

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

**COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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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), which comprise the combined statements of financial position as of September 30, 2020 and 2019, 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, 2020 and 2019, 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 Financial Position and Statements of Activities (pages 27-30) 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 Papp & Associates PC*

February 2, 2021  
Billings, Montana

**SPECIAL K RANCH, INC. AND  
SPECIAL K RANCH FOUNDATION, INC.  
COMBINED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2020 AND 2019**

ASSETS	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 350,380	\$ 157,421
Accounts receivable, net of \$0 and \$0 allowance for doubtful accounts	3,434	18,241
Prepaid expense		
Inventory	94,578	136,314
Cash restricted by the Board	<u>442,014</u>	<u>401,246</u>
<b>Total Current Assets</b>	<u>890,406</u>	<u>713,222</u>
<b>Property and Equipment</b>		
Land and improvements	1,287,899	1,287,899
Resident homes and ranch structures	3,752,450	3,064,439
Ranch equipment	510,892	519,721
Furniture and fixtures	165,349	161,348
Construction in progress	<u>97,024</u>	<u>654,994</u>
	5,813,614	5,688,401
Less accumulated depreciation	<u>(2,408,112)</u>	<u>(2,238,229)</u>
<b>Total Property and Equipment</b>	<u>3,405,502</u>	<u>3,450,172</u>
<b>Other Assets</b>		
Foundation investments	4,971,284	4,743,511
Beneficial interest in assets held by others	<u>24,419</u>	<u>23,781</u>
<b>Total Other Assets</b>	<u>4,995,703</u>	<u>4,767,292</u>
<b>Total Assets</b>	<u>\$ 9,291,611</u>	<u>\$ 8,930,686</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, 2020 AND 2019**

**LIABILITIES AND NET ASSETS**

	<u>2020</u>	<u>2019</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 49,381	\$ 96,452
Unearned revenues		
Accrued expenses		
Payroll and withholding liabilities	9,217	13,480
Retirement plan	1,299	4,436
Miscellaneous	817	
Deferred gift annuity payable – current portion	<u>575</u>	<u>1,104</u>
<b>Total Current Liabilities</b>	<u>61,289</u>	<u>115,472</u>
<b>Long-term Liabilities</b>		
Deferred gift annuity payable, net of current portion	<u>96,233</u>	<u>85,797</u>
<b>Total Liabilities</b>	<u>157,522</u>	<u>201,269</u>
<b>Net Assets</b>		
<b>Without donor restriction</b>		
Invested in capital assets	3,405,502	3,450,172
Unreserved	<u>2,179,173</u>	<u>2,032,596</u>
	<u>5,584,675</u>	<u>5,482,768</u>
<b>With donor restriction</b>		
Purpose restricted	285,935	205,930
Perpetual in nature	<u>3,263,479</u>	<u>3,040,719</u>
	<u>3,549,414</u>	<u>3,246,649</u>
<b>Total Net Assets</b>	<u>9,134,089</u>	<u>8,729,417</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 9,291,611</u>	<u>\$ 8,930,686</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, 2020**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
<b>Public Support</b>			
Public support	\$ 451,442	\$ 274,662	\$ 726,104
Sales to public	525,571		525,571
Less cost of goods sold	(172,428)		(172,428)
Special events	124,599		124,599
Less direct benefits to donors	(1,535)		(1,535)
Grants	297,542		297,542
Gifts in-kind	50,137		50,137
Resident fees	463,156		463,156
Miscellaneous income	397		397
Investment income	4,220	470,799	475,019
Net assets released from restrictions	<u>442,696</u>	<u>(442,696)</u>	<u>---</u>
<b>Total public support   and revenue</b>	<u>2,185,797</u>	<u>302,765</u>	<u>2,488,562</u>
<b>Expenses</b>			
Program service	1,672,126		1,672,126
Fundraising	179,978		179,978
Administration	<u>231,786</u>		<u>231,786</u>
<b>Total expenses</b>	<u>2,083,890</u>		<u>2,083,890</u>
<b>Change in Net Assets</b>	101,907	302,765	404,672
<b>Net Assets, Beginning of Year</b>	<u>5,482,768</u>	<u>3,246,649</u>	<u>8,729,417</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,584,675</u>	<u>\$ 3,549,414</u>	<u>\$ 9,134,089</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, 2019**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
<b>Public Support</b>			
Public support	\$ 388,986	\$ 615,155	\$ 1,004,141
Sales to public	493,443		493,443
Less cost of goods sold	(138,675)		(138,675)
Special events	126,891	300	127,191
Less direct benefits to donors	(28,375)		(28,375)
Grants		21,500	21,500
Gifts in-kind	47,993		47,993
Resident fees	427,351		427,351
Miscellaneous income	2,900		2,900
Investment income	7,453	197,700	205,153
Net assets released from restrictions	<u>880,869</u>	<u>(880,869)</u>	<u>---</u>
<b>Total public support       and revenue</b>	<u>2,208,836</u>	<u>(46,214)</u>	<u>2,162,622</u>
<b>Expenses</b>			
Program service	1,585,040		1,585,040
Fundraising	140,653		140,653
Administration	<u>199,253</u>		<u>199,253</u>
<b>Total expenses</b>	<u>1,924,946</u>		<u>1,924,946</u>
<b>Change in Net Assets</b>	283,890	(46,214)	237,676
<b>Net Assets, Beginning of Year</b>	<u>5,198,878</u>	<u>3,292,863</u>	<u>8,491,741</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,482,768</u>	<u>\$ 3,246,649</u>	<u>\$ 8,729,417</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, 2020**

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 799,316	\$ 90,611	\$ 89,640	\$ 979,567
Employee benefits	201,429	22,108	22,108	245,645
Payroll taxes	110,625	12,142	12,141	134,908
Staff enrichment	5,095			5,095
Farming program	83,985			83,985
Horticultural program	82,909			82,909
Services program	10,256			10,256
Occupancy	138,554	9,095	1,710	149,359
Advertising/public relations		1,499	685	2,184
Communication		2,594	8,000	10,594
Insurance	61,664	1,943	2,724	66,331
Interest and finance charges			6,292	6,292
Maintenance and repair	7,325	2,411	213	9,949
Management fees			46,332	46,332
Office supplies			4,027	4,027
Postage	2,949	1,167	897	5,013
Printing and publications		18,994	130	19,124
Professional fees	7,500		7,850	15,350
Property taxes	1,052			1,052
Software support		1,442	1,442	2,884
Special event costs		13,383		13,383
Training/conferences			879	879
Travel		2,589	4,970	7,559
Depreciation	<u>159,467</u>		<u>21,746</u>	<u>181,213</u>
Total expenses	<u>\$ 1,672,126</u>	<u>\$ 179,978</u>	<u>\$ 231,786</u>	<u>\$ 2,083,890</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, 2019**

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 775,277	\$ 73,393	\$ 57,073	\$ 905,743
Employee benefits	217,792	20,729	16,032	254,553
Payroll taxes	71,561	6,878	5,165	83,604
Staff enrichment	6,048			6,048
Farming program	60,481			60,481
Horticultural program	82,130			82,130
Services program	12,208			12,208
Occupancy	135,343		6,414	141,757
Advertising/public relations		1,790	1,047	2,837
Communication		2,504	7,289	9,793
Insurance	54,211		4,627	58,838
Interest and finance charges		296	4,014	4,310
Maintenance and repair	4,887	2,272	272	7,431
Management fees – investments			45,156	45,156
Office supplies	80		3,714	3,794
Postage	3,789	1,113	901	5,803
Printing and publications		16,160	1,873	18,033
Professional fees			15,430	15,430
Property taxes	510			510
Software support	2,123	2,122		4,245
Special event costs		11,814		11,814
Training/conferences			1,717	1,717
Travel		1,582	5,872	7,454
Depreciation	<u>158,600</u>		<u>22,657</u>	<u>181,257</u>
<b>Total expenses</b>	<b><u>\$ 1,585,040</u></b>	<b><u>\$ 140,653</u></b>	<b><u>\$ 199,253</u></b>	<b><u>\$ 1,924,946</u></b>

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 404,672	\$ 237,676
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	181,213	181,257
Unrealized (gain) loss on investments	(341,652)	95,614
Realized (gain) on sale of investments	18,114	(178,796)
Gain on sale of capital assets		(2,900)
Donated stocks received	(40,229)	(39,207)
Contribution of personal property	(6,015)	(20,647)
Change in current assets and liabilities:		
Accounts receivable	14,807	4,050
Inventory	41,736	17,413
Prepaid expenses		869
Accounts payable	(47,071)	5,056
Unearned revenues		
Accrued expenses	(6,583)	(63)
Deferred annuity payable	9,907	3,786
Contributions restricted for long-term purposes		
Endowments	<u>(222,760)</u>	<u>(58,064)</u>
Net cash provided by operating activities	<u>6,139</u>	<u>246,044</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(132,428)	(484,681)
Insurance proceeds from of capital assets		3,368
Proceeds from disposal of capital assets	1,900	
Proceeds from sale of investments	2,077,763	1,813,272
Purchase of investments	<u>(1,942,407)</u>	<u>(1,655,754)</u>
Net cash provided by (used in) investing activities	<u>4,828</u>	<u>(323,795)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted to endowment	<u>222,760</u>	<u>58,064</u>
Net cash provided by financing activities	<u>222,760</u>	<u>58,064</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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	233,727	(19,687)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>558,667</u>	<u>578,354</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 792,394</u>	<u>\$ 558,667</u>

Beginning Cash, Cash Equivalents, and Restricted Cash for the period ended September 30, 2019 was changed to include restricted cash required to be included in cash equivalents in the amount of \$378,527 as required by ASU 2016-18 (note 1).

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

Cash and Cash Equivalents	\$ 350,380	\$ 157,421
Restricted Cash designated by the Board of Directors	<u>442,014</u>	<u>401,246</u>
	<u>\$ 792,394</u>	<u>\$ 558,667</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, 2020 AND 2019**

**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, 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, 2021.

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.

**Financial Statement Presentation** – The Organizations 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 Organizations 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 Organizations and/or passage of time. This also includes net assets subject to donor-imposed stipulations that must be maintained permanently by the Organizations. Generally, the donors of these assets permit the Organizations 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, 2020 AND 2019**

**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 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 \$442,014 and \$401,246 in cash that is restricted for various purposes at September 30, 2020 and 2019, 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. 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.

The Organizations' Form 990, Return of Organization Exempt from Income Tax, for the years ending September 30, 2020, 2019, and 2018 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, 2020 AND 2019**

**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.

**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 is 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, 2020 AND 2019**

**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 Organization's estimates of fair value for financial assets and liabilities are based on the framework in ASC No. 820 which considers the inputs to 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 Organization's 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 new 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 Ranch and Foundation 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 Ranch and Foundation recognizes 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 Ranch and Foundation is required to provide additional disclosures under reporting standards as part of its financial statements. Those additional disclosures are included in Note 9.

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**SPECIAL K RANCH, INC. AND  
SPECIAL K RANCH FOUNDATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**Change in Accounting Method** – The Organizations adopted ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) effective July 1, 2018. ASU 2016-14 (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expenses by functional and natural classification in one location; and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets.

The Organizations adopted ASU 2016-18 *Statement of Cash Flows: Restricted Cash* which requires organizations to include in Cash and Cash Equivalents those assets restricted to investment in land, buildings, and equipment. Restricted cash designated by the Board of Directors for future program and capital project expenses have been included in cash equivalents for purpose of the Statement of Cash Flows. The prior year's Statement of Cash Flows has been recast to reflect the change in cash, cash equivalents, and restricted cash as defined under the ASU.

**NOTE 2 – Liquidity and Availability**

Financial assets available for general expenditures within one year as of September 30, 2020 are as follows:

Total assets	\$ 9,291,611
Less	
Short-term investments (non-cash)	(202,178)
Investments	(4,971,284)
Beneficial interest in assets held by others	(24,419)
Land, buildings, improvements, and equipment, net	<u>(3,405,502)</u>
 Financial assets available within one year	 <u>\$ 688,228</u>

The Ranch manages its financial assets to be available as its operating expenditures, liability and other obligations come due. In addition, management invests some cash in excess of operational requirements in short-term investments. The Ranch has short-term cash investments of \$239,836. 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.

**SPECIAL K RANCH, INC. AND  
SPECIAL K RANCH FOUNDATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**NOTE 3 - Inventory**

Inventory is recorded at the lower of cost or fair market value. Inventory recorded on the Ranch's books as of September 30, 2020 and 2019, is summarized as follows:

	2020	2019
Livestock	\$ 62,092	\$ 80,699
Feed	3,803	4,948
Donated equipment received for sale		996
Miscellaneous	5,130	5,130
Greenhouse and nursery	23,553	44,541
	\$ 94,578	\$ 136,314

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 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, 2020 AND 2019**

**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 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, 2020 and 2019, is as follows:

September 30, 2020:	<u>Without Restriction</u>	<u>Purpose Restriction</u>	<u>Perpetual Restricted</u>	<u>Total</u>
Donor-restricted	\$	\$	\$ 3,156,321	\$ 3,156,321
Board restricted	<u>1,650,090</u>	<u>164,873</u>	<u>                    </u>	<u>1,814,963</u>
	<u>\$ 1,650,090</u>	<u>\$ 164,873</u>	<u>\$ 3,156,321</u>	<u>\$ 4,971,284</u>
September 30, 2019:	<u>Without Restriction</u>	<u>Purpose Restriction</u>	<u>Perpetual Restricted</u>	<u>Total</u>
Donor-restricted	\$	\$	\$ 3,024,834	\$ 3,024,834
Board restricted	<u>1,634,982</u>	<u>83,695</u>	<u>                    </u>	<u>1,718,677</u>
	<u>\$ 1,634,982</u>	<u>\$ 83,695</u>	<u>\$ 3,024,834</u>	<u>\$ 4,743,511</u>

Continued...

**SPECIAL K RANCH, INC. AND  
SPECIAL K RANCH FOUNDATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**NOTE 4 - Endowment Funds (continued)**

Changes in endowments net assets for the year ended September 30, 2020, is as follows:

	<u>Without Restriction</u>	<u>Purpose Restriction</u>	<u>Perpetual Restricted</u>	<u>Total</u>
Beginning of year	\$ 1,634,982	\$ 83,695	\$ 3,024,834	\$ 4,743,511
Investment returns:				
Interest/dividends		120,213		120,213
Gains/losses		349,650		349,650
Contributions	17,013		131,487	148,500
Appropriation of assets for expenditure:				
Transfers to charity		(335,661)		(335,661)
Fees/other charges	(1,905)	(51,624)		(53,529)
Annuity payments		(1,400)		(1,400)
End of year	<u>\$ 1,650,090</u>	<u>\$ 164,873</u>	<u>\$ 3,156,321</u>	<u>\$ 4,971,284</u>

Changes in endowments net assets for the year ended September 30, 2019, is as follows:

	<u>Without Restriction</u>	<u>Purpose Restriction</u>	<u>Perpetual Restricted</u>	<u>Total</u>
Beginning of year	\$1,626,265	\$ 269,794	\$ 2,882,173	\$ 4,778,232
Investment returns:				
Interest/dividends		115,707		115,707
Gains/losses		81,619		81,619
Contributions	11,763		142,661	154,424
Appropriation of assets for expenditure:				
Transfers to charity		(332,464)		(332,464)
Fees/other charges	(3,046)	(49,726)		(52,772)
Annuity payments		(1,235)		(1,235)
End of year	<u>\$ 1,634,982</u>	<u>\$ 83,695</u>	<u>\$ 3,024,834</u>	<u>\$ 4,743,511</u>

Continued...

**SPECIAL K RANCH, INC. AND  
SPECIAL K RANCH FOUNDATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**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. Any depreciation of asset value in excess of historic dollar value is recognized as a reduction in net assets without restriction. 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 \$15,885 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. As of September 30, 2020 and 2019, the endowment has a fair market value of \$24,419 and \$23,781, respectively.

**NOTE 6 - Foundation Investments**

As of September 30, 2020, and 2019, 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>2020</u>	<u>2019</u>
Cash management accounts	\$ 137,989	\$ 113,449
Fixed income mutual funds/EFT	1,231,478	859,869
Equity mutual funds/EFT	2,419,374	2,232,062
Common stock equities	1,182,443	1,538,131
Accounts receivable	91,273	
Accounts payable	(5,350)	(5,150)
Deferred gift annuities payable	<u>(96,808)</u>	<u>(86,901)</u>
 Net Fair Market Value	 <u>\$ 4,960,399</u>	 <u>\$ 4,651,460</u>

Continued...

**SPECIAL K RANCH, INC. AND  
SPECIAL K RANCH FOUNDATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**NOTE 6 - Foundation Investments (Continued)**

The cash and investments activity of the Foundation for the years ended September 30, 2020 and 2019, is summarized as follows:

	<u>2020</u>	<u>2019</u>
Beginning Value	\$ 4,743,511	\$ 4,778,232
Contributions Received:		
Transfers from Special K Ranch, Inc.	6,800	
Endowment contribution	230,863	154,424
Investment Earnings	120,213	115,707
Realized Gains	9,966	178,179
Unrealized Gains (Losses)	339,684	(96,560)
Investment Fees	(46,100)	(45,100)
Transfers to Special K Ranch, Inc.	(335,661)	(332,464)
Costs, Expenses, and Other Disbursements	<u>(6,719)</u>	<u>(8,907)</u>
Ending Value - Foundation investments	<u>\$ 5,062,557</u>	<u>\$ 4,743,511</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 March 10, 2021, 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, 2020, and 2019, 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>2020</u>	<u>2019</u>
Building construction/upgrade	\$ 65,678	\$ 72,675
Septic/drain field	20,450	20,450
Equipment	19,698	21,698
Scholarships	11,400	3,577
Programs	3,836	3,835
Endowment fund earnings	<u>164,873</u>	<u>83,695</u>
Total Purpose Restricted Net Assets	<u>\$ 285,935</u>	<u>\$ 205,930</u>

Continued...

**SPECIAL K RANCH, INC. AND  
SPECIAL K RANCH FOUNDATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**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 \$389,622. Other decreases in purpose restricted net assets include capital building projects of \$480,847 and scholarship/program expenditures of \$24,752.

Perpetually restricted net assets are represented by the following:

	2020	2019
Community Foundation investment (non-variance)	\$ 15,885	\$ 15,885
Gift annuities	910,768	806,206
Endowment contributions restricted by donor	2,336,826	2,218,628
	\$ 3,263,479	\$ 3,040,719

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, 2020 and 2019, include:

	2020	2019
Interest and dividend income	\$ 122,758	\$ 121,971
Split interest arrangement costs		
Realized gain on investment	10,610	178,796
Unrealized gain/(loss) on investments	341,651	(95,614)
	\$ 475,019	\$ 205,153

Cumulative unrealized gains/(losses) on investments have been recognized in the amounts of \$655,133 and \$304,697 for the periods ended September 30, 2020 and 2019, respectively.

Continued...

**SPECIAL K RANCH, INC. AND  
SPECIAL K RANCH FOUNDATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**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, 2020 and 2019:

September 30, 2020	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value Total</u>
<b>Investments</b>				
Money market funds	\$ 137,989	\$	\$	\$ 137,989
Fixed income/bonds	1,231,478			1,231,478
Domestic equity	3,601,817			3,601,817
Security interest		<u>24,419</u>		<u>24,419</u>
	<u>\$ 4,971,284</u>	<u>\$ 24,419</u>	<u>\$ ---</u>	<u>\$ 4,995,703</u>

September 30, 2019	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value Total</u>
<b>Investments</b>				
Money market funds	\$ 113,449	\$	\$	\$ 113,449
Fixed income/bonds	859,869			859,869
Domestic equity	3,770,193			3,770,193
Security interest		<u>23,781</u>		<u>23,781</u>
	<u>\$ 4,743,511</u>	<u>\$ 23,781</u>	<u>\$ ---</u>	<u>\$ 4,767,292</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, 2020 AND 2019**

**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, 2020 and 2019, were \$18,136 and \$18,950 respectively.

**NOTE 11 - Non-Cash Donations/Contributions**

The Ranch received \$50,137 and \$47,993 of donated personal property, equipment, and consumables for the periods ending September 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Livestock Sales	\$ 46,260	\$ 47,241
Greenhouse Sales	319,544	320,133
Nursery Sales	75,000	58,062
Produce Sales	24,684	32,061
Service Contracts Performed	20,478	15,972
Miscellaneous sales	<u>39,605</u>	<u>19,974</u>
	525,571	493,443
Cost of goods sold:		
Greenhouse	<u>(172,428)</u>	<u>(138,675)</u>
	<u>\$ 353,143</u>	<u>\$ 354,768</u>

**SPECIAL K RANCH, INC. AND  
SPECIAL K RANCH FOUNDATION, INC.  
NOTES TO THE COMBINED FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**NOTE 13 - Subsequent Events**

The Ranch had the following subsequent events for Type I events through February 2, 2021, 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, 2020:

The Ranch has submitted and not yet received approval from the lender which allows for forgiveness of the debt incurred through the SBA PPP loan program. Analysis has been completed which would support approval of forgiveness of the full debt amount. Under the guidance provided by ASC 958-605, and relying on the subsequent forgiveness of debt, the Ranch included in Grants income \$243,800 in forgiveness income during the fiscal year ended September 30, 2020.

The COVID-19 outbreak in the United States has caused business disruption and unemployment through mandated and voluntary closings of multiple essential and non-essential business. While the disruption and unemployment are currently expected to be temporary, and Government has provided economic stimulus and disaster assistance to mitigate certain economic risks, there is considerable uncertainty around the duration of the closings. As a result, the Ranch expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

The Foundation had no subsequent events for Type I events through February 2, 2021, 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, 2020.

**SUPPLEMENTAL INFORMATION**

**SPECIAL K RANCH, INC.**  
**SUPPLEMENTAL INFORMATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<b>ASSETS</b>	
	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 350,380	\$ 157,421
Accounts receivable, net of \$0 allowance for doubtful accounts	3,434	18,241
Prepaid expenses		
Inventory	94,578	136,314
Cash restricted by the Board	<u>442,014</u>	<u>401,246</u>
<b>Total Current Assets</b>	<u>890,406</u>	<u>713,222</u>
<b>Property and Equipment</b>		
Land and improvements	1,287,899	1,287,899
Resident homes and ranch structures	3,752,450	3,064,439
Ranch equipment	510,892	519,721
Furniture and fixtures	165,349	161,348
Construction in progress	<u>97,024</u>	<u>654,994</u>
	5,813,614	5,688,401
Less accumulated depreciation	<u>(2,408,112)</u>	<u>(2,238,229)</u>
<b>Total Property and Equipment</b>	<u>3,405,502</u>	<u>3,450,172</u>
<b>Other Assets</b>		
Beneficial interest in assets held by others	<u>24,419</u>	<u>23,781</u>
<b>Total Other Assets</b>	<u>24,419</u>	<u>23,781</u>
 <b>Total Assets</b>	 <u>\$ 4,320,327</u>	 <u>\$ 4,187,175</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC.**  
**SUPPLEMENTAL INFORMATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

**LIABILITIES AND NET ASSETS**

	<u>2020</u>	<u>2019</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 135,304	\$ 91,302
Unearned revenues		
Accrued expenses		
Payroll and withholding liabilities	9,217	13,480
Retirement plan	1,299	4,436
Miscellaneous	<u>817</u>	
<b>Total Current Liabilities</b>	<u>146,637</u>	<u>109,218</u>
<b>Total Liabilities</b>	<u>146,637</u>	<u>109,218</u>
<b>Net Assets</b>		
<b>Without Donor Restriction</b>		
Invested in capital assets	3,405,502	3,450,172
Unreserved	<u>631,241</u>	<u>489,664</u>
	<u>4,036,743</u>	<u>3,939,836</u>
<b>With Donor Restriction</b>		
Purpose restricted	121,062	122,236
Perpetual in nature	<u>15,885</u>	<u>15,885</u>
	<u>136,947</u>	<u>138,121</u>
<b>Total Net Assets</b>	<u>4,173,690</u>	<u>4,077,957</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,320,327</u>	<u>\$ 4,187,175</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC.**  
**SUPPLEMENTAL INFORMATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2020**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
<b>Public Support</b>			
Public support	\$ 453,242	\$ 51,901	\$ 505,143
Sales to public	525,571		525,571
Less cost of goods sold	(172,428)		(172,428)
Special events	124,599		124,599
Less direct benefits to donors	(1,535)		(1,535)
Grants	297,542		297,542
Foundation distributions received	335,661		335,661
Gifts in-kind	50,137		50,137
Resident fees	463,156		463,156
Miscellaneous income	397		397
Investment income	4,220		4,220
Net assets released from restrictions	<u>53,075</u>	<u>(53,075)</u>	<u>---</u>
<b>Total public support   and revenue</b>	<u>2,133,637</u>	<u>(1,174)</u>	<u>2,132,463</u>
<b>Expenses</b>			
Program service	1,678,926		1,678,926
Fundraising	177,700		177,700
Administration	<u>180,104</u>		<u>180,104</u>
<b>Total expenses</b>	<u>2,036,730</u>		<u>2,036,730</u>
<b>Change in Net Assets</b>	96,907	(1,174)	95,733
<b>Net Assets, Beginning of Year</b>	<u>3,939,836</u>	<u>138,121</u>	<u>4,077,957</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,036,743</u>	<u>\$ 136,947</u>	<u>\$ 4,173,690</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC.**  
**SUPPLEMENTAL INFORMATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2019**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
<b>Public Support</b>			
Public support	\$ 388,686	\$ 472,494	\$ 861,180
Sales to public	493,443		493,443
Less cost of goods sold	(138,675)		(138,675)
Special events	126,891	300	127,191
Less direct benefits to donors	(28,375)		(28,375)
Grants		21,500	21,500
Foundation distributions received	332,464		332,464
Gifts in-kind	47,993		47,993
Resident fees	427,351		427,351
Miscellaneous income	2,900		2,900
Investment income	7,453		7,453
Net assets released from restrictions	<u>497,070</u>	<u>(497,070)</u>	<u>---</u>
<b>Total public support   and revenue</b>	<u>2,157,201</u>	<u>(2,776)</u>	<u>2,154,425</u>
<b>Expenses</b>			
Program service	1,590,260		1,590,260
Fundraising	140,357		140,357
Administration	<u>142,474</u>		<u>142,474</u>
<b>Total expenses</b>	<u>1,873,091</u>		<u>1,873,091</u>
<b>Change in Net Assets</b>	284,110	(2,776)	281,334
<b>Net Assets, Beginning of Year</b>	<u>3,655,726</u>	<u>140,897</u>	<u>3,796,623</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,939,836</u>	<u>\$ 138,121</u>	<u>\$ 4,077,957</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC.**  
**SUPPLEMENTAL INFORMATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2020**

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 799,316	\$ 90,611	\$ 89,640	\$ 979,567
Employee benefits	201,429	22,108	22,108	245,645
Payroll taxes	110,625	12,142	12,141	134,908
Staff enrichment	5,095			5,095
Grants to Foundation	6,800			6,800
Farming program	83,985			83,985
Horticultural program	82,909			82,909
Services program	10,256			10,256
Occupancy	138,554	9,095	1,710	149,359
Advertising/public relations		1,204	685	1,889
Communication		2,594	8,000	10,594
Insurance	61,664		2,724	64,388
Interest and finance charges			6,292	6,292
Maintenance and repair	7,325	2,411	213	9,949
Office supplies			4,027	4,027
Postage	2,949	1,167	897	5,013
Printing and publications		18,994	130	19,124
Professional fees	7,500		2,500	10,000
Property taxes	1,052			1,052
Software support		1,442	1,442	2,884
Special event costs		13,343		13,343
Training/conferences			879	879
Travel		2,589	4,970	7,559
Depreciation	<u>159,467</u>		<u>21,746</u>	<u>181,213</u>
<b>Total expenses</b>	<u>\$ 1,678,926</u>	<u>\$ 177,700</u>	<u>\$ 180,104</u>	<u>\$ 2,036,730</u>

See accompanying notes to combined financial statements.



**SPECIAL K RANCH, INC.**  
**SUPPLEMENTAL INFORMATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2019**

	<u>Program</u>	<u>Fundraising</u>	<u>Admini- stration</u>	<u>Total</u>
Salaries	\$ 775,277	\$ 73,393	\$ 57,073	\$ 905,743
Employee benefits	217,792	20,729	16,032	254,553
Payroll taxes	71,561	6,878	5,165	83,604
Staff enrichment	6,048			6,048
Grants to Foundation	5,300			5,300
Farming program	60,481			60,481
Horticultural program	82,130			82,130
Services program	12,208			12,208
Occupancy	135,343		6,414	141,757
Advertising/public relations		1,790	1,047	2,837
Communication		2,504	7,289	9,793
Insurance	54,211		2,684	56,895
Interest and finance charges			4,014	4,014
Maintenance and repair	4,887	2,272	272	7,431
Office supplies			3,714	3,714
Postage	3,789	1,113	901	5,803
Printing and publications		16,160	1,873	18,033
Professional fees			5,750	5,750
Property taxes	510			510
Software support	2,123	2,122		4,245
Special event costs		11,814		11,814
Training/conferences			1,717	1,717
Travel		1,582	5,872	7,454
Depreciation	<u>158,600</u>		<u>22,657</u>	<u>181,257</u>
Total expenses	<u>\$ 1,590,260</u>	<u>\$ 140,357</u>	<u>\$ 142,474</u>	<u>\$ 1,873,091</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC.**  
**SUPPLEMENTAL INFORMATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 95,733	\$ 281,334
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	181,213	181,257
Unrealized (gain) on investments	(1,031)	(946)
Realized (gain) loss on sale of investments	(644)	35
Gain on sale of capital assets	---	(2,900)
Contribution of personal property	(6,015)	(20,647)
Change in current assets and liabilities:		
Accounts receivable	14,807	4,050
Inventory	41,736	17,413
Prepaid expenses	---	869
Accounts payable	44,002	(94)
Accrued expenses	<u>(6,583)</u>	<u>(63)</u>
<b>Net cash provided by operating activities</b>	<u>363,218</u>	<u>460,308</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,074	1,318
Insurance proceeds from capital assets	---	3,368
Proceeds from disposal of capital assets	1,900	---
Purchase of investments	(37)	---
Purchase of property and equipment	<u>(132,428)</u>	<u>(484,681)</u>
<b>Net cash used in investing activities</b>	<u>(129,491)</u>	<u>(479,995)</u>
<b>Net Change in Cash, Cash Equivalents, and Restricted Cash</b>	233,727	(19,687)
<b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Year</b>	<u>558,667</u>	<u>578,354</u>
<b>Cash, Cash Equivalents, and Restricted Cash at End of Year</b>	<u>\$ 792,394</u>	<u>\$ 558,667</u>

See accompanying notes to combined financial statements.

**SPECIAL K RANCH, INC.**  
**SUPPLEMENTAL INFORMATION**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

Beginning Cash, Cash Equivalents, and Restricted Cash for the period ended September 30, 2019 was changed to include restricted cash required to be included in cash equivalents in the amount of \$378,527 as required by ASU 2016-18 (note 1).

	<u>2020</u>	<u>2019</u>
<b>Cash, Cash Equivalents, and Restricted Cash at End of Year include the following</b>		
Cash and Cash Equivalents	\$ 350,380	\$ 157,421
Restricted Cash designated by the Board of Directors	<u>442,014</u>	<u>401,246</u>
	<u>\$ 792,394</u>	<u>\$ 558,667</u>

See accompanying notes to combined financial statements.