

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

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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 Papp & Associates PC

August 19, 2020
Billings, Montana

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018**

ASSETS			
		<u>2019</u>	<u>2018</u>
Current Assets			
Cash and cash equivalents	\$	157,421	\$ 199,827
Accounts receivable, net of \$0 and \$0 allowance for doubtful accounts		18,241	22,291
Prepaid expense			869
Inventory		136,314	153,727
Cash restricted by the Board		<u>401,246</u>	<u>378,527</u>
Total Current Assets		<u>713,222</u>	<u>755,241</u>
Property and Equipment			
Land and improvements		1,287,899	1,287,899
Resident homes and ranch structures		3,064,439	3,011,970
Ranch equipment		519,721	505,943
Furniture and fixtures		161,348	154,672
Construction in progress		<u>654,994</u>	<u>225,029</u>
		5,688,401	5,185,513
Less accumulated depreciation		<u>(2,238,229)</u>	<u>(2,059,412)</u>
Total Property and Equipment		<u>3,450,172</u>	<u>3,126,101</u>
Other Assets			
Foundation investments		4,743,511	4,778,232
Beneficial interest in assets held by others		<u>23,781</u>	<u>24,656</u>
Total Other Assets		<u>4,767,292</u>	<u>4,802,888</u>
Total Assets		<u>\$ 8,930,686</u>	<u>\$ 8,684,230</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, 2019 AND 2018**

LIABILITIES AND NET ASSETS		
	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accounts payable	\$ 96,452	\$ 91,396
Unearned revenues		
Accrued expenses		
Payroll and withholding liabilities	13,480	13,296
Retirement plan	4,436	4,683
Deferred gift annuity payable – current portion	<u>1,104</u>	<u>1,104</u>
Total Current Liabilities	<u>115,472</u>	<u>110,479</u>
Long-term Liabilities		
Deferred gift annuity payable, net of current portion	<u>85,797</u>	<u>82,010</u>
Total Long-term Liabilities	<u>85,797</u>	<u>82,010</u>
Total Liabilities	<u>201,269</u>	<u>192,489</u>
Net Assets		
Without Donor Restriction		
Invested in capital assets	3,450,172	3,126,101
Unreserved	<u>2,032,596</u>	<u>2,072,777</u>
	<u>5,482,768</u>	<u>5,198,878</u>
With Donor Restriction		
Purpose restricted	205,930	394,805
Perpetual in nature	<u>3,040,719</u>	<u>2,898,058</u>
	<u>3,246,649</u>	<u>3,292,863</u>
Total Net Assets	<u>8,729,417</u>	<u>8,491,741</u>
 Total Liabilities and Net Assets	 <u><u>\$ 8,930,686</u></u>	 <u><u>\$ 8,684,230</u></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>
Public Support and Revenue			
Public Support			
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>
Total public support and revenue	<u>2,208,836</u>	<u>(46,214)</u>	<u>2,162,622</u>
Expenses			
Program service	1,585,040		1,585,040
Fundraising	140,653		140,653
Administration	<u>199,253</u>		<u>199,253</u>
Total expenses	<u>1,924,946</u>		<u>1,924,946</u>
Change in Net Assets	283,890	(46,214)	237,676
Net Assets, Beginning of Year	<u>5,198,878</u>	<u>3,292,863</u>	<u>8,491,741</u>
Net Assets, End of Year	<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 ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public Support and Revenue			
Public Support			
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>
Total public support and revenue	<u>2,086,641</u>	<u>(72,867)</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>134,067</u>
Total expenses	<u>1,893,494</u>		<u>1,893,494</u>
Change in Net Assets	193,147	(72,867)	120,280
Net Assets, Beginning of Year	<u>5,005,731</u>	<u>3,365,730</u>	<u>8,371,461</u>
Net Assets, End of Year	<u>\$ 5,198,878</u>	<u>\$ 3,292,863</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 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> </u>	 <u>22,657</u>	 <u>181,257</u>
 Total expenses	 <u>\$ 1,585,040</u>	 <u>\$ 140,653</u>	 <u>\$ 199,253</u>	 <u>\$ 1,924,946</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 STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 237,676	\$ 120,280
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	181,257	175,734
Unrealized (gain) loss on investments	95,614	(105,724)
Realized (gain) on sale of investments	(178,796)	(92,704)
Gain on sale of capital assets	(2,900)	(2,390)
Donated stocks received	(39,207)	(14,786)
Contribution of personal property	(20,647)	(27,000)
Change in current assets and liabilities:		
Accounts receivable	4,050	38,556
Inventory	17,413	(4,156)
Prepaid expenses	869	(237)
Accounts payable	5,056	27,383
Unearned revenues		(7,198)
Accrued expenses	(63)	2,539
Deferred annuity payable	3,786	10,653
Contributions restricted for long-term purposes		
Endowments	<u>(58,064)</u>	<u>(257,600)</u>
Net cash (used in) provided by operating activities	<u>246,044</u>	<u>(136,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(484,681)	(337,073)
Changes in cash restricted as to use by the Board	(22,719)	172,123
Insurance proceeds from of capital assets	3,368	6,741
Proceeds from sale of investments	1,813,272	1,773,136
Purchase of investments	<u>(1,655,754)</u>	<u>(1,735,835)</u>
Net cash used in investing activities	<u>(346,514)</u>	<u>(120,908)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted to endowment	<u>58,064</u>	<u>257,600</u>
Net cash provided by financing activities	<u>58,064</u>	<u>257,600</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Net Change in Cash and Cash Equivalent	(42,406)	42
Cash and Cash Equivalents at Beginning of Year	<u>199,827</u>	<u>199,785</u>
Cash and Cash Equivalents at End of Year	<u>\$ 157,421</u>	<u>\$ 199,827</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, 2019 AND 2018

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, 2020.

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 its 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 Organization and/or passage of time. This also includes net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization 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, 2019 AND 2018**

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 \$401,246 and \$378,527 in cash that is restricted for various purposes at September 30, 2019 and 2018, 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, 2019, 2018, and 2017 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, 2019 AND 2018**

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 (Continued) - 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, 2019 AND 2018**

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 statement 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 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 Organization 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 4.

Continued...

SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Change in accounting method

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). 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. As a result, 2018 net assets classified as temporarily and permanently restricted net assets prior to the adoption of ASU 2016-14 totaling \$394,805 and \$2,898,058, respectively, have been reclassified as net assets with donor restrictions in the accompanying 2018 consolidated financial statements. In addition, 2018 changes therein have been reclassified in the accompanying footnotes to the 2018 consolidated financial statements as changes in net assets with donor restrictions. 2018 net assets classified as unrestricted net assets have been reclassified as net assets without donor restrictions. These reclassifications had no effect on the reported results of operations.

NOTE 2 – Liquidity and Availability

Financial assets available for general expenditures within one year as of September 30, 2019 are as follows:

Total assets	\$ 8,930,686
Less	
Short-term investments (non-cash)	(10,908)
Investments	(4,743,511)
Beneficial interest in assets held by others	(23,781)
Land, buildings, improvements, and equipment, net	<u>(3,450,172)</u>
Financial assets available within one year	<u>\$ 702,314</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 \$390,338. 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, 2019 AND 2018**

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, 2019 and 2018, is summarized as follows:

	<u>2019</u>	<u>2018</u>
Livestock	\$ 80,699	\$ 68,765
Feed	4,948	14,027
Donated equipment received for sale	996	996
Miscellaneous	5,130	5,130
Greenhouse and Nursery	<u>44,541</u>	<u>64,809</u>
	<u>\$ 136,314</u>	<u>\$ 153,727</u>

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, 2019 AND 2018**

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, 2018 and 2017, is as follows:

September 30, 2019:	<u>Without</u>	<u>Purpose</u>	<u>Perpetual</u>	
	<u>Restriction</u>	<u>Restriction</u>	<u>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>1,718,677</u>
	<u>\$ 1,634,982</u>	<u>\$ 83,695</u>	<u>\$ 3,024,834</u>	<u>\$ 4,743,511</u>
September 30, 2018:	<u>Without</u>	<u>Purpose</u>	<u>Perpetual</u>	
	<u>Restriction</u>	<u>Restriction</u>	<u>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>1,896,059</u>
	<u>\$ 1,626,265</u>	<u>\$ 269,794</u>	<u>\$ 2,882,173</u>	<u>\$ 4,778,232</u>

Continued...

SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 4 - Endowment Funds (continued)

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>

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

	<u>Without Restriction</u>	<u>Purpose Restriction</u>	<u>Perpetual 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>

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

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 and available for general operation expenses. As of September 30, 2019 and 2018, the endowment has an estimated fair market value of \$23,781 and \$24,656, respectively.

NOTE 6 - Foundation Investments

As of September 30, 2019, and 2018, 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>2019</u>	<u>2018</u>
Cash Management Accounts	\$ 113,449	\$ 80,190
Fixed income mutual funds/EFT	859,869	1,568,598
Equity mutual funds/EFT	2,232,062	1,624,566
Common stock equities	1,538,131	1,504,878
Accounts payable	(5,150)	
Deferred Gift Annuities Payable	<u>(86,901)</u>	<u>(83,114)</u>
Net Fair Market Value	<u>\$ 4,651,460</u>	<u>\$ 4,695,118</u>

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

NOTE 6 - Foundation Investments (continued)

The cash and investments activity of the Foundation for the years ended September 30, 2019 and 2018, is summarized as follows:

	<u>2019</u>	<u>2018</u>
Beginning Value	\$ 4,778,232	\$ 4,603,108
Contributions Received:		
Transfers from Special K Ranch, Inc.		
Endowment contribution	154,424	269,356
Investment Earnings	115,707	101,027
Realized Gains	178,179	92,324
Unrealized Gains (Losses)	(96,560)	104,079
Investment Fees	(45,100)	(46,160)
Transfers to Special K Ranch, Inc.	(332,464)	(335,430)
Costs, expenses, and other disbursements	<u>(8,907)</u>	<u>(10,072)</u>
Ending Value - Foundation investments	<u>\$ 4,743,511</u>	<u>\$ 4,778,232</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, 2020, 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, 2019, and 2018, 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>2019</u>	<u>2018</u>
Building construction/upgrade	\$ 72,675	\$ 78,228
Septic/drain field	20,450	20,450
Equipment	21,698	19,698
Scholarships	3,577	
Programs	3,836	6,635
Endowment fund earnings	<u>83,695</u>	<u>269,794</u>
Total Purpose Restricted Net Assets	<u>\$ 205,931</u>	<u>\$ 394,805</u>

Continued...

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

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 \$383,799. Other decreases in purpose restricted net assets include capital building projects of \$480,847 and scholarship/program expenditures of \$16,223.

Perpetually restricted net assets are represented by the following:

	<u>2019</u>	<u>2018</u>
Community Foundation investment (non-variance)	\$ 15,885	\$ 15,885
Gift annuities	806,206	748,142
Endowment contributions restricted by donor	<u>2,218,628</u>	<u>2,134,031</u>
	<u>\$ 3,040,719</u>	<u>\$ 2,898,058</u>

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

NOTE 9 - Investment Income

Investment income (loss) and gains for cash equivalents, other investments, and endowment funds for the periods ended September 30, 2019 and 2018, include:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 121,971	\$ 102,965
Split interest arrangement costs		
Realized gain on investment	178,796	92,704
Unrealized gain/(loss) on investments	<u>(95,614)</u>	<u>105,724</u>
	<u>\$ 205,153</u>	<u>\$ 301,393</u>

Cumulative unrealized gains/(losses) on investments have been recognized in the amounts of \$304,697 and \$305,370 for the periods ended September 30, 2019 and 2018, respectively.

Continued...

SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018:

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

	Quoted Prices In Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Total
September 30, 2018				
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>

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, 2019 AND 2018**

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, 2019 and 2018, were \$18,950 and \$19,849 respectively.

NOTE 11 - Non-Cash Donations/Contributions

The Ranch received \$47,993 and \$38,391 of donated personal property, equipment, and consumables for the periods ending September 30, 2019 and 2018, 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>2019</u>	<u>2018</u>
Livestock Sales	\$ 47,241	\$ 38,269
Greenhouse Sales	320,133	285,307
Nursery Sales	58,062	127,644
Produce Sales	32,061	28,393
Service Contracts performed	15,972	19,270
Miscellaneous sales	<u>19,974</u>	<u>12,693</u>
	493,443	511,576
Cost of goods sold:		
Greenhouse	<u>(138,675)</u>	<u>(119,238)</u>
	<u>\$ 354,768</u>	<u>\$ 392,338</u>

**SPECIAL K RANCH, INC. AND
SPECIAL K RANCH FOUNDATION, INC.
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

NOTE 13 - Subsequent Events

The Ranch had no subsequent events for Type I events through August 19, 2020, 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, 2019.

The Foundation had no subsequent events for Type I events through August 19, 2020, 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.

SUPPLEMENTAL INFORMATION

SPECIAL K RANCH, INC.
SUPPLEMENTAL INFORMATION
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

ASSETS			
		<u>2019</u>	<u>2018</u>
Current Assets			
Cash and cash equivalents	\$	157,421	\$ 199,827
Accounts receivable, net of \$0 allowance for doubtful accounts		18,241	22,291
Prepaid expenses			869
Inventory		136,314	153,727
Cash restricted by the Board		<u>401,246</u>	<u>378,527</u>
Total Current Assets		<u>713,222</u>	<u>755,241</u>
Property and Equipment			
Land and improvements		1,287,899	1,287,899
Resident homes and ranch structures		3,064,439	3,011,970
Ranch equipment		519,721	505,943
Furniture and fixtures		161,348	154,672
Construction in progress		<u>654,994</u>	<u>225,029</u>
		5,688,401	5,185,513
Less accumulated depreciation		<u>(2,238,229)</u>	<u>(2,059,412)</u>
Total Property and Equipment		<u>3,450,172</u>	<u>3,126,101</u>
Other Assets			
Beneficial interest in assets held by others		<u>23,781</u>	<u>24,656</u>
Total Other Assets		<u>23,781</u>	<u>24,656</u>
 Total Assets		 <u><u>\$ 4,187,175</u></u>	 <u><u>\$ 3,905,998</u></u>

See accompanying notes to combined financial statements.

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accounts payable	\$ 91,302	\$ 91,396
Unearned revenues		
Accrued expenses		
Payroll and withholding liabilities	13,480	13,296
Retirement plan	<u>4,436</u>	<u>4,683</u>
Total Current Liabilities	<u>109,218</u>	<u>109,375</u>
 Total Liabilities	 <u>109,218</u>	 <u>109,375</u>
Net Assets		
Without Donor Restriction		
Invested in capital assets	3,450,172	3,126,101
Unreserved	<u>489,664</u>	<u>529,625</u>
	<u>3,939,836</u>	<u>3,655,726</u>
With Donor Restriction		
Purpose restricted	122,236	125,012
Perpetual in nature	<u>15,885</u>	<u>15,885</u>
	<u>138,121</u>	<u>140,897</u>
 Total Net Assets	 <u>4,077,957</u>	 <u>3,796,623</u>
 Total Liabilities and Net Assets	 <u>\$ 4,187,175</u>	 <u>\$ 3,905,998</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>
Public Support and Revenue			
Public Support			
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>
Total public support and revenue	<u>2,157,201</u>	<u>(2,776)</u>	<u>2,154,425</u>
Expenses			
Program service	1,590,260		1,590,260
Fundraising	140,357		140,357
Administration	<u>142,474</u>		<u>142,474</u>
Total expenses	<u>1,873,091</u>		<u>1,873,091</u>
Change in Net Assets	284,110	(2,776)	281,334
Net Assets, Beginning of Year	<u>3,655,726</u>	<u>140,897</u>	<u>3,796,623</u>
Net Assets, End of Year	<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 ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public Support and Revenue			
Public Support			
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>
Total public support and revenue	<u>2,030,227</u>	<u>(236,235)</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>377,132</u>	<u>3,840,814</u>
Net Assets, End of Year	<u>\$ 3,655,726</u>	<u>\$ 140,897</u>	<u>\$ 3,796,623</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
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
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 281,334	\$ (44,191)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	181,257	175,734
Unrealized (gain) loss on investments	(946)	(1,463)
Realized (gain) loss on sale of investments	35	(380)
Gain on sale of capital assets	(2,900)	(2,390)
Contribution of personal property	(20,647)	(27,000)
Change in current assets and liabilities:		
Accounts receivable	4,050	38,556
Inventory	17,413	(4,156)
Prepaid expenses	869	(237)
Accounts payable	(94)	27,383
Unearned revenues		(7,198)
Accrued expenses	<u>(63)</u>	<u>2,539</u>
Net cash provided by operating activities	<u>460,308</u>	<u>157,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in cash restricted as to use by the Board	(22,719)	172,123
Proceeds from sale of investments	1,318	1,054
Insurance proceeds from capital assets	3,368	6,741
Purchase of investments		
Purchase of property and equipment	<u>(484,681)</u>	<u>(337,073)</u>
Net cash used by investing activities	<u>(502,714)</u>	<u>(157,155)</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	(42,406)	42
Cash and Cash Equivalents at Beginning of Year	<u>199,827</u>	<u>199,785</u>
Cash and Cash Equivalents at End of Year	<u>\$ 157,421</u>	<u>\$ 199,827</u>

See accompanying notes to combined financial statements.