,299	176,299
Construction in progress	<u>58,256</u>	<u>105,896</u>
	5,948,782	5,861,498
Less accumulated depreciation	<u>(2,772,174)</u>	<u>(2,592,500)</u>
Total Property and Equipment	<u>3,176,608</u>	<u>3,268,998</u>
Other Assets		
Beneficial interest in assets held by others	<u>63,303</u>	<u>36,679</u>
Total Other Assets	<u>63,303</u>	<u>36,679</u>
 Total Assets	 <u>\$ 5,021,418</u>	 <u>\$ 4,537,946</u>

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current Liabilities		
Accounts payable	\$ 102,268	\$ 53,707
Unearned revenues	7,715	
Accrued expenses		
Payroll and withholding liabilities	42,910	8,664
Retirement plan	2,368	1,460
Miscellaneous		<u>1,214</u>
Total Current Liabilities	<u>155,261</u>	<u>65,045</u>
Total Liabilities	<u>155,261</u>	<u>65,045</u>
Net Assets		
Without Donor Restriction		
Invested in capital assets	3,176,608	3,268,998
Unreserved	<u>929,172</u>	<u>864,709</u>
	<u>4,105,780</u>	<u>4,133,707</u>
With Donor Restriction		
Purpose restricted	698,409	323,309
Perpetual in nature	<u>61,968</u>	<u>15,885</u>
	<u>760,377</u>	<u>339,194</u>
Total Net Assets	<u>4,866,157</u>	<u>4,472,901</u>
Total Liabilities and Net Assets	<u>\$ 5,021,418</u>	<u>\$ 4,537,946</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public Support and Revenue			
Public Support			
Public support	\$ 554,825	\$ 424,483	\$ 979,308
Sales to public	567,627		567,627
Less cost of goods sold	(168,916)		(168,916)
Special events	181,790		181,790
Less direct benefits to donors	(10,725)		(10,725)
Grants	62,163	20,000	82,163
Foundation distributions received	445,884		445,884
Gifts in-kind	61,093		61,093
Resident fees	499,532		499,532
Miscellaneous income	(349)		(349)
Investment income	(8,678)	1,335	(7,343)
Net assets released from restrictions	<u>24,635</u>	<u>(24,635)</u>	<u>---</u>
Total public support and revenue	<u>2,208,881</u>	<u>421,183</u>	<u>2,630,064</u>
Expenses			
Program service	1,880,719		1,880,719
Fundraising	159,090		159,090
Administration	<u>196,999</u>		<u>196,999</u>
Total expenses	<u>2,236,808</u>		<u>2,236,808</u>
Change in Net Assets	(27,927)	421,183	393,256
Net Assets, Beginning of Year	<u>4,133,707</u>	<u>339,194</u>	<u>4,472,901</u>
Net Assets, End of Year	<u>\$ 4,105,780</u>	<u>\$ 760,377</u>	<u>\$ 4,866,157</u>

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public Support and Revenue			
Public Support			
Public support	\$ 564,868	\$ 209,294	\$ 774,162
Sales to public	567,158		567,158
Less cost of goods sold	(168,815)		(168,815)
Special events	83,724		83,724
Less direct benefits to donors	(3,588)		(3,588)
Grants	167,200	36,020	203,220
Foundation distributions received	350,144		350,144
Gifts in-kind	24,911		24,911
Resident fees	511,683		511,683
Miscellaneous income	16,694		16,694
Investment income	8,687		8,687
Net assets released from restrictions	<u>43,067</u>	<u>(43,067)</u>	<u>---</u>
Total public support and revenue	<u>2,165,733</u>	<u>202,247</u>	<u>2,367,980</u>
Expenses			
Program service	1,723,023		1,723,023
Fundraising	170,199		170,199
Administration	<u>175,547</u>		<u>175,547</u>
Total expenses	<u>2,068,769</u>		<u>2,068,769</u>
Change in Net Assets	96,964	202,247	299,211
Net Assets, Beginning of Year	<u>4,036,743</u>	<u>136,947</u>	<u>4,173,690</u>
Net Assets, End of Year	<u>\$ 4,133,707</u>	<u>\$ 339,194</u>	<u>\$ 4,472,901</u>

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 914,381	\$ 77,939	\$ 99,950	\$ 1,092,270
Employee benefits	194,314	16,222	21,206	231,742
Payroll taxes	103,739	5,962	7,645	117,346
Staff enrichment	13,792			13,792
Grants to Foundation	10,675			10,675
Farming program	72,233			72,233
Horticultural program	103,034			103,034
Services program	8,297			8,297
Occupancy	171,521	9,095	4,643	185,259
Advertising/public relations	1,329	714	280	2,323
Communication		2,738	6,506	9,244
Insurance	60,022		2,884	62,906
Interest and finance charges			8,079	8,079
Maintenance and repair	8,703		4,885	13,588
Office supplies		1,556	3,923	5,479
Postage		4,706	910	5,616
Printing and publications		26,292	2,278	28,570
Professional fees	43,199	250	3,469	46,918
Property taxes	475			475
Scholarships	2,565			2,565
Software support		6,165	1,566	7,731
Special event costs		4,362		4,362
Training/conferences		1,062	714	1,776
Travel	14,327	2,027	6,500	22,854
Depreciation	<u>158,113</u>		<u>21,561</u>	<u>179,674</u>
Total expenses	<u>\$ 1,880,719</u>	<u>\$ 159,090</u>	<u>\$ 196,999</u>	<u>\$ 2,236,808</u>

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 797,482	\$ 77,130	\$ 88,097	\$ 962,709
Employee benefits	185,188	17,911	20,457	223,556
Payroll taxes	103,117	9,973	11,390	124,480
Staff enrichment	7,843			7,843
Grants to Foundation	72,108			72,108
Farming program	54,965			54,965
Horticultural program	84,407			84,407
Services program	11,646			11,646
Occupancy	149,695	9,095	3,563	162,353
Advertising/public relations	6,405	2,058	175	8,638
Communication		2,600	7,124	9,724
Insurance	59,278		2,816	62,094
Interest and finance charges			4,645	4,645
Maintenance and repair	12,764		862	13,626
Office supplies		810	2,972	3,782
Postage		5,417	877	6,294
Printing and publications		22,792	50	22,842
Professional fees	13,619	150	3,469	17,238
Property taxes	930			930
Scholarships				---
Software support		2,571	1,823	4,394
Special event costs		17,708		17,708
Training/conferences		1,039	619	1,658
Travel	1,315	945	4,481	6,741
Depreciation	<u>162,261</u>		<u>22,127</u>	<u>184,388</u>
Total expenses	<u>\$ 1,723,023</u>	<u>\$ 170,199</u>	<u>\$ 175,547</u>	<u>\$ 2,068,769</u>

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 393,256	\$ 299,211
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	179,674	184,388
Unrealized (gain) on investments	14,607	(7,472)
Realized (gain) loss on sale of investments	(3,570)	494
Gain on sale of capital assets		(13,577)
Contribution of personal property	(3,000)	
Change in current assets and liabilities:		
Accounts receivable	2,833	(20,169)
Prepaid expense	(24,805)	
Inventory	(55,757)	10,772
Accounts payable	48,561	(81,597)
Unearned revenues	7,715	
Accrued expenses	<u>33,940</u>	<u>5</u>
Net cash provided by operating activities	<u>593,454</u>	<u>372,055</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments		1,069
Insurance proceeds from capital assets		
Proceeds from disposal of capital assets		33,578
Purchase of investments	(37,661)	(6,351)
Purchase of property and equipment	<u>(84,284)</u>	<u>(67,885)</u>
Net cash used in investing activities	<u>(121,944)</u>	<u>(39,589)</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	471,509	332,466
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>1,124,860</u>	<u>792,394</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 1,596,369</u>	<u>\$ 1,124,860</u>

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Cash, Cash Equivalents, and Restricted Cash at End of Year include the following:		
Cash and Cash Equivalents	\$ 596,673	\$ 457,637
Restricted Cash designated by the Board of Directors	999,696	667,223
	\$ 1,124,860	\$ 1,124,860

See accompanying notes to combined financial statements.