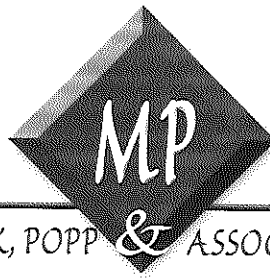


**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.**

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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 - 25
Supplemental Information:	
Statements of Financial Position - Ranch	27 - 28
Statements of Activities - Ranch	29 - 30
Statements of Functional Expenses - Ranch	31 - 32
Statements of Cash Flows - Ranch	33



404 N 31ST STREET, STE 400
P.O. BOX 7236
BILLINGS, MT 59103
406.252.6301
FAX 406.252.3096

MRACHEK, POPP & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

201 S BROADWAY, STE D
P.O. BOX 668
RED LODGE, MT 59068
406.446.3111
FAX 406.252.3096

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), which comprise the combined statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Special K Ranch, Inc. and Special K Ranch Foundation, Inc. as of September 30, 2018 and 2017, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental schedules to the statements of operations (pages 27-33) and the schedule of functional expenses (pages 31-32) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mrachek, Popp + Associates

May 16, 2019

Billings, Montana

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017**

ASSETS		<u>2018</u>	<u>2017</u>
Current Assets			
Cash and cash equivalents		\$ 199,827	\$ 199,785
Accounts receivable, net of \$0 and \$0 allowance for doubtful accounts		22,291	60,847
Prepaid expense		869	632
Inventory		153,727	149,571
Cash restricted by the Board		<u>378,527</u>	<u>550,650</u>
Total Current Assets		<u>755,241</u>	<u>961,485</u>
Property and Equipment			
Land and improvements		1,287,899	1,267,899
Resident homes and ranch structures		3,011,970	2,977,901
Ranch equipment		505,943	404,099
Furniture and fixtures		154,672	147,412
Construction in progress		<u>225,029</u>	<u>32,299</u>
		5,185,513	4,829,610
Less accumulated depreciation		<u>(2,059,412)</u>	<u>(1,887,497)</u>
Total Property and Equipment		<u>3,126,101</u>	<u>2,942,113</u>
Other Assets			
Foundation investments		4,778,232	4,603,108
Beneficial interest in assets held by others		<u>24,656</u>	<u>23,867</u>
Total Other Assets		<u>4,802,888</u>	<u>4,626,975</u>
 Total Assets		 <u>\$ 8,684,230</u>	 <u>\$ 8,530,573</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, 2018 AND 2017**

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Accounts payable	\$ 91,396	\$ 64,013
Unearned revenues		7,198
Accrued expenses		
Payroll and withholding liabilities	13,296	12,713
Retirement plan	4,683	2,727
Deferred gift annuity payable – current portion	<u>1,104</u>	<u>1,104</u>
Total Current Liabilities	<u>110,479</u>	<u>87,755</u>
Long-term Liabilities		
Deferred gift annuity payable, net of current portion	<u>82,010</u>	<u>71,357</u>
Total Long-term Liabilities	<u>82,010</u>	<u>71,357</u>
Total Liabilities	<u>192,489</u>	<u>159,112</u>
Net Assets		
Unrestricted	5,198,878	5,005,731
Temporarily restricted	394,805	725,272
Permanently restricted	<u>2,898,058</u>	<u>2,640,458</u>
Total Net Assets	<u>8,491,741</u>	<u>8,371,461</u>
Total Liabilities and Net Assets	<u>\$ 8,684,230</u>	<u>\$ 8,530,573</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, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Public support	\$ 488,069	\$	\$ 257,600	\$ 745,669
Sales to public	511,576			511,576
Less cost of goods sold	(119,238)			(119,238)
Special events	122,202			122,202
Less direct benefits to donors	(25,326)			(25,326)
Grants	18,545	5,000		23,545
Gifts in-kind	38,391			38,391
Resident fees	413,172			413,172
Miscellaneous income	2,390			2,390
Investment income	3,781	297,612		301,393
Net assets released from restrictions	<u>633,079</u>	<u>(633,079)</u>	<u> </u>	<u> ---</u>
 Total public support and revenue	 <u>2,086,641</u>	 <u>(330,467)</u>	 <u>257,600</u>	 <u>2,013,774</u>
 Expenses				
Program service	1,495,724			1,495,724
Fundraising	263,703			263,703
Administration	<u>134,067</u>	<u> </u>	<u> </u>	<u>134,067</u>
 Total expenses	 <u>1,893,494</u>	 <u> </u>	 <u> </u>	 <u>1,893,494</u>
 Change in Net Assets	 193,147	 (330,467)	 257,600	 120,280
 Net Assets, Beginning of Year	 <u>5,005,731</u>	 <u>725,272</u>	 <u>2,640,458</u>	 <u>8,371,461</u>
 Net Assets, End of Year	 <u>\$ 5,198,878</u>	 <u>\$ 394,805</u>	 <u>\$ 2,898,058</u>	 <u>\$ 8,491,741</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Public support	\$ 376,675	\$ 316,897	\$ 267,100	\$ 960,672
Sales to public	444,396			444,396
Less cost of goods sold	(104,386)			(104,386)
Special events	155,739			155,739
Less direct benefits to donors	(26,594)			(26,594)
Grants	58,500	5,000		63,500
Gifts in-kind	48,175			48,175
Resident fees	397,672			397,672
Miscellaneous income	1,249			1,249
Investment income	3,723	486,935		490,658
Net assets released from restrictions	<u>187,942</u>	<u>(300,502)</u>	<u>112,560</u>	<u>---</u>
Total public support and revenue	<u>1,543,091</u>	<u>508,330</u>	<u>379,660</u>	<u>2,431,081</u>
Expenses				
Program service	1,357,644			1,357,644
Fundraising	224,458			224,458
Administration	<u>221,158</u>			<u>221,158</u>
Total expenses	<u>1,803,260</u>			<u>1,803,260</u>
Change in Net Assets	(260,169)	508,330	379,660	627,821
Net Assets, Beginning of Year	<u>5,265,900</u>	<u>216,942</u>	<u>2,260,798</u>	<u>7,743,640</u>
Net Assets, End of Year	<u>\$ 5,005,731</u>	<u>\$ 725,272</u>	<u>\$ 2,640,458</u>	<u>\$ 8,371,461</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, 2018**

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 697,492	\$ 111,120	\$ 73,026	\$ 881,638
Employee benefits	210,847	34,696	21,352	266,895
Payroll taxes	66,113	14,446	3,128	83,687
Staff enrichment	3,251	528	1,585	5,364
Farming program	46,731			46,731
Horticultural program	81,486			81,486
Services program	20,166			20,166
Occupancy	129,994	9,095		139,089
Advertising/public relations		1,942	1,380	3,322
Communication	1,401	2,151	4,622	8,174
Insurance	49,862	2,029	2,618	54,509
Interest and finance charges		296	3,150	3,446
Maintenance and repair	12,611		438	13,049
Management fees - investments		46,160		46,160
Office supplies		367	2,835	3,202
Postage		4,319	954	5,273
Printing and publications		16,569	1,853	18,422
Professional fees	9,650	4,650		14,300
Property taxes	491			491
Software support		2,017	714	2,731
Special event costs		8,289		8,289
Training/conferences		79	1,464	1,543
Travel		3,632	6,161	9,793
Depreciation	<u>165,629</u>	<u>1,318</u>	<u>8,787</u>	<u>175,734</u>
Total expenses	<u>\$ 1,495,724</u>	<u>\$ 263,703</u>	<u>\$ 134,067</u>	<u>\$ 1,893,494</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, 2017**

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 634,625	\$ 93,539	\$ 137,381	\$ 865,545
Employee benefits	186,304	28,073	40,834	255,211
Payroll taxes	61,232	9,227	13,421	83,880
Staff enrichment	730	110	159	999
Farming program	29,802			29,802
Horticultural program	63,365			63,365
Services program	14,892			14,892
Occupancy	125,933	5,100		131,033
Advertising/public relations		1,455	1,196	2,651
Communication		2,031	5,459	7,490
Insurance	48,874			48,874
Interest and finance charges			3,661	3,661
Maintenance and repair	30,115	180	250	30,545
Management fees - investments		43,640		43,640
Office supplies		1,040	1,930	2,970
Postage		4,684	876	5,560
Printing and publications		15,400	985	16,385
Professional fees	5,075	5,291		10,366
Property taxes	649			649
Software support		1,830	658	2,488
Special event costs		9,675		9,675
Training/conferences		174	799	973
Travel		2,042	5,285	7,327
Depreciation	<u>156,048</u>	<u>967</u>	<u>8,264</u>	<u>165,279</u>
Total expenses	<u>\$ 1,357,644</u>	<u>\$ 224,458</u>	<u>\$ 221,158</u>	<u>\$ 1,803,260</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 120,280	\$ 627,821
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	175,734	165,279
Unrealized (gain) loss on investments	(105,724)	(184,428)
Realized (gain) on sale of investments	(92,704)	(205,529)
Gain on sale of capital assets	(2,390)	(1,249)
Donated stocks received	(14,786)	(9,835)
Contribution of personal property	(27,000)	(17,000)
Change in current assets and liabilities:		
Accounts receivable	38,556	(42,471)
Inventory	(4,156)	(5,749)
Prepaid expenses	(237)	66
Accounts payable	27,383	(758)
Unearned revenues	(7,198)	63
Accrued expenses	2,539	2,630
Deferred funded insurance reimbursement	---	---
Deferred annuity payable	10,653	15,772
Contributions restricted for long-term purposes		
Endowments	<u>(257,600)</u>	<u>(379,660)</u>
Net cash (used in) provided by operating activities	<u>(136,650)</u>	<u>(35,048)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(337,073)	(173,178)
Changes in cash restricted as to use by the Board	172,123	(106,834)
Proceeds from the sale of capital assets	6,741	4,921
Proceeds from sale of investments	1,773,136	1,907,133
Purchase of investments	<u>(1,735,835)</u>	<u>(2,123,483)</u>
Net cash used in investing activities	<u>(120,908)</u>	<u>(491,441)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted to endowment	<u>257,600</u>	<u>379,660</u>
Net cash provided by financing activities	<u>257,600</u>	<u>379,660</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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Net Change in Cash and Cash Equivalents	42	(146,829)
Cash and Cash Equivalents at Beginning of Year	<u>199,785</u>	<u>346,614</u>
Cash and Cash Equivalents at End of Year	<u>\$ 199,827</u>	<u>\$ 199,785</u>

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, 2018 AND 2017**

NOTE 1 - Summary of Significant Accounting Policies

Description of Organization - 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 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, 2019.

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.

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 temporarily and permanently 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 \$378,527 and \$550,650 in cash that is restricted for various purposes at September 30, 2018 and 2017, respectively.

Continued...

SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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 \$500 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. are non-profit corporations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Ranch and the Foundation 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.

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.

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.

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.

Continued...

SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Public Support and Revenue (Continued) - Public support and revenue is generally available for unrestricted use 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 temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Board of Directors adopted a policy whereby if temporary restrictions are accomplished within the fiscal year, the support shall be classified as unrestricted.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distributions are recorded in unrestricted net assets. Investment earnings with restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

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

Continued...

SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investment income or loss, including realized and unrealized gains and losses on investments, interest, and dividends is included in the change in unrestricted net assets unless the income or loss is restricted by a donor.

The Organizations has determined the fair value of its marketable securities through the application of the accounting standard for fair value measurement. This standard establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Quoted market prices available through public exchange venues for identical assets or liabilities;
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;
- Level 3 - 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 Organizations' policy for determining the timing of significant transfers between Levels 1, 2, and 3 is at the end of the reporting period. Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at September 30, 2018 and 2017.

Equity Securities:	Certain common stocks are valued at the closing price Reported in the active market in which the individual Securities are traded.
Fixed income securities:	Valued at market traded price of shares.
Mixed and other assets:	Valued at market traded price of shares.

Continued...

SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Investments (continued) – The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organizations believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

A financial instrument's level, within the fair value hierarchy, is based on the lowest level of any input that is significant to the fair value measurement.

Change in accounting method

Consistent with guidance, the general capitalization policy provides for limits on all equipment and other fixed assets costing no more than \$5,000 per invoice (or per item as substantiated by the invoice) will be treated as an expense for both book and tax purposes. The Organizations adoption of this accounting policy is intended to comply with the IRS de minimis safe-harbor provisions at Re. Se. 1.263(a)(1)(f) under guidance issued through TD 9636. Management has elected to adopt a capitalization limit that complies with, but is lower than, the allowable limit noted in IRS guidance.

Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, will be applied for fiscal years beginning after December 15, 2018 with the following significant changes affecting the organization:

The updated standards will reduce the number of net asset classes from three to two:

- a. net assets with donor restrictions, and
- b. net assets without donor restrictions.

When an endowment's fair value falls below the original endowed gift amount, the update requires entities to classify these "underwater" endowments as net assets with donor restrictions, along with providing expanded disclosures about the amount that's underwater and policies for addressing the shortfall. Under current practice, underwater endowments are classified as unrestricted net assets.

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 2 - Inventory

Inventory is recorded at the lower of cost or fair market value. Inventory recorded on the Ranch's books as of September 30, 2018 and 2017, is summarized as follows:

	2018	2017
Livestock	\$ 68,765	\$ 83,156
Feed	14,027	7,303
Donated equipment received for sale	996	996
Miscellaneous	5,130	5,130
Greenhouse and Nursery	64,809	52,986
	\$ 153,727	\$ 149,571

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.

NOTE 3 - 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, 2018 AND 2017

NOTE 3 - Endowment Funds (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily 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 net assets by fund as of September 30, 2018 and 2017, is as follows:

September 30, 2018:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$	\$	\$ 2,882,173	\$ 2,882,173
Board restricted	<u>1,626,265</u>	<u>269,794</u>	<u> </u>	<u>1,896,059</u>
	<u>\$ 1,626,265</u>	<u>\$ 269,794</u>	<u>\$ 2,882,173</u>	<u>\$ 4,778,232</u>
September 30, 2017:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$	\$	\$ 2,624,572	\$ 2,624,572
Board restricted	<u>1,614,510</u>	<u>364,026</u>	<u> </u>	<u>1,978,536</u>
	<u>\$ 1,614,510</u>	<u>\$ 364,026</u>	<u>\$ 2,624,572</u>	<u>\$ 4,603,108</u>

Continued...

SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 3 - Endowment Funds (continued)

Changes in endowments net assets for the year ended September 30, 2018, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ 1,614,510	\$ 364,026	\$ 2,624,572	\$ 4,603,108
Investment returns:				
Interest/dividends		101,027		101,027
Gains/losses		196,403		196,403
Contributions	11,755		257,601	269,356
Appropriation of assets for expenditure:				
Transfers to charity		(335,430)		(335,430)
Fees/other charges		(54,832)		(54,832)
Annuity payments		(1,400)		(1,400)
End of year	<u>\$ 1,626,265</u>	<u>\$ 269,794</u>	<u>\$ 2,882,173</u>	<u>\$ 4,778,232</u>

Changes in endowments net assets for the year ended September 30, 2017, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of year	\$ 1,597,234	\$ 146,485	\$ 2,244,913	\$ 3,988,632
Investment returns:				
Interest/dividends		98,643		98,643
Gains/losses		388,292		388,292
Contributions	17,276		379,659	396,935
Appropriation of assets for expenditure:				
Transfers to charity		(224,338)		(224,338)
Fees/other charges		(43,656)		(43,656)
Annuity payments		(1,400)		(1,400)
End of year	<u>\$ 1,614,510</u>	<u>\$ 364,026</u>	<u>\$ 2,624,572</u>	<u>\$ 4,603,108</u>

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 3 - Endowment Funds (continued)

The Foundation adopted the policy to report earnings from all donor-restricted endowment funds as temporarily-restricted until funds are appropriated consistent with donors' restrictions. Any depreciation of asset value in excess of historic dollar value is recognized as a reduction in unrestricted net assets. 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 4 - Investments and Beneficial Interest in Assets Held by Others

The Ranch transferred endowment funds 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. The income that is derived from the endowment and forwarded by the Montana Community Foundation to the Ranch is considered unrestricted and available for general operation expenses. As of September 30, 2018 and 2017, the endowment has an estimated fair market value of \$24,656 and \$23,867, respectively.

NOTE 5 - Foundation Investments

As of September 30, 2018, and 2017, 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>2018</u>	<u>2017</u>
Cash Management Accounts	\$ 80,190	\$ 402,876
Fixed income mutual funds/EFT	1,568,598	1,295,058
Equity mutual funds/EFT	1,624,566	1,548,402
Common stock equities	1,504,878	1,356,772
Deferred Gift Annuities Payable	<u>(83,114)</u>	<u>(72,461)</u>
Net Fair Market Value	<u>\$ 4,695,118</u>	<u>\$ 4,530,647</u>

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 5 - Foundation Investments (continued)

The cash and investments activity of the Foundation for the years ended September 30, 2018 and 2017, is summarized as follows:

	<u>2018</u>	<u>2017</u>
Beginning Value	\$ 4,603,108	\$ 3,988,632
Contributions Received:		
Transfers from Special K Ranch, Inc.		111,560
Endowment contribution	269,356	284,975
Investment Earnings	101,027	98,643
Realized Gains	92,324	205,289
Unrealized Gains (Losses)	104,079	183,003
Investment Fees	(46,160)	(43,640)
Transfers to Special K Ranch, Inc.	(335,430)	(216,684)
Costs, expenses, and other disbursements	<u>(10,072)</u>	<u>(8,670)</u>
Ending Value - Foundation investments	<u>\$ 4,778,232</u>	<u>\$ 4,603,108</u>

NOTE 6 - 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 March 10, 2019, is \$200,000. The note bears an interest rate equal to the Wall Street Journal U.S. Prime Rate plus 1.5%. The note is secured by the real property located at 34 Special K Ranch, Columbus, Montana. As of September 30, 2018, and 2017, the outstanding balances on the line-of-credit were \$0 and \$0, respectively.

NOTE 7 - Temporarily Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Building construction/upgrade	\$ 78,228	\$ 281,454
Septic/drain field	20,450	20,450
Equipment	19,698	39,444
Programs	6,635	19,898
Endowment fund earnings	<u>269,794</u>	<u>364,026</u>
Total Temporarily Restricted Net Assets	<u>\$ 394,805</u>	<u>\$ 725,272</u>

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 7 - Temporarily Restricted Net Assets (continued)

Net assets released from restriction in the current period include endowment funds distributed or reduced through market valuation in the amount of \$391,844. Other decreases in temporarily net assets include capital building projects of \$208,226 and program expenditures of \$33,009.

NOTE 8 - Permanently Restricted Net Assets

Permanently restricted net assets are represented by the following:

	<u>2018</u>	<u>2017</u>
Community Foundation investment (non-variance)	\$ 15,885	\$ 15,885
Gift annuities	699,111	592,172
Endowment contributions restricted by donor	<u>2,183,062</u>	<u>2,032,401</u>
	<u>\$ 2,898,058</u>	<u>\$ 2,640,458</u>

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

NOTE 9 - Investment Income

Investment income (loss) and gains for cash equivalents, other investments, and endowment funds for the periods ended September 30, 2018 and 2017, include:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 102,965	\$ 100,996
Split interest arrangement costs		(295)
Realized gain on investment	92,704	205,529
Unrealized gain/(loss) on investments	<u>105,724</u>	<u>184,428</u>
	<u>\$ 301,393</u>	<u>\$ 490,658</u>

Cumulative unrealized gains/(losses) on investments have been recognized in the amounts of \$305,370 and \$395,197 for the periods ended September 30, 2018 and 2017, respectively.

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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, 2018 and 2017:

September 30, 2018	Quoted Prices In Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Total
Investments				
Money market funds	\$ 80,190	\$	\$	\$ 80,190
Fixed income/bonds	1,568,598			1,568,598
Domestic equity	3,129,444			3,129,444
Security interest		24,656		24,656
	<u>\$ 4,778,232</u>	<u>\$ 24,656</u>	<u>\$ ---</u>	<u>\$ 4,802,888</u>

September 30, 2017	Quoted Prices In Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Total
Investments				
Money market funds	\$ 402,876	\$	\$	\$ 402,876
Fixed income/bonds	1,295,058			1,295,058
Domestic equity	2,905,174			2,905,174
Security interest		23,867		23,867
	<u>\$ 4,603,108</u>	<u>\$ 23,867</u>	<u>\$ ---</u>	<u>\$ 4,626,975</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, 2018 AND 2017**

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, 2018 and 2017, were \$19,849 and \$17,072 respectively.

NOTE 11 - Non-Cash Donations/Contributions

The Ranch received \$38,391 and \$48,175 of donated personal property, equipment, and consumables for the periods ending September 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
Livestock Sales	\$ 38,269	\$ 25,820
Greenhouse Sales	285,307	291,690
Nursery Sales	127,644	35,565
Produce Sales	28,393	49,755
Service Contracts performed	19,270	22,484
Miscellaneous sales	<u>12,693</u>	<u>19,082</u>
	511,576	444,396
Cost of goods sold:		
Greenhouse	<u>(119,238)</u>	<u>(104,386)</u>
	<u>\$ 392,338</u>	<u>\$ 340,010</u>

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 13 - Subsequent Events

The Ranch had no subsequent events for Type I events through May 16, 2019, 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, 2018.

The Foundation had no subsequent events for Type I events through May 27, 2018, 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, 2017.

SUPPLEMENTAL INFORMATION

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 199,827	\$ 199,785
Accounts receivable, net of \$0 allowance for doubtful accounts	22,291	60,847
Prepaid expenses	869	632
Inventory	153,727	149,571
Cash restricted by the Board	378,527	550,650
Total Current Assets	755,241	961,485
Property and Equipment		
Land and improvements	1,287,899	1,267,899
Resident homes and ranch structures	3,011,970	2,977,901
Ranch equipment	505,943	404,099
Furniture and fixtures	154,672	147,412
Construction in progress	225,029	32,299
	5,185,513	4,829,610
Less accumulated depreciation	(2,059,412)	(1,887,497)
Total Property and Equipment	3,126,101	2,942,113
Other Assets		
Beneficial interest in assets held by others	24,656	23,867
Total Other Assets	24,656	23,867
Total Assets	\$ 3,905,998	\$ 3,927,465

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Accounts payable	\$ 91,396	\$ 64,013
Unearned revenues		7,198
Accrued expenses		
Payroll and withholding liabilities	13,296	12,713
Retirement plan	<u>4,683</u>	<u>2,727</u>
Total Current Liabilities	<u>109,375</u>	<u>86,651</u>
Total Liabilities	<u>109,375</u>	<u>86,651</u>
Net Assets		
Unrestricted	3,655,726	3,463,682
Temporarily restricted	125,012	361,247
Permanently restricted	<u>15,885</u>	<u>15,885</u>
Total Net Assets	<u>3,796,623</u>	<u>3,840,814</u>
Total Liabilities and Net Assets	<u>\$ 3,905,998</u>	<u>\$ 3,927,465</u>

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Public support	\$ 488,069	\$	\$	\$ 488,069
Sales to public	511,576			511,576
Less cost of goods sold	(119,238)			(119,238)
Special events	122,202			122,202
Less direct benefits to donors	(25,326)			(25,326)
Grants	18,545	5,000		23,545
Foundation distributions received	335,430			335,430
Gifts in-kind	38,391			38,391
Resident fees	413,172			413,172
Miscellaneous income	2,390			2,390
Investment income	3,781			3,781
Net assets released from restrictions	<u>241,235</u>	<u>(241,235)</u>	<u>---</u>	<u>---</u>
 Total public support and revenue	 <u>2,030,227</u>	 <u>(236,235)</u>	 <u>---</u>	 <u>1,793,992</u>
 Expenses				
Program service	1,495,724			1,495,724
Fundraising	208,392			208,392
Administration	<u>134,067</u>			<u>134,067</u>
 Total expenses	 <u>1,838,183</u>			 <u>1,838,183</u>
 Change in Net Assets	 192,044	 (236,235)	 ---	 (44,191)
 Net Assets, Beginning of Year	 <u>3,463,682</u>	 <u>361,247</u>	 <u>15,885</u>	 <u>3,840,814</u>
 Net Assets, End of Year	 <u>\$ 3,655,726</u>	 <u>\$ 125,012</u>	 <u>\$ 15,885</u>	 <u>\$ 3,796,623</u>

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Public support	\$ 383,946	\$ 316,897	\$	\$ 700,843
Sales to public	444,396			444,396
Less cost of goods sold	(104,386)			(104,386)
Special events	155,739			155,739
Less direct benefits to donors	(26,594)			(26,594)
Grants	58,500	5,000		63,500
Foundation distributions received	216,684			216,684
Gifts in-kind	48,175			48,175
Resident fees	397,672			397,672
Miscellaneous income	1,249			1,249
Investment income	4,018			4,018
Net assets released from restrictions	<u>31,107</u>	<u>(31,107)</u>	<u>---</u>	<u>---</u>
Total public support and revenue	<u>1,610,506</u>	<u>290,790</u>	<u>---</u>	<u>1,901,296</u>
Expenses				
Program service	1,470,204			1,470,204
Fundraising	180,818			180,818
Administration	<u>221,158</u>	<u>---</u>	<u>---</u>	<u>221,158</u>
Total expenses	<u>1,872,180</u>	<u>---</u>	<u>---</u>	<u>1,872,180</u>
Change in Net Assets	(261,674)	290,790	---	29,116
Net Assets, Beginning of Year	<u>3,725,356</u>	<u>70,457</u>	<u>15,885</u>	<u>3,811,698</u>
Net Assets, End of Year	<u>\$ 3,463,682</u>	<u>\$ 361,247</u>	<u>\$ 15,885</u>	<u>\$ 3,840,814</u>

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 697,492	\$ 111,120	\$ 73,026	\$ 881,638
Employee benefits	210,847	34,696	21,352	266,895
Payroll taxes	66,113	14,446	3,128	83,687
Staff enrichment	3,251	528	1,585	5,364
Grants to Foundation				---
Farming program	46,731			46,731
Horticultural program	81,486			81,486
Services program	20,166			20,166
Occupancy	129,994	9,095		139,089
Advertising/public relations		1,827	1,380	3,207
Communication	1,401	2,151	4,622	8,174
Insurance	49,862		2,618	52,480
Interest and finance charges			3,150	3,150
Maintenance and repair	12,611		438	13,049
Office supplies		268	2,835	3,103
Postage		4,319	954	5,273
Printing and publications		16,569	1,853	18,422
Professional fees	9,650			9,650
Property taxes	491			491
Software support		2,017	714	2,731
Special event costs		8,289		8,289
Training/conferences		79	1,464	1,543
Travel		1,670	6,161	7,831
Depreciation	<u>165,629</u>	<u>1,318</u>	<u>8,787</u>	<u>175,734</u>
Total expenses	<u>\$ 1,495,724</u>	<u>\$ 208,392</u>	<u>\$ 134,067</u>	<u>\$ 1,838,183</u>

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 634,625	\$ 93,539	\$ 137,381	\$ 865,545
Employee benefits	186,304	28,073	40,834	255,211
Payroll taxes	61,232	9,227	13,421	83,880
Staff enrichment	730	110	159	999
Grants to Foundation	112,560			112,560
Farming program	29,802			29,802
Horticultural program	63,365			63,365
Services program	14,892			14,892
Occupancy	125,933	5,100		131,033
Advertising/public relations		1,455	1,196	2,651
Communication		2,031	5,459	7,490
Insurance	48,874			48,874
Interest and finance charges			3,661	3,661
Maintenance and repair	30,115	180	250	30,545
Office supplies		1,040	1,930	2,970
Postage		4,684	876	5,560
Printing and publications		15,400	985	16,385
Professional fees	5,075	5,291		10,366
Property taxes	649			649
Software support		1,830	698	2,488
Special event costs		9,675		9,675
Training/conferences		174	799	973
Travel		2,042	5,285	7,327
Depreciation	<u>156,048</u>	<u>967</u>	<u>8,264</u>	<u>165,279</u>
Total expenses	<u>\$ 1,470,204</u>	<u>\$ 180,818</u>	<u>\$ 221,158</u>	<u>\$ 1,872,180</u>

See accompanying notes to combined financial statements.

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (44,191)	\$ 29,116
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	175,734	165,279
Unrealized (gain) loss on investments	(1,463)	(1,425)
Realized (gain) loss on sale of investments	(380)	(240)
Gain on sale of capital assets	(2,390)	(1,249)
Contribution of personal property	(27,000)	(17,000)
Change in current assets and liabilities:		
Accounts receivable	38,556	(42,471)
Inventory	(4,156)	(5,749)
Prepaid expenses	(237)	(66)
Accounts payable	27,383	(758)
Unearned revenues	(7,198)	63
Accrued expenses	2,539	2,360
Deferred funded insurance reimbursement		
Net cash provided by operating activities	<u>157,197</u>	<u>128,262</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in cash restricted as to use by the Board	172,123	(106,834)
Proceeds from sale of investments	1,054	
Proceeds from sale of capital assets	6,741	4,921
Purchase of investments		
Purchase of property and equipment	<u>(337,073)</u>	<u>(173,178)</u>
Net cash used by investing activities	<u>(157,155)</u>	<u>(275,091)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of short-term debt obligation	<u>---</u>	<u>---</u>
Net cash (used in) financing activities	<u>---</u>	<u>---</u>
Net Change in Cash and Cash Equivalents	42	(146,829)
Cash and Cash Equivalents at Beginning of Year	<u>199,785</u>	<u>346,614</u>
Cash and Cash Equivalents at End of Year	<u>\$ 199,827</u>	<u>\$ 199,785</u>

See accompanying notes to combined financial statements.