

Roundup River Ranch

Financial Report

October 31, 2017

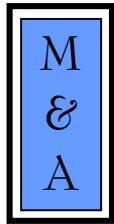


a seriousfun camp

**Roundup River Ranch
(A Colorado Non-Profit Corporation)
October 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Roundup River Ranch

We have audited the accompanying financial statements of Roundup River Ranch, which comprise the statement of financial position as of October 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from Roundup River Ranch's 2016 financial statements and, in our report dated January 23, 2017 we expressed an unqualified opinion on those 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roundup River Ranch as of October 31, 2017, 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 of America.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
January 10, 2018

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Statement of Financial Position
October 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	6,761,649	3,734,215
Investments	-	1,000,000
Current portion of pledges receivable (net of allowance for doubtful accounts of \$87,500 (2016 - \$87,500))	366,510	626,385
Accrued interest	-	454
Prepaid expenses and other current assets	17,359	34,578
Total Current Assets	7,145,518	5,395,632
Non-current assets:		
Restricted cash and cash equivalents	75,500	75,500
Pledges receivable, net of current portion	567,500	838,000
Capital assets, net	13,914,511	14,558,837
Total Non-current Assets	14,557,511	15,472,337
Total Assets	21,703,029	20,867,969
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued liabilities	130,922	67,866
Accrued payroll and payroll taxes	109,480	113,837
Notes payable	1,483,275	183,275
Total Liabilities	1,723,677	364,978
Net Assets:		
Without donor restrictions	17,437,862	18,044,786
With donor restrictions	2,541,490	2,458,205
Total Net Assets	19,979,352	20,502,991
Total Liabilities and Net Assets	21,703,029	20,867,969

The accompanying notes are an integral part of these financial statements.

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Statement of Activities
For the Year Ended October 31, 2017
(With Comparative Totals for 2016)

	2017		2016
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and support:			
Contributions	1,994,190	587,707	2,581,897
Special event contributions	1,098,276	-	1,098,276
Special events	176,073	-	176,073
In-kind donations	422,451	-	422,451
Interest and dividends	4,029	-	4,029
Miscellaneous	4,177	-	4,177
Gain (Loss) on sale of assets	(1,200)	-	(1,200)
Net assets released from restrictions:			
Satisfaction of program restrictions	128,952	(128,952)	-
Expiration of time restrictions	375,470	(375,470)	-
Total net assets released from restrictions	504,422	(504,422)	-
Total revenues and support	4,202,418	83,285	4,285,703
Expenses:			
Salaries and labor	1,876,988	-	1,876,988
Payroll taxes and benefits	387,994	-	387,994
Professional services and fees	371,539	-	371,539
General administrative expenses	90,291	-	90,291
Camp programs and transportation	167,986	-	167,986
Advertising and promotion	146,870	-	146,870
Medical and activity supplies	10,590	-	10,590
Food and kitchen supplies	85,527	-	85,527
Repairs and maintenance	105,716	-	105,716
Utilities and telephone	108,278	-	108,278
In-kind	414,091	-	414,091
Events	237,060	-	237,060
Depreciation	660,649	-	660,649
Miscellaneous	145,763	-	145,763
Total Expenses	4,809,342	-	4,809,342
Change in Net Assets	(606,924)	83,285	(523,639)
Net Assets - Beginning of Year	18,044,786	2,458,205	20,502,991
Net Assets - End of Year	17,437,862	2,541,490	19,979,352
			20,502,991

The accompanying notes are an integral part of these financial statements.

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Statement of Functional Expenses
For the Year Ended October 31, 2017
(With Comparative Totals for 2016)

	2017			2016
	Supporting Services			
	Program Services	Management and General	Fundraising	Total
Salaries and labor	1,210,379	238,141	428,468	1,876,988
Insurance	105,878	-	-	105,878
Utilities and heat	55,847	4,012	9,822	69,681
Payroll taxes and benefits	254,340	45,915	87,738	387,993
Food and kitchen supplies	152,313	-	-	152,313
Medical and activity supplies	6,720	-	-	6,720
Medical services	1,961	-	-	1,961
Professional fees	112,198	23,856	30,596	166,650
Telephone	23,892	2,333	6,895	33,120
Advertising and promotion	-	-	145,973	145,973
Printing and postage	10,397	4,970	7,874	23,241
Travel and meetings	42,551	15,327	23,538	81,416
Office supplies	4,214	2,585	4,263	11,062
Depreciation	660,649	-	-	660,649
Grounds maintenance	158,469	-	-	158,469
Training and recruiting	35,132	4,196	3,375	42,703
Technology	10,742	10,119	18,537	39,398
Licenses and permits	30,241	-	-	30,241
Dues and subscriptions	11,911	1,587	1,479	14,977
Bank fees and interest	-	12,160	37,360	49,520
Uncollected pledges	-	-	-	137
Events	-	-	237,060	237,060
Other	8,256	-	-	8,256
Other program expenses	90,982	-	-	90,982
In-kind	175,332	63,089	175,670	414,091
Total Expenses	3,162,404	428,290	1,218,648	4,809,342
Percentages	<u>66%</u>	<u>9%</u>	<u>25%</u>	<u>100%</u>
Percentages without in-kind	<u>68%</u>	<u>8%</u>	<u>24%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements.

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Statement of Cash Flows
For the Year Ended October 31, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash Flows from Operating Activities:		
Cash received from:		
Contributions	\$ 4,210,548	\$ 5,028,193
Special events	176,073	124,920
Interest	4,483	3,094
Miscellaneous	2,975	4,595
Cash paid for goods and services	(1,388,144)	(1,339,062)
Cash paid for personnel, taxes, and benefits	(2,269,339)	(2,278,626)
Net Cash Provided by Operating Activities	736,596	1,543,114
Cash Flows from Investing Activities:		
Purchase of fixed assets	(9,162)	(189,345)
Proceeds from sale of fixed assets	-	1,600
Purchase of investments	-	(2,000,000)
Proceeds from sale of investments	1,000,000	2,252,478
Net Cash Provided by Investing Activities	990,838	64,733
Cash Flows from Financing Activities:		
Proceeds from debt issuance	1,300,000	208,300
Principal repayments	-	(852,025)
Net Cash Provided by Financing Activities	1,300,000	(643,725)
Net Change in Cash	3,027,434	964,122
Cash and Cash Equivalents - Beginning of Year	3,809,715	2,845,593
Cash and Cash Equivalents - End of Year	\$ 6,837,149	\$ 3,809,715
Reconciliation to Total Cash and Cash Equivalents		
Cash and cash equivalents	6,761,649	3,734,215
Restricted cash and cash equivalents	75,500	75,500
Cash and Cash Equivalents - End of Year	\$ 6,837,149	\$ 3,809,715
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Net Assets	\$ (523,639)	\$ 350,883
Adjustments to increase (decrease) in net assets:		
Depreciation	660,648	703,785
Disposal of fixed assets	1,200	(1,600)
Donated fixed assets	(8,360)	(34,164)
(Increase) decrease in contributions receivable, net	530,373	499,018
(Increase) decrease in accrued interest	454	(394)
(Increase) decrease in prepaid expenses	17,221	(4,905)
Increase (decrease) in accounts payable and accrued liabilities	63,056	(17,494)
Increase (decrease) in accrued payroll and payroll taxes	(4,357)	47,985
Total Adjustments	1,260,235	1,192,231
Net Cash Provided by Operating Activities	\$ 736,596	\$ 1,543,114
Schedule of Non-Cash Investing Activities		
Donated fixed assets	\$ 8,360	\$ 34,164

The accompanying notes are an integral part of these financial statements.

**Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2017**

1. Organization

Roundup River Ranch (the “Ranch”) was incorporated in the State of Colorado in 2006 and designated as a 501(c)(3) non-profit corporation. Roundup River Ranch enriches the lives of children with serious illnesses and their families by offering free, medically-supported camp programs that provide unforgettable opportunities to discover joy, friendships, and confidence.

2. Summary of Significant Accounting Principles

A. Financial Statement Presentation

The Ranch reports its financial statements in accordance with FASB Accounting Standards Codification Topic 958, *Not-for-Profit Organizations* (“ASC Topic 958”), formerly Statement of Financial Accounting Standards No. 117. Under ASC Topic 958, the Ranch is required to report information regarding its financial position and activities according to two classifications, without donor restriction and with donor restriction.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

C. Support and Revenue

Contributions of cash and other assets are reported as with donor restriction if they are received with donor stipulations that limit or specify the use of the donated assets, whether by time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or the stated purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions. Contributions with donor restriction received and released from restrictions within the same fiscal year are reported as contributions without donor restriction. Certain endowment contributions are perpetual in nature, with investment earnings to be used as needed by the Ranch. Such investment earnings are recorded without donor restriction or with donor restriction, depending on the donor’s stipulation.

Non-monetary contributions of goods and services are recorded at their fair values in the period received. Donated services are recorded at their fair values in the period received, provided that such services either create or enhance non-financial assets or the services are considered “professional” services which the Ranch would otherwise be required to purchase. Donated fixed assets are recorded at fair value when received and reflected in these financial statements as contribution revenue and an addition to fixed assets.

D. Cash and Cash Equivalents

The Ranch considers all checking, savings, and money market accounts, as well as all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents for purposes of the Statement of Cash Flows.

**Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2017
(Continued)**

2. Summary of Significant Accounting Principles (continued)

E. Allowance for Doubtful Accounts

The Ranch uses the allowance method for recognition of uncollectible receivables, whereby an allowance for possible uncollectibility is established when collection becomes doubtful. An allowance in the amount of \$87,500 was recorded at October 31, 2017.

F. Fixed Assets and Depreciation

Assets with original cost in excess of \$5,000 and a useful life generally in excess of two years are recorded as fixed assets. These assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

	Estimated Useful Lives
Computers & Software	3 years
Furniture & Fixtures	8 years
Motor Vehicles	3 years
Land Improvements & Infrastructure	20 years
Buildings	10 - 45 years
Machinery & Equipment	5 years

G. Income Tax

The Ranch is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, pursuant to an Internal Revenue Service determination letter dated June 21, 2006, and is thus exempt from Federal and State income taxes on income which is directly related to its organizational purpose.

Unrelated business income is income derived from a trade or business by the exempt organization that is not substantially related to the performance of the organization's exempt purpose or function. For the year ended October 31, 2017, the Ranch had no unrelated business income.

The Federal information returns of the Ranch are subject to examination by the Internal Revenue Service. The Ranch is no longer subject to examination for tax years prior to October 31, 2013.

H. 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2017
(Continued)**

2. Summary of Significant Accounting Principles (continued)

I. Method used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Ranch. These expenses include depreciation, certain personnel salaries and benefits, information technology, and utilities. Depreciation is allocated based on use of assets and location of assets. Salaries and benefits are allocated based on position or time spent on each function. Information technology is allocated based on time spent and specific technology utilized. Utilities are allocated based on location.

J. Subsequent Events

Management has evaluated subsequent events through January 10, 2018, the date these financial statements were available to be issued. No material events were noted.

3. Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Ranch that is, in substance, unconditional. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at their present value. Pledges are discounted at a rate equal to the three-year treasury bill issued by the United States of America, currently 2%. Unconditional promises to give at October 31, 2017 were:

Receivable in less than one year	\$ 454,010
Receivable in one to five years	567,500
Total unconditional promises to give	<u>1,021,510</u>
Less allowance for doubtful accounts	(87,500)
Net unconditional promises to give at October 31, 2017	<u>\$ 934,010</u>

4. Conditional Promises to Give

The Ranch has received notification of the intention of two separate donors to bequeath \$1,799,690, in total, to the Ranch. The amount of each bequest will be recognized in revenue when the probate court declares the will valid.

5. Fixed Assets

Fixed asset activity during fiscal year 2017 was as follows:

	<u>Oct. 31/17</u>
Land	\$ 2,957,254
Construction in progress	8,363
Land improvements	4,568,088
Buildings	9,484,791
Furniture and equipment	<u>1,140,509</u>
Total cost	18,159,005
Less: Accumulated depreciation	(4,244,494)
Fixed assets, net	<u>\$ 13,914,511</u>

Depreciation for the year ended October 31, 2017 was \$660,648.

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2017
(Continued)

6. Liquidity and Availability of Resources

The Ranch's net assets consist of donor-restricted amounts and amounts without donor restrictions. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditures. The Ranch's investment policy and liquidity management is structured around short-term investments and the Ranch maintains access to a line of credit in the amount of \$500,000, which it could draw upon, to ensure financial assets are available as general expenditures and other obligations become due. The financial assets available within one year from October 31, 2017 for general expenditures are as follows:

Cash and cash equivalents	\$ 6,761,649
Accounts and interest receivable	366,510
	<u><u>\$ 7,128,159</u></u>

7. Classification of Net Assets and Net Assets Released from Restriction

During the year ended October 31, 2017, the following assets were released from restriction:

Purpose restrictions accomplished:	
Equestrian programs	\$ 7,046
Innovation programs	88,316
Farm improvements	11,844
Other programs	21,746
Time restrictions expired:	
Passage of specified time	375,470
Total restrictions released	<u><u>\$ 504,422</u></u>

At October 31, 2017, the Ranch had the following net assets both without donor restrictions and with donor restrictions:

Without donor restriction	
Undesignated	\$ 5,006,626
Invested in property and equipment, net of debt	<u><u>12,431,236</u></u>
	<u><u>17,437,862</u></u>
With donor restriction	
Perpetual in nature	
Ranch programs and operations	75,500
Purpose restrictions	
Astronomy programs	50,000
Innovation programs	95,017
Farm improvements	54,276
Facilities improvements - solar farm	443,642
Facilities improvements - admin building	900,000
Other	17,045
Time-restricted for future periods	
General future pledges	906,010
	<u><u>2,541,490</u></u>
Total net assets	<u><u>19,979,352</u></u>
Total liabilities and net assets	<u><u>\$21,703,029</u></u>

**Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2017
(Continued)**

8. Lease Agreements

On December 21, 2009, the Ranch entered into a lease agreement with Alpine Bank for office space. The lease for the office space was amended during September 2016 to extend the lease term through December 31, 2017 with a base rent of \$14,000. The estimated annual value of the lease is \$43,800, and \$30,133 is reflected as an in-kind contribution to the Ranch from Alpine Bank for fiscal year 2017.

On June 26, 2006, the Ranch entered into a lease agreement with Wells Fargo Bank for storage space. The tenancy of this lease is month-to-month and commenced on July 3, 2006. Under current terms of the lease, there is no base rent. The estimated annual value of the lease is \$32,656, and is reflected as an in-kind contribution to the Ranch from Wells Fargo Bank.

9. In-Kind Donations

For the fiscal year ending October 31, 2017, non-monetary contributions of goods and services aggregating to \$422,451 were recognized as revenue by the Ranch. These contributions, and the offsetting expense or asset, are recorded in the Ranch's financial statements at fair market value at the date of donation. Such "in-kind donations" include occupancy related expenses for the Ranch's central offices, food and beverage for donor parties, legal services, marketing services, information technology support, tax and accounting services, general contracting, other construction related services, and various physical items for use in the camp. For the year ended October 31, 2017, \$8,360 of the in-kind donations were capitalized.

10. Restrictions on Land

On November 2, 2009, the Ranch closed on the purchase of an 85-acre site along the banks of the Colorado River in western Eagle County. The land was purchased from Shipley Craghead, LLC (the "Seller") with a purchase price of \$2,151,731. In connection with the purchase, the Ranch entered into a Covenant and Option to Repurchase agreement with the Seller whereby the following conditions must be met or the Seller will have the right to exercise its Option to Repurchase the property:

- For twenty (20) years after November 5, 2009, the property shall be used solely as a camp for children with serious or life-threatening illnesses and their families, with medical, recreational and other facilities as well as other activities reasonably related to this purpose. Deviation from this purpose can only be made with the prior written consent of the Seller. The Seller has the sole and absolute discretion to grant or withhold its consent.
- Construction of Phase I of the Camp (defined as construction of facilities necessary to support at least 60 campers) must be substantially complete and the Camp must be open for operations on or before June 30, 2012. Phase I was completed during fiscal 2011.

In the event that the seller exercises its option to repurchase the property, the repurchase price will be at the purchase price that was paid by the Ranch at closing (\$2,151,731). This agreement is subordinated to the bank providing the construction financing.

**Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2017
(Continued)**

11. Line of Credit

On August 12, 2015, the Ranch executed a line of credit in the amount of \$1,000,000 with principal and interest due on January 13, 2016. The line of credit was then renewed until January 13, 2017. Unpaid principal accrues interest at 3.14% per annum. The line of credit was secured by a Ranch certificate of deposit.

On August 16, 2017, the Ranch executed a line of credit in the amount of \$500,000 with principal and interest due on August 16, 2018. Unpaid principal accrues interest at a variable rate based on changes in an independent index which is the JP Morgan Chase Bank prime rate.

As of October 31, 2017 the balance outstanding under this line of credit is \$0.

12. Promissory Notes

A. Private Promissory Note

On February 22, 2016, the Ranch executed an interest-free promissory note from a current board member in the amount of \$208,300 with the principal due on December 31, 2019. There is a late charge of five percent (5%) of any payment not received within ten days after the payment is due. If payment is not paid when due, the entire principal amount outstanding and accrued interest will become due and payable and the indebtedness will bear interest at the rate of 18% per annum from the date of default.

At October 31, 2017, the balance outstanding under this Note is \$183,275.

B. 2017 Promissory Note

On March 31, 2017, the Ranch executed a promissory note ("the Note") in the amount of \$1,300,000 with the principal and interest due on December 31, 2024. Unpaid principal accrues interest at 1.45% per annum. Payments under this note are \$200,000 annually, beginning on December 31, 2019 and ending on December 31, 2024 with a payment for all remaining unpaid principal and interest.

At October 31, 2017, the balance outstanding under this Note is \$1,311,099. The Ranch has received notification that it is the note holder's intent, although not a legal obligation, to forgive \$200,000 per year until the note is retired.

C. Schedule of Future Payments

The Ranch's annual debt service is as follows:

Fiscal Year	Interest	Principal	Total
2018	19,149	-	19,149
2019	16,999	349,800	366,799
2020	14,364	183,445	197,809
2021	11,615	186,086	197,701
2022	8,863	188,842	197,705
2023-2024	9,783	575,102	584,885
	80,773	1,483,275	1,564,048

**Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2017
(Continued)**

13. Comparative Information

The financial statements include certain prior year comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Ranch's financial statements for the year ended October 31, 2016, from which comparative totals were derived.

14. Change in Accounting Principle

In 2017, the Ranch implemented Financial Accounting Standards Board ("FASB") Update No. 2016-14 (Topic 958). This standard replaced the existing three classes of net assets (temporarily restricted, permanently restricted and unrestricted) with two classes of net assets: those with donor restrictions and those without donor restrictions. Additionally, it enhanced financial disclosures affecting board designations, cash needs, cost allocations and underwater investments, if any. Certain comparative amounts for fiscal year 2016 have been reclassified – with no effect on net assets, total assets or total liabilities – to conform to the 2017 presentation.