

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.

Financial Statements
and Compliance Information

December 31, 2019 and 2018

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.

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December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Arkansas Sheriffs' Youth Ranches, Inc.
Batesville, Arkansas

Report of the Financial Statements

We have audited the accompanying financial statements of Arkansas Sheriffs' Youth Ranches, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risk 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

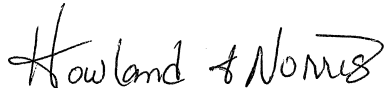
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arkansas Sheriffs' Youth Ranches Inc, as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of governmental assistance on page 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arkansas Sheriffs' Youth Ranches, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Howland & Norris".

January 29, 2021

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.**Statements of Financial Position****December 31, 2019 and 2018**

Assets	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,811,320	\$ 2,001,982
Investments	10,122,521	7,125,632
Contributions receivable	325	225,486
Accounts receivable	16,911	10,984
Beneficial interest in trusts	2,906,391	2,498,705
Property and equipment, net	4,441,797	4,492,492
Long-lived asset held for sale	3,754,718	3,754,718
Other assets	<u>40,829</u>	<u>14,592</u>
 Total Assets	 <u>\$ 23,094,812</u>	 <u>\$ 20,124,591</u>
 Liabilities		
Accounts payable	\$ 3,421	\$ 22,306
Accrued expenses	51,366	47,604
Annuity and life estate liabilities	2,788,368	146,880
Other liabilities	<u>5,809</u>	<u>19,241</u>
 Total Liabilities	 <u>\$ 2,848,964</u>	 <u>\$ 236,031</u>
 Net Assets		
Without donor restrictions	\$ 14,754,350	\$ 14,637,365
With donor restrictions	<u>5,491,498</u>	<u>5,251,195</u>
 Total Net Assets	 <u>\$ 20,245,848</u>	 <u>\$ 19,888,560</u>
 Total Liabilities and Net Assets	 <u>\$ 23,094,812</u>	 <u>\$ 20,124,591</u>

See accompanying notes to financial statements.

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and appeals	\$ 1,050,084	\$ -	\$ 1,050,084
Bequests	30,720	332,547	363,267
Foundation gifts	-	-	-
Special fund raisers	309,370	-	309,370
Sales of ranch items	23,651	-	23,651
Rental income	30,616	-	30,616
Grants	59,497	-	59,497
Room and board - foster care	149,775	-	149,775
Trust income	233,243	407,687	640,930
Investment income	335,401	62,170	397,571
Loss on disposal of property and equipment	(2,200)	-	(2,200)
Change in value of annuity obligations	<u>(37,603)</u>	<u>-</u>	<u>(37,603)</u>
	\$ 2,182,554	\$ 802,404	\$ 2,984,958
Net asset reclassifications	<u>186,434</u>	<u>(186,434)</u>	<u>-</u>
Total Revenues	<u>\$ 2,368,988</u>	<u>\$ 615,970</u>	<u>\$ 2,984,958</u>
Expenses and losses			
Program services	\$ 1,430,986	\$ -	\$ 1,430,986
Management and general	378,459	-	378,459
Fundraising	<u>442,558</u>	<u>-</u>	<u>442,558</u>
Total Expenses	\$ 2,252,003	\$ -	\$ 2,252,003
Loss on return of grant funds	<u>-</u>	<u>375,667</u>	<u>375,667</u>
Change in Net Assets	\$ 116,985	\$ 240,303	\$ 357,288
Net Assets, Beginning of Year	<u>14,637,365</u>	<u>5,251,195</u>	<u>19,888,560</u>
Net Assets, End of Year	<u>\$ 14,754,350</u>	<u>\$ 5,491,498</u>	<u>\$ 20,245,848</u>

See accompanying notes to financial statements.

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and appeals	\$ 976,049	\$ -	\$ 976,049
Bequests	432,851	-	432,851
Foundation gifts	49,000	-	49,000
Special fund raisers	273,437	-	273,437
Sales of ranch items	30,650	-	30,650
Rental income	28,503	-	28,503
Grants	34,927	-	34,927
Room and board - foster care	170,702	-	170,702
Trust income	142,519	(753,834)	(611,315)
Investment income	(190,720)	(41,854)	(232,574)
Unrealized loss on asset held for sale	(1,205,420)	(1,317,291)	(2,522,711)
Gain on disposal of property and equipment	139,032	-	139,032
Change in value of annuity obligations	(32,674)	-	(32,674)
	\$ 848,856	\$ (2,112,979)	\$ (1,264,123)
Net asset reclassifications	9,783,819	(9,783,819)	-
Total Revenues	\$ 10,632,675	\$ (11,896,798)	\$ (1,264,123)
Expenses			
Program services	\$ 1,448,099	\$ -	\$ 1,448,099
Management and general	384,974	-	384,974
Fundraising	492,264	-	492,264
Total Expenses	\$ 2,325,337	\$ -	\$ 2,325,337
Loss on impairment of asset held for use	1,227,482	-	1,227,482
Change in Net Assets	\$ 7,079,856	\$ (11,896,798)	\$ (4,816,942)
Net Assets, Beginning of Year	7,557,509	17,147,993	24,705,502
Net Assets, End of Year	\$ 14,637,365	\$ 5,251,195	\$ 19,888,560

See accompanying notes to financial statements.

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	Supporting Activities			Total Expenses
		Management and General	Fundraising	Supporting Subtotal	
Salaries and wages	\$ 597,549	\$ 186,218	\$ 113,231	\$ 299,449	\$ 896,998
Employee benefits	170,058	40,685	35,066	75,751	245,809
In-kind services	15,667	-	12,275	12,275	27,942
Professional fees	-	51,588	-	51,588	51,588
Utilities & telephone	110,486	-	1,548	1,548	112,034
Insurance	109,953	13,624	13,624	27,248	137,201
Vehicle fuel and oil	41,160	8,961	6,211	15,172	56,332
Repairs and maintenance	36,712	3,048	-	3,048	39,760
Travel and training	-	10,133	17,124	27,257	27,257
Office supplies	-	20,056	15,798	35,854	35,854
Printing costs	-	-	116,487	116,487	116,487
Postage	-	-	35,787	35,787	35,787
Licenses and dues	-	11,463	-	11,463	11,463
Interest	-	-	-	-	-
Depreciation	253,408	29,813	14,906	44,719	298,127
Childrens benefits	5,059	-	-	-	5,059
Food and household costs	65,394	-	-	-	65,394
Livestock and ranch	25,540	-	-	-	25,540
Special fundraising	-	-	60,501	60,501	60,501
Miscellaneous	-	2,870	-	2,870	2,870
Total Expenses	\$ 1,430,986	\$ 378,459	\$ 442,558	\$ 821,017	\$ 2,252,003

See accompanying notes to financial statements.

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
Statement of Functional Expenses
Year Ended December 31, 2018

	Supporting Activities				Total
	Program Services	Management and General	Fundraising	Supporting Subtotal	
Salaries and wages	\$ 573,156	\$ 160,608	\$ 110,890	\$ 271,498	\$ 844,654
Employee benefits	145,092	34,231	29,843	64,074	209,166
In-kind services	15,040	50	24,555	24,605	39,645
Professional fees	-	47,521	-	47,521	47,521
Utilities & telephone	106,924	-	2,790	2,790	109,714
Insurance	110,114	13,625	13,625	27,250	137,364
Vehicle fuel and oil	59,651	10,180	7,259	17,439	77,090
Repairs and maintenance	37,624	4,195	-	4,195	41,819
Travel and training	-	17,588	12,150	29,738	29,738
Office supplies	-	27,541	14,750	42,291	42,291
Printing costs	-	-	171,278	171,278	171,278
Postage	-	-	31,253	31,253	31,253
Licenses and dues	-	22,298	-	22,298	22,298
Interest	11,917	-	-	-	11,917
Depreciation	247,798	47,061	23,531	70,592	318,390
Childrens benefits	4,258	-	-	-	4,258
Food and household costs	101,995	-	-	-	101,995
Livestock and ranch	34,530	-	-	-	34,530
Special fundraising	-	-	50,340	50,340	50,340
Miscellaneous	-	76	-	76	76
Total Expenses	\$ 1,448,099	\$ 384,974	\$ 492,264	\$ 877,238	\$ 2,325,337

See accompanying notes to financial statements.

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.

Statements of Cash Flows

Year Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 357,288	\$ (4,816,942)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	298,127	318,390
Unrealized loss on long-lived asset held for sale	-	2,522,710
Impairment of long-lived asset held for use	-	1,227,482
Change in value of annuity obligations	(4,718)	(9,948)
Gain (loss) on disposal of property and equipment	400	(138,182)
Change in the value of perpetual trusts	(551,442)	753,834
Change in value of annuity contract	(35,438)	12,987
Noncash contributions	-	(32,865)
Realized (gain) loss on sale of investments	(185)	7,697
Unrealized (gain) loss on investment securities	(191,445)	300,989
(Increase) decrease in operating assets:		
Contributions receivable	225,161	(36,739)
Charitable remainder unitrust	(171,223)	-
Other assets	(32,164)	11,972
Increase (decrease) in operating liabilities:		
Accounts payable	(18,885)	10,196
Accrued vacation	3,762	-
Accrued payroll	(16,083)	10,480
Other liabilities	2,651	(26,739)
	<u> </u>	<u> </u>
Net Cash Provided by (Used in) Operating Activities	\$ (134,194)	\$ 115,322
 Cash Flows from Investing Activities		
Purchases of property and equipment	\$ (250,232)	\$ (1,363,869)
Sales of property and equipment	2,400	711,457
Beneficial interest distribution	152,370	8,256,424
CRUT distribution to the Organization	89,487	-
Proceeds from sales of investments	3,144,171	5,526,891
Purchases of investments	(3,400,622)	(9,489,693)
	<u> </u>	<u> </u>
Net Cash Provided by (Used in) Investing Activities	\$ (262,426)	\$ 3,641,210
 Cash Flows from Financing Activities		
Charitable remainder unitrust cash	\$ 202,796	\$ -
CRUT distributions to other beneficiaries	3,162	-
Repayments on notes payable	-	(2,202,221)
	<u> </u>	<u> </u>
Net Cash Provided by (Used in) Financing Activities	\$ 205,958	\$ (2,202,221)
 Net Increase (Decrease) in Cash and Cash Equivalents	\$ (190,662)	\$ 1,554,311
Cash and Cash Equivalents, Beginning of Year	<u>2,001,982</u>	<u>447,671</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,811,320</u>	<u>\$ 2,001,982</u>

See accompanying notes to financial statements.

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
Notes to Financial Statements
December 31, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies

Nature of Activities – The Arkansas Sheriffs' Youth Ranches, Inc. ("the Ranch") is a nonprofit Arkansas corporation and licensed child-care facility serving disadvantaged children in the State of Arkansas. Established in 1976 through the efforts of the State's 75 county sheriffs and other individuals, the ranch provides a therapeutic residential program to homeless, abused, neglected or abandoned children and Families in Need of Services (FINS) cases, without regard to race, creed, color, or gender. These services are provided primarily from its main campus located in Batesville, Arkansas. Children in the Ranch's long-term program are permitted to remain at the Ranch from age six through post-secondary education and/or job training. In addition, the Ranch provides outreach services to families needing resources that they are unable to locate on their own, such as residential treatment, counseling, or education, which often prevents the need to place children outside the home.

The Ranch's primary source of revenue includes contributions (cash and in-kind) from private sources such as individuals, corporations, foundations, trusts, and investment income.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used primarily in the recording of allowance for doubtful accounts, determining useful lives of property and equipment, and fair value of investments and certain long-lived assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers petty cash, cash on deposit with financial institutions, and certificates of deposit with original maturities of 90 days or less to be cash equivalents.

Investments - The Organization reports all investments at fair value. Investment gains, losses and investment income are recorded as with or without donor restrictions depending on the existence of donor imposed restrictions on the use of the income. Restricted gains and investment income whose restrictions are met in the period earned are reported as unrestricted investment income.

Accounts Receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Substantially all accounts receivable consist of amounts due from the Arkansas Department of Human Services, and are considered fully collectible. As such no allowance is reflected in the accompanying statement of financial position.

Contributions Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free and risk-adjusted interest rates applicable to the years in which the promises are received.

Contributions receivable is stated net of an allowance for uncollectible contributions. The Organization maintains allowances for uncollectible contributions resulting from donors that fail to fulfill their pledges. The Organization reviews contributions receivable on a periodic basis and makes allowances where there is doubt as to the collectability of individual pledges. In evaluating the collectability of individual promises to give the Organization considers many factors, including the age of the promise to give, the donor's payment history, and current economic trends. Based on management's evaluation of all potential donors, the Organization believes promises to give at December 31, 2019 and 2018, respectively, will be fully collected.

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.

Notes to Financial Statements

December 31, 2019 and 2018

Beneficial Interest in Trusts – The Organization maintains an interest in two perpetual trusts. A perpetual trust is established when a donor contributes assets to fund a trust that is administered by an individual or organization other than the nonprofit beneficiary. The Organization has legally enforceable rights and claims to such assets, including an irrevocable right to receive the income from the trust's assets in perpetuity. The income from such assets is to be used by the Organization according to the wishes of the donor. The fair value of the perpetual trusts, as determined by the present value of the future cash flows expected to be paid, is recorded as an asset in the Statement of Financial Position. Changes in the fair value of the perpetual trusts are included in the Statement of Activities and Changes in Net Assets as donor restricted activity. The value of beneficial interests in trusts increased and decreased by \$ 407,687 and \$ 753,834, respectively during the years ended December 31, 2019 and 2018, respectively.

Property and Equipment - The Organization capitalizes all expenditures for property and equipment in excess of \$ 5,000. Property and equipment are stated at cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets. Depreciation for the years ended December 31, 2019 and 2018 was \$ 298,127 and \$ 318,390, respectively.

Donated Property and Equipment - Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as donor restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies donor restricted net assets to net assets without donor restrictions at that time.

Donated Assets – Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Restricted Revenue Reported as Unrestricted – Donor restricted contributions whose restrictions are met in the period received are reported as income without donor restrictions.

Cost Allocation Method – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee benefits and salaries, insurance, and depreciation. Salaries, related benefits, and taxes are allocated based on time and effort estimates while depreciation and insurance are based on the related assets' particular use by the organization.

Income Taxes - The Organization is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except to the extent the Organization has unrelated business income. There was no provision for income taxes due on unrelated business income for the years ended December 31, 2019 and 2018. The Organization held no uncertain tax positions at December 31, 2019 that would result in material unrecognized tax benefits or costs. The Organization's tax years after 2014 are open for examination by federal and state authorities.

Management's Review - Management has evaluated subsequent events through January 29, 2021, the date the financial statements were available for issuance.

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
Notes to Financial Statements
December 31, 2019 and 2018

Note 2 - Investments

Cost and approximate market values of investments owned by the Organization were as follows:

	December 31, 2019		December 31, 2018	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 1,687,459	\$ 1,687,459	\$ 1,642,992	\$ 1,642,992
Money market	62,015	62,015	117,687	117,687
Equity securities	2,111,837	2,007,487	2,005,349	1,759,374
Corporate bonds	1,197,163	1,246,283	948,766	955,247
Municipal bonds	98,971	100,327	98,971	99,072
U.S. treasury bonds	2,169,977	2,190,806	2,382,492	2,375,218
REIT securities	-	2,030	-	-
CRUT investments:				
Mineral interest	2,271,057	2,271,057	-	-
Blackrock fed fund	53,576	53,576	-	-
Real estate	290,000	290,000	-	-
Annuity contract	120,801	211,481	120,801	176,042
	<u>\$ 10,062,856</u>	<u>\$ 10,122,521</u>	<u>\$ 7,317,058</u>	<u>\$ 7,125,632</u>

The following schedule summarizes the investment income and its classification in the statement of activities for the year ended:

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 182,102	\$ 11,593	\$ 193,695
Net realized and unrealized gains	146,002	54,241	200,243
Change in value of annuity contract	35,438	-	35,438
Investment expense	(28,141)	(3,664)	(31,805)
Total Investment Income	<u>\$ 335,401</u>	<u>\$ 62,170</u>	<u>\$ 397,571</u>

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 100,569	\$ 9,184	\$ 109,753
Net realized and unrealized losses	(263,312)	(45,374)	(308,686)
Change in value of annuity contract	(12,987)	-	(12,987)
Investment expense	(14,990)	(5,664)	(20,654)
Total Investment Income	<u>\$ (190,720)</u>	<u>\$ (41,854)</u>	<u>\$ (232,574)</u>

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.

Notes to Financial Statements

December 31, 2019 and 2018

Note 3 – Contributions Receivable

Contributions receivable consisted of the following unconditional promises to give at December 31:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 325	\$ 225,486
Due in one to five years	<u>-</u>	<u>-</u>
	\$ 325	\$ 225,486
Allowance for uncollectible contributions	<u>-</u>	<u>-</u>
	<u>\$ 325</u>	<u>\$ 225,486</u>

Note 4 – Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 438,980	\$ 438,980
Buildings	4,221,521	4,007,880
Furniture and equipment	1,129,681	1,097,238
Livestock	194,580	190,432
Vehicles	549,925	588,937
Leasehold improvements	<u>1,110,014</u>	<u>1,110,014</u>
	\$ 7,644,701	\$ 7,433,481
Accumulated depreciation	<u>(3,202,904)</u>	<u>(2,940,989)</u>
	<u>\$ 4,441,797</u>	<u>\$ 4,492,492</u>

Restricted Property and Equipment

The use of the campus located in Alma, Arkansas is restricted, by a contractual grant agreement, for a term of 21 years from the date of completion. The restriction will expire on January 1, 2027. During this time, the campus may only be used for charitable purposes, and this restriction would be binding upon any purchaser of the property. The donor has ceased operations as of December 31, 2017. Management expects to sell the property within the next year. In accordance with ASC 360-10, the asset is classified as long-lived assets held for sale and has been written down to fair value (see Note 17). The carrying amounts of the Alma campus are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 392,000	\$ 392,000
Buildings	3,353,000	3,353,000
Furniture and equipment	<u>-</u>	<u>-</u>
	\$ 3,745,000	\$ 3,745,000
Accumulated depreciation	<u>-</u>	<u>-</u>
	<u>\$ 3,745,000</u>	<u>\$ 3,745,000</u>

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
Notes to Financial Statements
December 31, 2019 and 2018

The Organization holds three tracts of land that are to be used in the Organization's operations. Should the Organization desire to dispose of the properties they must be donated to another non-profit youth organization. The carrying value for these properties is as follows at December 31:

	2019	2018	
Land and improvements	\$ 141,169	\$ 141,169	
Buildings	38,831	38,831	
	\$ 180,000	\$ 180,000	
Accumulated depreciation	(7,766)	(6,795)	
	\$ 172,234	\$ 173,205	

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.

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Note 5 – Presentation of Net Assets

Net assets consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Without donor restrictions		
Undesignated:		
Represented by property and equipment, less related debt	\$ 4,374,597	\$ 4,424,492
Board designated endowment	5,164,012	4,902,073
Long-lived asset held for sale	2,496,666	1,967,796
Other	<u>2,719,075</u>	<u>3,343,004</u>
Total net assets without donor restrictions	<u>\$ 14,754,350</u>	<u>\$ 14,637,365</u>
	<u>2019</u>	<u>2018</u>
With donor restrictions		
Restricted for:		
Restricted use property	\$ 1,666,070	\$ 1,845,205
Resident post-secondary scholarships	18	18
Charitable annuity reserves	156,378	161,568
Charitable remainder trust	171,223	-
Endowments:		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for:		
Organization operations	129,649	470,672
Resident post-secondary scholarships	461,769	257,027
Use in future periods	-	18,000
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by community foundation	27,380	24,298
Beneficial interest in perpetual trust	<u>2,879,011</u>	<u>2,474,407</u>
Total net assets with donor restrictions	<u>\$ 5,491,498</u>	<u>\$ 5,251,195</u>

Net asset reclassifications in 2019 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Net assets released from restrictions:		
Expiration of time restrictions	184,323	(184,323)
Other	<u>2,111</u>	<u>(2,111)</u>
Net Reclassification of Net Assets	<u>\$ 186,434</u>	<u>\$ (186,434)</u>

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
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Net asset reclassifications in 2018 consisted of the following:

Net assets released from restrictions:		
Maintenance fund distribution	\$ 1,336,742	\$ (1,336,742)
Beneficial interest distribution	8,256,424	(8,256,424)
Expiration of time restrictions	190,075	(190,075)
Other	<u>578</u>	<u>(578)</u>
Net Reclassification of Net Assets	<u>\$ 9,783,819</u>	<u>\$ (9,783,819)</u>

Note 6 – Endowment Funds

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the permanent restriction of net assets equal to 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 Organization classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (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 and (d) the remaining portion of the donor-restricted endowment fund that has not been appropriated for expenditure by the Organization.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies - The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to emphasize total return over the long-term. While shorter-term investment results are monitored, adherence to a sound long-term investment policy, balancing short-term spending needs with the preservation of the real inflation-adjusted value of assets, is of primary importance. The Organization expects to achieve an inflation-adjusted minimum average annual return, net of fees, over a rolling ten-year period. This real return is defined as the sum of capital appreciation (loss) and current income (interest and dividends) adjusted for inflation as measured by the Consumer Price Index.

The primary goal is to safeguard the assets of the Organization, while at the same time, gaining a return on the investments held through prudent placement in income and growth-oriented vehicles. The Organization targets a diversified asset allocation. The following transactions are prohibited; margin purchases; private placements or other restricted securities; foreign issues unless traded on U.S. exchanges or markets; and auction rate securities. The investment advisors communicate the performance of all investment managers on a quarterly basis or more frequently, if necessary. The investment policy is reviewed by the Board of Directors on an annual basis.

Investment policies are based on principles of responsible financial stewardship, as well as ethical and social stewardship. The Organization is committed to a diversified asset allocation strategy, consisting primarily of domestic equities, international equities, domestic fixed income, and international fixed income.

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Spending Policy – The spending policy varies for each fund within the endowment as follows:

Adolph Thomas Trust – This is a perpetual trust which distributes a portion of its income annually to the Organization in accordance with the terms of the trust. The distributions are available for operations of the Organization and are typically expended in the year received.

Charles M. Taylor III Memorial Endowment Fund – Earnings from this fund may be used for the operations of the Organization. Funds are expended on an as needed basis subject to the overall restrictions of the donor.

Dr. Charles A. Taylor and Rachel M. Taylor Scholarship – Earnings from this fund are to be used for current or former residents for pursuit of a course of study at an accredited two or four-year college or university.

Clark County Endowment Fund – This represents funds held in trust for the Organization. Income is distributed annually and expended for the operations of the Organization.

Walker Family Post-Secondary Education Scholarship Endowment – Earnings from this fund can be used to provide scholarships for residents of the Ranch for post-secondary education. Income from this fund is typically expended in the year earned.

Board-designated endowment – Earnings from this fund may be used for the operations of the organization. Distributions from the fund are planned at no more than a 5% spending rate as determined by the Finance and Investment committee of the board.

The Eugene and Zoleta Root Fund – Earnings are to be used for the education and health care of residents. The board may vote to re-direct funds to further the objectives and purposes of the Organization.

Endowment net asset composition by type of fund at December 31, 2019 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment funds:			
Donor-restricted	\$ -	\$ 3,497,809	\$ 3,497,809
Board-designated	<u>5,164,012</u>	<u>-</u>	<u>5,164,012</u>
	<u>\$ 5,164,012</u>	<u>\$ 3,497,809</u>	<u>\$ 8,661,821</u>

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Endowment net asset composition by type of fund at December 31, 2018 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment funds:			
Donor-restricted	\$ -	\$ 3,244,404	\$ 3,244,404
Board-designated	<u>4,902,073</u>	<u>-</u>	<u>4,902,073</u>
	<u>\$ 4,902,073</u>	<u>\$ 3,244,404</u>	<u>\$ 8,146,477</u>

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 4,902,073	\$ 3,244,404	\$ 8,146,477
Trust income	142,726	-	142,726
Investment income	105,251	7,929	113,180
Net appreciation in value	156,688	461,928	618,616
Contributions		161,324	161,324
Refunded to donor		(375,667)	(375,667)
Amounts appropriated for expenditure	<u>(142,726)</u>	<u>(2,109)</u>	<u>(144,835)</u>
Endowment net assets, end of year	<u>\$ 5,164,012</u>	<u>\$ 3,497,809</u>	<u>\$ 8,661,821</u>

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 12,277,189	\$ 12,277,189
Trust income	143,553	-	143,553
Investment income	62,909	8,988	71,897
Net depreciation in value	(260,836)	(785,349)	(1,046,185)
Contributions	5,100,000	-	5,100,000
Beneficial interest distribution	-	(8,256,424)	(8,256,424)
Amounts appropriated for expenditure	<u>(143,553)</u>	<u>-</u>	<u>(143,553)</u>
Endowment net assets, end of year	<u>\$ 4,902,073</u>	<u>\$ 3,244,404</u>	<u>\$ 8,146,477</u>

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Note 7 – Retirement Plan

Effective May 1, 1989, the Ranch established a retirement plan for the purpose of purchasing annuity contracts for its covered employees pursuant to Section 403(b) of the Internal Revenue Code of 1986, as amended. Employees are eligible to make pretax elective deferrals under the plan immediately upon being hired. They are eligible for employer contributions under the plan upon the earlier of (a) the completion of six months of employment, including any calendar month in which the employee is credited at least one hour of service, or (b) the completion of one year of service. Employees may contribute to the plan up to the maximum amount allowed by the Internal Revenue Code. Employer matching contributions are made at a rate equal to 100% of elective deferrals of each eligible employee, up to a maximum of 5% to 8%, depending on length of service.

Retirement plan expense for the year ended December 31, 2019 and 2018 under this plan were \$ 24,602 and \$ 18,915, respectively.

Note 8 – Concentration of Credit Risk

The Organization maintains cash balances in local financial institutions. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$ 250,000. At December 31, 2019, the Organization had \$ 1,455,008 in uninsured cash balances.

The Organization also maintains investment balances with various investment brokers. The Securities Investor Protection Corporation (SIPC) insures investors up to a ceiling of \$ 500,000 per customer per brokerage firm for unregistered securities, including a \$ 250,000 maximum for cash claims. At December 31, 2019, the Organization had no uninsured cash balance in these accounts.

Note 9 – Leases

Department of the Army Lease

On October 6, 2000, the Ranch entered into a lease agreement with the Department of the Army (“the Department”) for property at Cox Creek Landing on DeGray Lake in Clark and Hot Springs Counties, Arkansas, for construction of the Organization’s Lake DeGray campus. The 230-acre site is leased for a term of 25 years which expires on September 30, 2025. The annual lease payment under this agreement is \$ 375 per year.

Under the terms of the agreement, the Ranch agreed to certain development plans, as well as ongoing maintenance and management stipulations which the Department reviews annually for compliance.

Note 10 – Supplemental Disclosures of Cash Flow Information

Cash paid for interest amounted to \$ 0 for the year ended December 31, 2019 and \$ 38,783 for the year ended December 31, 2018.

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Note 11 – Return of Grant Funds

Alzheimer Endowment Fund

During the year ended December 31, 2001, the Benjamin J. Alzheimer Foundation, Inc. (“the Alzheimer Foundation”) gifted \$ 300,000 to the Ranch for the establishment of an endowment fund to help defray the residential care costs associated with children from the Alzheimer, Arkansas area. As part of this gift, it was agreed that if the Ranch did not have a resident from the Alzheimer area within a 48 month period, between January 1, 2004 and December 31, 2007, the Alzheimer Foundation had the right to have their gift returned. The Ranch did not have a resident from the Alzheimer area during the required 48 month period. In 2019 the Ranch determined that, due to the difficulty in finding qualifying children, the grant funds plus related earnings should be returned and those funds have subsequently been transferred back to the Alzheimer Foundation.

Note 12 – Fair Value of Assets and Liabilities

Determination of Fair Value

Under Accounting Standards Codification Topic 820, “Fair Value Measurements and Disclosures”, fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon the Organization’s estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future values.

FASB ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access.

Level 2 Inputs – Inputs, other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

The Organization assesses the classification of instruments at each measurement date, and any transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfers in accordance with the Organization’s accounting policy regarding the recognition of transfers between levels of the fair value hierarchy.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value.

Short-term Financial Assets and Liabilities - Short-term financial assets include cash and cash equivalents. Short-term financial liabilities include accounts payable and accrued expenses. These assets and liabilities are carried at historical cost. The carrying value approximates fair value because of the relatively short period of time between their origination and expected realization.

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Certificates of Deposit - Fair value approximates carrying value since stated rates are similar to rates currently available to the Organization for investments with similar terms and remaining maturities.

Contributions Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. The carrying value approximates fair value because of the short maturity of these instruments. Unconditional promises to give that are expected to be collected in future years are reported at net present value; therefore, carrying value approximates fair value.

Beneficial Interests in Trusts - The fair value of beneficial interests in trusts are determined using the present value of the future cash flows expected to be paid or received over the expected terms of the agreements. These assets are classified as Level 3.

Charitable Remainder Trust – The fair value of investments held by the trust is determined by the investment institution managing the assets. Investments are reflected on the balance sheet at fair value and the related liability to other beneficiaries is reflected on the balance sheet in annuity and life estate liabilities. The assets and related liabilities are classified as Level 3.

Annuity Contract – The cash surrender value approximates the fair value, since the Organization would be able to obtain the surrender value in cash from the issuing insurance company. These assets are classified as Level 3.

Investment Securities - Securities are recorded at fair value on a recurring basis. When available, the Organization uses quoted market prices to determine the fair value of investment securities. These securities are classified in Level 1 of the fair-value hierarchy and include items such as exchange traded equity securities and money market funds.

For securities traded over the counter such as U. S. Agency funds, the Organization generally determines fair value utilizing prices obtained from independent vendors. Vendors compile prices from various sources and may apply matrix pricing for similar bonds where no price is observable. If available, the Organization may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued. Securities priced using such methods are generally classified as Level 2. However, when less liquidity exists for a security, a quoted price is stale, or prices from independent sources vary, the security is generally classified as Level 3.

Investment in Long-Lived Assets – Real estate held for sale is originally valued at cost or fair value in the case of a gift. Subsequently, these assets are valued at their fair value less costs to sell. Fair values are based on independent market prices or appraisal values. These assets are classified as Level 3.

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Items Measured at Fair Value on a Recurring Basis

The following table presents, for each of the fair-value hierarchy levels, the Organization's assets and liabilities that are measured at fair value on a recurring basis at:

December 31, 2019	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of deposit	\$ -	\$ 1,687,365	\$ -	\$ 1,687,365
Money market	62,015	-	-	62,015
Money market (CRUT)	53,576	-	-	53,576
Equity securities				
Stocks	1,926,171	-	-	1,926,171
Mutual Funds				
Small/mid cap equity funds	17,115	-	-	17,115
International equity funds	6,499	-	-	6,499
Growth & income fund	30,743	-	-	30,743
Fixed income funds	26,959	-	-	26,959
REIT	2,030	-	-	2,030
US treasury bonds	-	2,190,806	-	2,190,806
Municipal bonds	-	100,327	-	100,327
Corporate bonds	1,246,377	-	-	1,246,377
Mineral interest (CRUT)	-	-	2,271,057	2,271,057
Real estate (CRUT)	-	-	290,000	290,000
Annuity contract	-	-	211,481	211,481
Total investments	\$ 3,371,485	\$ 3,978,498	\$ 2,772,538	\$ 10,122,521
Beneficial interest in trusts	-	-	2,906,391	2,906,391
Contributions receivable	-	-	325	325
Long-lived asset held for sale	-	-	3,754,718	3,754,718
Annuity and life estate liabilities (CRUT)	-	-	(2,646,206)	(2,646,206)
	<u>\$ 3,371,485</u>	<u>\$ 3,978,498</u>	<u>\$ 6,787,766</u>	<u>\$ 14,137,749</u>

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
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<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Certificates of deposit	\$ -	\$ 1,642,992	\$ -	\$ 1,642,992
Money market	117,687	-	-	117,687
Equity securities				
Stocks	1,591,857	-	-	1,591,857
Mutual Funds				
Large cap equity funds	29,717	-	-	29,717
Small/mid cap equity funds	34,866	-	-	34,866
International equity funds	20,831	-	-	20,831
Growth & income fund	37,696	-	-	37,696
Fixed income funds	44,407	-	-	44,407
US treasury bonds	-	2,375,218	-	2,375,218
Municipal bonds	-	99,072	-	99,072
Corporate bonds	955,247	-	-	955,247
Annuity contract	-	-	176,042	176,042
Total investments	<u>\$ 2,832,308</u>	<u>\$ 4,117,282</u>	<u>\$ 176,042</u>	<u>\$ 7,125,632</u>
Beneficial interest in trusts	-	-	2,498,705	2,498,705
Contributions receivable	-	-	225,486	225,486
Long-lived asset held for sale	-	-	3,754,718	3,754,718
	<u>\$ 2,832,308</u>	<u>\$ 4,117,282</u>	<u>\$ 6,654,951</u>	<u>\$ 13,604,541</u>

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
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The following table presents the changes in the Level 3 fair value category for the years ended December 31, 2019 and 2018. The organization classifies financial instruments in Level 3 of the fair value hierarchy when there is reliance on at least one significant unobservable input to the valuation model. In addition to these unobservable inputs, the valuation models for Level 3 financial instruments typically also rely on a number of inputs that are observable either directly or indirectly. Thus, any gains and losses presented below may include changes in fair value related to both observable and unobservable inputs.

	Beneficial Interests	Annuity Contract	Real Estate Held for Sale	Contributions Receivable	Charitable Remainder Trust	Total
Balances - January 1, 2018	\$ 11,508,963	\$ 197,643	\$ 9,718	\$ 188,747	\$ -	\$ 11,905,071
Annuity distributions	-	(8,614)	-	-	-	(8,614)
Long-lived asset held for sale	-	-	3,745,000	-	-	3,745,000
Gain/(loss) included in change in net assets	(753,834)	(12,987)	-	-	-	(766,821)
Beneficial interest distribution	(8,256,424)	-	-	-	-	(8,256,424)
Pledges made	-	-	-	225,486	-	225,486
Pledges collected	-	-	-	(188,747)	-	(188,747)
Balances - December 31, 2018	\$ 2,498,705	\$ 176,042	\$ 3,754,718	\$ 225,486	\$ -	\$ 6,654,951
Annuity distributions	-	(8,614)	-	-	-	(8,614)
Charitable trust assets	-	-	-	-	2,561,057	2,561,057
Charitable trust liabilities	-	-	-	-	(2,646,206)	(2,646,206)
Long-lived asset held for sale	-	-	-	-	-	-
Gain/(loss) included in change in net assets	640,929	44,053	-	-	92,700	777,682
Beneficial interest distribution	(233,243)	-	-	-	(92,700)	(325,943)
Pledges made	-	-	-	325	-	325
Pledges collected	-	-	-	(225,486)	-	(225,486)
Balances - December 31, 2019	\$ 2,906,391	\$ 211,481	\$ 3,754,718	\$ 325	\$ (85,149)	\$ 6,787,766

Items Measured at Fair Value on a Nonrecurring Basis

The Organization may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower of cost or market accounting or write downs of individual assets. There were no assets measured at fair value on a nonrecurring basis at December 31, 2019 and 2018.

Note 13 – Split Interest Agreements

The Organization receives contributions of property in which the donor or donor-designated beneficiary may retain a life interest or be guaranteed an annuity payment until death.

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Charitable gift annuities

The Organization has entered into irrevocable agreements with donors whereby, in exchange for the gift from the donor, the Organization is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years.

A liability is recognized for the estimated present value of the annuity obligation and the related assets are recorded at their fair market value. The discount rates and life expectancy tables used in calculating the annuity obligation are those provided in the Internal Revenue Service guidelines and actuarial tables.

It is the Organization's policy to invest the related assets in investments that provide income and growth to meet the periodic annuity payments required. At the death of the annuitants, the remaining balances are disbursed as designated by the donor in the agreement and are generally in amounts that approximate or exceed the original gift. The Organization maintains investments with a total fair market value not less than 110% of the calculated present value of all future benefits to be paid to the annuitants. The calculated annuity liability for future benefits was \$ 156,378 and \$ 146,880 for the years ended December 31, 2019 and 2018, respectively. The fair market value of assets held in annuity accounts was approximately \$ 562,000 and \$ 391,000 at December 31, 2019 and 2018, respectively.

There were no new charitable gift annuities established in the years ended December 31, 2019 and December 31, 2018.

Charitable remainder trust

The Organization serves as trustee for an irrevocable charitable remainder trust. Assets held in the trust are included in investments. The obligation to make payments to the trust beneficiaries is reported as obligations under annuity and life estate liabilities. When trusts are established, the assets transferred to the organization are recognized at their fair value, and a liability is established for the present value of the estimated future payments to be made to other beneficiaries. The difference between those two amounts is recognized as a current year contribution with donor restrictions. Annually, the obligation is adjusted for changes in the value of trust assets and actuarial changes in the estimates of future benefits. The annual adjustment is reported in the statement of activities as the change in value of split-interest agreements.

Contributions recognized during 2019 total \$171,223. The trust's fair market value of investments is \$ 2,817,429. The present value of estimated future payments to other beneficiaries at year end is \$2,646,206. The discount rate used is 3.25% which is the applicable treasury rate at December 31, 2019 plus 1% for risk. The estimated number of payouts is based on the applicable life expectancy from Social Security Administration's life expectancy table published 2017.

Perpetual trust

The Adolph Thomas trust is a perpetual trust used exclusively for religious, charitable, scientific, literary, or educational purposes. The Organization is a beneficiary of the trust, which has a carrying value of \$ 2,879,011 and \$ 2,474,407 at December 31, 2019 and 2018, respectively. The Organization's interest in the trust is reported in "beneficial interest in trusts" on the statement of financial position.

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Note 14 – Related Party Transactions

The Organization formerly had an outstanding note payable to the Adolph Thomas Trust all of which was paid off during 2018. The Organization took a distribution from the trust to carry out the necessary operations and place the Organization in better financial condition. This included amounts to pay off outstanding debt, invest in capital assets and necessary improvements as well as the creation of board investments designated to the Organization's mission and purpose.

Note 15 – Financial Assets Available within One Year

The following table presents the Organizations financial assets available to meet general expenditures within one year of the financial statement date:

Financial Assets, at December 31, 2019	\$ 14,895,372
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Permanent endowment assets	(3,411,066)
Restricted by donor with time or purpose restrictions	(2,817,429)
Subject to appropriation and satisfaction of donor restrictions	(86,762)
Assets legally required to be held for annuity obligations	(156,378)
Board designations:	
Quasi-endowment fund, primarily for long-term investing	(5,164,012)
Amounts set aside for liquidity reserve	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,259,725</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 16 – Impairment of Long-Lived Assets Classified as Held and Used

The DeGray property consists of leased land (see Note 9) and buildings including a lodge, cottage, chapel, triple wide mobile home, metal shop building and small house. The DeGray property had been valued on the books at cost of \$ 2,947,712 with accumulated depreciation at December 31, 2018 of \$ 770,230, net book value of \$ 2,177,482. Management has evaluated the property as of December 31, 2018 for impairment and determined the property was impaired and should be valued at \$ 950,000. The \$ 1,227,482 loss on impairment is recognized on the statement of activities in total expenses and losses. The DeGray property is held for use. Another nonprofit organization currently utilizes the facility and pays a management fee to the Organization. The carrying value is recorded in net property and equipment on the statement of position at December 31, 2019 and 2018.

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December 31, 2019 and 2018

Note 17 – Valuation of Long-Lived Assets Classified as Held for Sale

The Reynolds property consists of a duplex, lodge, three residences, activity building, administration building, two metal shop buildings and a barn on 264 acres of land in Crawford County, Arkansas. The Organization has no use for the facility based on current and expected operations. Management expects to complete a sale of the property within 1 year of the financial statement date. In accordance with ASC 360-10, the long-lived asset held for sale has been recorded at fair value as of January 01, 2019 and 2018. The net book value at January 2018 was \$ 6,267,711 and the fair value is \$ 3,745,000, resulting in a loss of \$ 2,522,711 recognized during 2018. The loss is reported on the statement of activities in revenues. Also, in accordance with ASC 360-10, no depreciation was recorded for the long-lived asset held for sale during 2019 or 2018.

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.

Compliance Information

December 31, 2019 and 2018

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
Schedule of Governmental Assistance
Year Ended December 31, 2019

<u>Department/Division Program</u>	<u>CFDA/Contract Number</u>	<u>Fed/State Revenue</u>	<u>Fed/State Expenditures</u>
<u>Federal Assistance</u>			
US Dept of Health and Human Services Foster Care - Title IV-E	93.658	\$ 117,178	\$ 117,178
<u>State Assistance</u>			
AR Department of Human Services/CFS Foster Care	N/A	<u>32,597</u>	<u>32,597</u>
Total Governmental Assistance		<u>\$ 149,775</u>	<u>\$ 149,775</u>

HOWLAND & NORRIS

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS ARKANSAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Arkansas Sheriffs' Youth Ranches, Inc.
Batesville, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Arkansas Sheriffs' Youth Ranches, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

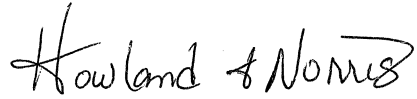
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Howland & Nominis". The signature is written in a cursive, flowing style.

January 29, 2021

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.

Supplemental Data Sheet

December 31, 2019

Entity Name: Arkansas Sheriffs' Youth Ranches, Inc.

Address: 100 St. Vincent Place
Batesville, AR 72501

FEIN: 71-0471266

Phone: 870-793-6841

Director: Nancy Fulton

Contact Person: Nancy Fulton

Audit Fee: Available upon Request