# ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021
WITH
REPORT OF INDEPENDENT AUDITORS

S.F. Fiser & Company
CERTIFIED PUBLIC ACCOUNTANTS

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

## Opinion

We have audited the accompanying financial statements of Arkansas Sheriffs' Youth Ranches, Inc. (the Organization or Ranch) (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2021, 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.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arkansas Sheriffs' Youth Ranches, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arkansas Sheriffs' Youth Ranches, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arkansas Sheriffs' Youth Ranches, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arkansas Sheriffs' Youth Ranches, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*S.F. Fiser & Company*

November 14, 2022
Springdale, Arkansas

# ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash, including interest bearing deposits of $2,410,576 | $ | 2,761,149 |
| Certificates of deposit | | 1,849,175 |
| Investments | | 8,443,781 |
| Beneficial interest in trusts | | 3,786,573 |
| Property and equipment, net | | 3,948,055 |
| Long-lived assets held for sale | | 1,433,718 |
| Other assets | | 327,467 |
| | $ | 22,549,918 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities | | |
| Accrued payroll liabilities | $ | 22,637 |
| Accrued vacation | | 67,687 |
| Annuity and life estate liabilities | | 1,708,076 |
| | | 1,798,400 |
| Net assets | | |
| Without donor restrictions | | 16,319,087 |
| With donor restrictions | | 4,432,431 |
| Total net assets | | 20,751,518 |
| | $ | 22,549,918 |

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
(A NOT-FOR-PROFIT-ORGANIZATION)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Support and revenue | | | |
| Contributions | $ 1,343,210 | $ - | $ 1,343,210 |
| Special events | 361,856 | | 361,856 |
| Investment income | 2,469,655 | | 2,469,655 |
| Rental and fee income | 42,952 | | 42,952 |
| Other revenue | 39,696 | | 39,696 |
| Net assets released from restriction | 104,559 | (104,559) | - |
| Total support and revenue | 4,361,928 | (104,559) | 4,257,369 |
| Expenses | | | |
| Program services | 1,181,461 | | 1,181,461 |
| Management and general | 2,707,549 | | 2,707,549 |
| Fundraising | 320,668 | | 320,668 |
| Total expenses | 4,209,678 | - | 4,209,678 |
| Changes in net assets | 152,250 | (104,559) | 47,691 |
| Net assets at beginning of year | 16,166,837 | 4,536,990 | 20,703,827 |
| Net assets at end of year | $ 16,319,087 | $ 4,432,431 | $ 20,751,518 |

See notes to financial statements.

# ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
## (A NOT-FOR-PROFIT ORGANIZATION)
## STATEMENT OF FUNCTIONAL EXPENSES
## YEAR ENDED DECEMBER 31, 2021

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Compensation and related expenses | $ 641,874 | $ 472,187 | $ 59,023 | $ 1,173,084 |
| Food and household costs | 76,140 | | | 76,140 |
| Ranch and farming | 120,778 | | | 120,778 |
| Professional fees | | 78,167 | | 78,167 |
| Office expenses | | 48,489 | | 48,489 |
| Bad debt | | 471 | | 471 |
| Special events | | | 59,971 | 59,971 |
| Utilities | 80,030 | 26,910 | 100 | 107,040 |
| Membership programs | | | 187,877 | 187,877 |
| Impairment of long-lived assets | | 1,993,363 | | 1,993,363 |
| Taxes and licenses | | 452 | | 452 |
| Insurance | 96,701 | 25,787 | 6,447 | 128,935 |
| Travel | | 6,410 | 7,250 | 13,660 |
| Total expenses before depreciation | 1,015,523 | 2,652,236 | 320,668 | 3,988,427 |
| Depreciation | 165,938 | 55,313 | - | 221,251 |
| | $ 1,181,461 | $ 2,707,549 | $ 320,668 | $ 4,209,678 |

ARKANSAS SHERIFFS' YOUTH RANCHES, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

| | |
|---|---|
| Cash flows from operating activities | |
| Change in net assets | $ 47,691 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Depreciation | 221,251 |
| Decrease in accounts receivable | 325 |
| Decrease in inventory | 2,924 |
| Decrease in land held for sale | 2,311,282 |
| Increase in other assets | 2,023 |
| Unrealized gain on investments | (848,961) |
| Realized gain on investments | (258,418) |
| Decrease in charitable remainder trust | 983,427 |
| Increase in beneficial interest of trusts | (878,992) |
| Increase in accounts payable | 5,685 |
| Decrease in annuity and life estate liabilities | (1,041,270) |
| Decrease in accrued vacation | (7,384) |
| Decrease in other liabilities | (2,827) |
| Decrease in accrued expenses | (3,191) |
| Net cash provided by operating activities | 533,565 |
| Cash flows from investing activities | |
| Purchase of property | (8,300) |
| Certificates of deposit, net | (59,468) |
| Proceeds from sale of investments | 5,107,300 |
| Purchases of investments | (5,130,366) |
| Net cash used by investing activities | (90,834) |
| Increase in cash and cash equivalents | 442,731 |
| Cash and cash equivalents at beginning of year | 2,318,418 |
| Cash and cash equivalents at end of year | $ 2,761,149 |
| Non cash activities | |
| Donations in kind | $ 30,427 |

## Note 1) Summary of significant accounting policies:

Nature of activities -

Arkansas Sheriffs' Youth Ranches, Inc. (the Organization or Ranch) is a not-for-profit organization which was incorporated in the state of Arkansas in 1976. The Ranch is a licensed child-care facility serving disadvantaged children from throughout the state of Arkansas. Established through the efforts of seventy-five county sheriffs across the state of Arkansas, the Ranch provides a therapeutic residential program to homeless, abused, neglected, or abandoned children. 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.

Basis of accounting -

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Basis of presentation -

The Ranch reports its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- Net assets without donor restrictions - Net assets available for use in general operations are not subject to donor (or certain grantor) restrictions.

- Net assets with donor restrictions - Net assets subject to donor-imposed (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. These are discussed further in Note 2.

All contributions are considered available for the Ranch's general activities unless specifically restricted by the donor. The Ranch adopted the simultaneous release option for donor-restricted contributions that are received and used within the same reporting period, therefore, these amounts are reported as without donor restriction. All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose of the restriction and reported in the statement of revenue, expenses, and changes in net assets as net assets released from restriction.

Investments -

Investments are composed of corporate bonds, U.S. agency securities, common stock, mutual funds, exchange traded funds, and mineral interest which are reported at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of the sales proceeds received. Gains and losses are recognized when the security is sold. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Unrealized gains and losses are included in the statement of activities and change in net assets. See Note 7 for disclosures about "Fair values of financial instruments" for further discussion.

Note 1) Summary of significant accounting policies: (continued)

Income taxes -

The Ranch is a not-for-profit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Ranch has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income during the year ended December 31, 2021.

The Ranch follows the guidance of Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management has analyzed the tax positions taken by the Ranch, and has concluded that, as of December 31, 2021, there are no uncertain tax positions taken or expected to be taken.

The Ranch's tax returns are open and subject to examination by the Internal Revenue Service from the 2018 tax year forward. However, there are currently no audits in process for any open tax years.

Estimates and assumptions -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect certain 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 those estimates.

Functional allocation of expenses -

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated between program services, management and general, and fundraising.

Cash and cash equivalents -

The Ranch considers all highly liquid short-term securities with original maturities of three months or less to be cash equivalents. However, no such investments were owned by the Ranch at December 31, 2021.

Advertising -

The Ranch follows a policy of charging the cost of advertising to expense as incurred. There was no advertising cost for the year ended December 31, 2021.

Contributed services -

No amounts have been reflected in the financial statements for donated services. The Ranch generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Ranch, but these services do not meet the criteria for recognition as contributed services.

Beneficial interests in trusts -

The Ranch 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 not-for-profit beneficiary. The Ranch has legally enforceable rights and claims to such assets, including an irrevocable right to receive the income from the trust's assets in perpetuity.

Note 1) Summary of significant accounting policies: (continued)

Property and equipment -

Property and equipment is stated at cost, or if donated, at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Estimated useful lives are as follows:

| | Years |
|---|---|
| Buildings | 40 |
| Land improvements | 15 |
| Furniture and equipment | 5 - 10 |
| Livestock | 5 |

Donations in kind -

Donations in kind of items such as furniture, equipment, food, and office supplies are recorded at their estimated fair value when received. Total amount of donations in kind recorded for the year ended December 31, 2021, was $30,427. Amounts are included in contributions on the statement of activities and changes in net assets.

Recent accounting pronouncements -

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). ASU 2016-02 requires lessees to recognize on the financial statements the assets and liabilities for the rights and obligations created by those leases with terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. ASU 2016-02 requires both types of leases to be recognized on the financial statements. The right-of-use asset and related lease liability will be initially measured at the present value of the remaining lease payments; however, if the original term of the lease is less than twelve months and the lease does not contain a purchase option that is reasonably certain to be exercised, a lessee may account for the lease as an operating lease under ASU 840. ASU 2016-02 also requires disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases.

These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842) - Targeted Improvements, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In December 2018, the FASB also issued ASU 2018-20, *Leases* (Topic 842) - Narrow-Scope Improvements for Lessors, which provides for certain policy elections and changes lessor accounting for sales and similar taxes and certain lessor costs. Management adopted ASU 2016-02 on January 1, 2021, and believes ASU 2016-02 did not have a significant impact on the Ranch's financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The goal of the update is to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments in ASU 2020-07 are effective for fiscal years, and interim periods within those fiscal years, beginning after June 15, 2021. Management is currently assessing the impact of implementing the new guidance on the Ranch's financial statements.

Note 1) Summary of significant accounting policies: (continued)

Recent accounting pronouncements - (continued)

Effective January 1, 2020, the Ranch implemented ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance clarifies and improves accounting guidance for contributions received and contributions made. The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

Presently, management is not aware of any other changes to the Accounting Standards Codification that will have a material impact on the Ranch's present or future financial position or results of operations.

Note 2) Net assets:

Net assets without donor restrictions are available for general obligations of the Ranch.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donors at December 31, 2021:

| | | |
|---|---|---|
| Charitable gift annuities | $ | 102,892 |
| Property restrictions released | | 1,667 |
| Total restrictions released | $ | 104,559 |

Net assets with donor restrictions are restricted by donors to be used for a specific purpose or over a specific time. Net assets with donor restrictions are made up of net assets with temporary and permanent restrictions and are restricted to the following purposes at December 31, 2021.

Net assets with temporary donor restrictions are available for the following purposes:

| | | |
|---|---|---|
| Charitable gift annuities | $ | 58,694 |
| Restricted use property | | 1,505,000 |
| Scholarships | | 75,027 |
| Total temporary restricted net assets | $ | 1,638,721 |

An explanation of the specific uses of net assets with temporary donor restrictions are as follows:

Charitable gift annuities -

The Ranch has entered into irrevocable agreements with donors whereby, in exchange for the gift from the donor, the Ranch is obligated to provide an annuity to the donor up until the death of the donor. 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. Net assets are released from restriction as the liability is decreased and are released in full upon the death of the annuitant.

Restricted use property -

The Ranch holds two tracts of land and related improvements that are to be used in the Ranch's operations.

Note 2) Net assets: (continued)

Scholarships -

A scholarship fund was created by a donor to help with the cost of attendance to post-secondary programs. Scholarships are awarded to successful residents of the Ranch who meet a list of criteria set by the donor.

Net assets with permanent donor restrictions are available for the following purposes:

| | | |
|---|---|---|
| Clark County endowment | $ | 24,298 |
| Adolph Thomas Trust endowment | | 2,474,407 |
| Walker Family Education Scholarship endowment | | 200,000 |
| Charles M. Taylor III Memorial endowment | | 95,005 |
| Total permanently restricted net assets | $ | 2,793,710 |

An explanation of the spending policies of net assets with permanent donor restrictions are as follows:

Clark County endowment -

The Clark County endowment is a perpetual trust which distributes a portion of its income annually to the Ranch in accordance with the terms of the trust. The distributions are available for operations of the Ranch and are typically expended in the year received.

Adolph Thomas Trust endowment -

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

Walker Family 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.

Charles M. Taylor III Memorial endowment -

Earnings from this fund may be used for the general operations of the Ranch.

The Ranch has a goal to maintain financial assets on hand to meet three months of normal operating expenses, which is, on average, approximately $167,000 per month for a total of $501,000. The Ranch has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Ranch has $10,260,395 of financial assets available within one year to meet cash needs for general expenditures consisting of cash of $2,761,149, certificates of deposit of $1,849,175 and investments of $5,650,071.

## Note 3) Revenue recognition:

Revenues are recognized when control of the promised goods or services is transferred to the Ranch's customers, in an amount that reflects the consideration the Ranch expects to be to be entitled to in exchange for those goods or services. Further discussion of revenue for each major line of business is provided below.

Rental and fee income -

The Ranch will occasionally rent space to the public for events including weddings, parties, and other social gatherings. Revenues received from such rentals are recognized at the completion of the event.

Special events -

Revenues from special events are recognized at the completion of each special event.

## Note 4) Property and equipment:

Property and equipment at December 31, 2021, consist of the following:

| | |
|---|---|
| Buildings | $ 4,193,612 |
| Land | 347,533 |
| Land improvements | 1,201,461 |
| Furniture and equipment | 1,644,534 |
| Livestock | 121,970 |
| | 7,509,110 |
| Less accumulated depreciation | (3,561,055) |
| | $ 3,948,055 |

Total depreciation expense was $221,251 for the year ended December 31, 2021. Repairs and maintenance along with replacement cost of insignificant items are expensed as incurred, while major acquisitions of property and equipment are capitalized.

## Note 5) Investments:

Investments are presented in the financial statements at estimated fair value based on quoted market prices or price opinions from third-party asset managers at the financial statement date. Investments at December 31, 2021, consist of the following:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| Corporate bonds | $ 1,488,990 | $ 25,201 | $ 9,585 | $ 1,504,606 |
| U.S. agency securities | 2,065,189 | 13,674 | 223 | 2,078,640 |
| Common stock | 2,565,442 | 520,469 | 103,432 | 2,982,479 |
| Mutual funds | 140,661 | 21,037 | 1,526 | 160,172 |
| Exchange-traded instruments | 81,478 | 5,565 | 365 | 86,678 |
| Mineral interest | 2,886,880 | - | 1,255,674 | 1,631,206 |
| | $ 9,228,640 | $ 585,946 | $ 1,370,805 | $ 8,443,781 |

In evaluating the Ranch's unrealized loss positions for other-than-temporary impairment, management considered the credit quality of the issuer, the nature and cause of the unrealized loss and the severity and duration of the impairments. At December 31, 2021, management determined the unrealized losses did not reflect permanent deterioration of the credit quality of the investments. Accordingly, management believes that all of its unrealized losses on investments are temporary in nature, and the Ranch has both the ability and the intent to hold these investments until maturity or until such time as fair value recovers above amortized cost.

Information pertaining to investments with gross unrealized losses at December 31, 2021, aggregated by the length of time that individual investments have been in a continuous loss position, is as follows:

| | Less Than Twelve Months | | Over Twelve Months | |
|---|---|---|---|---|
| | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value |
| Corporate bonds | $ 7,765 | $ 373,855 | $ 1,820 | $ 272,443 |
| U.S. agency securities | 223 | 1,672,953 | - | - |
| Common stock | 62,314 | 332,420 | 41,118 | 242,734 |
| Mutual funds | 1,526 | 44,988 | - | - |
| Exchange-traded instruments | 365 | 59,587 | - | - |
| Mineral interest | 1,255,674 | 1,631,206 | - | - |
| | $ 1,327,867 | $ 4,115,009 | $ 42,938 | $ 515,177 |

Note 6) Endowments:

The Ranch's endowments consist of donor-restricted endowment funds, as well as funds designated by the Board of Directors to function as endowments. 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.

Endowment net asset composition by fund type at December 31, 2021, consists of the following:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment funds: | | | |
| Donor-restricted | $ - | $ 2,793,710 | $ 2,793,710 |
| Board-designated | 5,899,460 | - | 5,899,460 |
| | $ 5,899,460 | $ 2,793,710 | $ 8,693,170 |

Activity in the endowment funds consists of the following:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment funds at December 31, 2020 | $ 3,894,860 | $ 2,793,710 | $ 6,688,570 |
| Contributions | - | - | - |
| Distributions and transfers | 870,321 | (1,335,376) | (465,055) |
| Investment income | 1,169,505 | 1,392,872 | 2,562,377 |
| Expenses | (35,226) | (57,496) | (92,722) |
| Endowment funds at December 31, 2021 | $ 5,899,460 | $ 2,793,710 | $ 8,693,170 |

Endowment funds at December 31, 2021, consists of investments in the amount of $8,443,781 and cash in the amount of $249,389. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or regulations, such as the State Prudent Management of Institutional Funds Act (SPMIFA), requires the Ranch to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies reported as of December 31, 2021.

The Ranch has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted funds that the Ranch must hold in perpetuity or for a donor-specified period of time, as well as Board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of certificates of deposit, while assuming a moderate level of investment risk. The Ranch expects its endowment funds, over time, to provide an average rate of return of approximately 5.0% annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Ranch relies on a total return strategy in which investment returns are achieved through capital appreciation, both realized and unrealized, and current yield. The Ranch targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints, as managed by the Board of Directors.

Note 6) Endowments: (continued)

The Ranch's Board of Directors sets annually a charitable disbursement rate which is based on careful consideration of the factors listed in the Uniform Prudent Management of Institutional Funds Act enacted by Congress in 2009, and includes preservation of the fund, general economic conditions, inflation or deflation, and the expected total return from income and appreciation of investments. Except in extraordinary circumstances, no distributions, other than administrative fees, shall be made out of any fund that has a balance below the original gift value as of the spending policy determination date. The Ranch expects this spending policy to allow its endowment funds to grow at a moderate rate over the long-term. This is consistent with the Ranch's objective to maintain the purchasing power of the endowment assets held in perpetuity or for the specified term, as well as to provide additional real growth through new gifts and investment return.

Note 7) Fair value of financial instruments:

The Ranch measures certain of its assets and liabilities on a fair value basis using various valuation techniques and assumptions, depending on the nature of the asset or liability. Fair value is defined as 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. Additionally, fair value is used either annually or on a nonrecurring basis to evaluate certain assets and liabilities for impairment or for disclosure purposes. The three levels of inputs that may be used to measure fair value are listed below.

- Level 1 Inputs - Quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Inputs - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There were no transfers between levels during the year ended December 31, 2021.

Financial assets and liabilities measured at fair value on a recurring basis include the following:

Investments -

The Ranch's investments are reported at fair value utilizing Level 1, Level 2 and Level 3 inputs. The Ranch utilizes an independent third party as its principal pricing source for determining fair value of investments which are measured on a recurring basis. Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments would include highly liquid common stocks, mutual funds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 investments include U.S. agency securities and corporate bonds. In certain cases where Level 1 and Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. Level 3 investments include the Ranch's investment in mineral interests which is based on an evaluation from a third-party asset manager.

Beneficial interests in trusts -

The fair value of beneficial interests in trusts is determined by using the present value of future expected cash flows to be received over the expected terms of the agreement. A discount rate of 4.0% was used to calculate present value of future cash flows to be received at December 31, 2021.

Note 7) Fair value of financial instruments: (continued)

Annuity contract -

The Ranch receives quarterly payments from a life insurance annuity. The cash surrender value approximates fair value since the Ranch would be able to obtain the surrender value in cash from the issuing insurance company. These assets are included in other assets on the statement of financial position.

Annuity and life estate liabilities -

The fair value of annuity and life estate liabilities is determined by using the present value of expected future cash flows to be paid over the expected terms of the agreements. Payments cease upon the death of the annuitant thus the life expectancy of each annuitant is used to calculate the present value of expected future cash flows. 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. A discount rate of 3.25% was used to calculate present value of future cash flows to be paid at December 31, 2021.

The following table sets forth the Ranch's assets and liabilities by level within the fair value hierarchy that were measured at fair value on a recurring basis as of December 31, 2021:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Estimated Fair Value | Quoted Prices in Active Markets for Identical Assets Level (1) | Significant Other Observable Inputs Level (2) | Significant Unobservable Inputs Level (3) |
| Financial assets: | | | | |
| Investments | | | | |
| Corporate bonds | $ 1,504,606 | $ - | $ 1,504,606 | $ - |
| U.S. agency securities | 2,078,640 | - | 2,078,640 | - |
| Common stock | 2,982,479 | 2,982,479 | - | - |
| Mutual funds | 160,172 | 160,172 | - | - |
| Exchange-traded instruments | 86,678 | 86,678 | - | - |
| Mineral interest | 1,631,206 | - | - | 1,631,206 |
| Total investments | 8,443,781 | 3,229,329 | 3,583,246 | 1,631,206 |
| Beneficial interest in trusts | 3,786,573 | - | - | 3,786,573 |
| Annuity contract | 327,467 | | | 327,467 |
| Financial liabilities: | | | | |
| Annuity and life estate liabilities | 1,708,076 | - | - | 1,708,076 |

The following methods and assumptions were used to estimate the fair value of financial instruments that are not disclosed above:

Cash and interest-bearing deposits -

The carrying amount of cash and interest-bearing certificates of deposits is their fair value.

Note 8) Risks and uncertainties:

In March 2020, the World Health Organization declared a global pandemic due to the outbreak of a novel coronavirus identified as "COVID-19". In order to combat the spread of COVID-19, governments worldwide enacted emergency measures including travel bans, imposed quarantine periods, social distancing and business and organization closures. These measures caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown. Governments reacted with significant fiscal interventions designed to stabilize economic conditions. It is not possible to reliably estimate the effects of the continued pandemic and the impact on the financial results and condition of the Ranch and its operations in future periods.

Note 9) Annuity and life estate liabilities:

As noted in Note 2 the Ranch has entered into irrevocable agreements with donors whereby, in exchange for the gift from the donor, the Ranch is obligated to provide an annuity to the donor up until death of the donor. A liability is recognized for the estimated present value of the annuity obligation and the related assets are recorded at their estimated 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 Ranch'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 to the Ranch for use in operations. The calculated annuity liability for future benefits was $58,694 at December 31, 2021, and is included in annuity and life estate liabilities on the statement of financial position. The fair market value of assets held in annuity accounts was $98,643 at December 31, 2021, and is included in certificates of deposit on the statement of financial position. There were no new charitable gift annuities established during the year ended December 31, 2021.

Also included in annuity and life estate liabilities on the statement of financial position is the present value of expected future cash flows to be paid to a beneficiary of an irrevocable charitable remainder trust, of which the Ranch serves as trustee. Assets held in the trust are included in investments on the statement of financial position. When trusts are established, the assets transferred to the Ranch 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. Annually, the obligation and fair market value are adjusted for changes in the value of trust assets and actuarial changes in the estimates of future benefits.

The trust's fair market value of investments is $1,808,925 at December 31, 2021. The present value of estimated future payments to other beneficiaries is $1,649,382 at December 31, 2021, and is included in annuity and life estate liabilities on the statement of financial position.

Note 10) Concentrations:

Cash deposits in excess of federally insured limits at December 31, 2021, were $3,221,175. Such deposits are maintained at a well-capitalized commercial bank, and in management's opinion, the associated risk is minimal.

## Note 11) Valuation of long-lived assets held for sale:

The Ranch owns property consisting of a duplex, lodge, three residences, activity building, administration building, two metal shop buildings and a barn on 264 acres in Crawford County, Arkansas. The Ranch has no use for the facility based on current and expected operations and intends to sell the property within one year of the financial statement date. The property had an original book value of $6,267,711. During the year ended December 31, 2018, the property was determined to have a fair value of $3,745,000 and the Ranch recognized a loss in that year in the amount of $2,522,711. During the year ended December 31, 2021, small portions of the land were sold for $326,637. The remaining land at December 31, 2021, was determined to have an estimated fair value of $1,425,000, resulting in an impairment loss of $1,993,363 which is recognized on the statement of functional expenses.

Also included in long-lived assets held for sale is a lot in Cochise county, Arizona and a timeshare in Branson, Missouri. The estimated fair value of these two properties at December 31, 2021 is $8,718.

## Note 12) Employee retirement plan:

The Ranch maintains a 403(b) retirement plan. Employees are eligible to make pretax elective deferrals under the plan immediately upon being hired. Participants are eligible for employer matching contributions under the plan upon the completion of six months of employment. 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 participant's elective deferrals, up to a maximum of 5.0% to 8.0%, depending on participant's length of service.

Total contributions to the 403(b) plan for the year ended December 31, 2021 were $32,263.

## Note 13) Subsequent events:

Management has evaluated subsequent events through November 14, 2022, the date which the financial statements were available for release. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.