

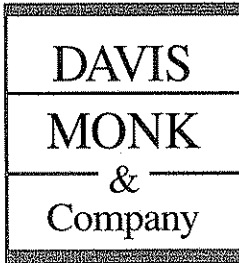
FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITORS' REPORT

RODEHEAVER BOYS'
RANCH, INC.

DECEMBER 31, 2007

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Independent Auditors' Report

Board of Directors
Rodeheaver Boys' Ranch, Inc.
Palatka, Florida

We have audited the accompanying statement of financial position of Rodeheaver Boys' Ranch, Inc. (the "Corporation") as of December 31, 2007, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

December 1, 2008
Palatka, Florida

Members:

CPAmerica International

Florida Institute of
Certified Public Accountants

American Institute of
Certified Public Accountants

Horwath International

Statement of Financial Position
December 31, 2007
Rodeheaver Boys' Ranch, Inc.

ASSETS

CURRENT ASSETS

Cash	\$	190,178
Investment in Equity Securities		59,326
Inventories		105,400
Other Assets		675
TOTAL CURRENT ASSETS		355,579

PROPERTY AND EQUIPMENT

Land		395,000
Buildings and Improvements		3,647,042
Construction Work in Progress		3,000
Automotive		302,472
Furniture, Fixtures and Equipment		478,867
		(1,939,669)
TOTAL PROPERTY AND EQUIPMENT		2,886,712

OTHER ASSETS

Restricted Cash		27,071
Investments in Real Estate		34,395
Investment in Limited Partnership		19,009
Beneficial Interest in Trust		339,621
Qualified Interest in Foundation (See Note 1)		1,846,778
TOTAL OTHER ASSETS		2,266,874
TOTAL ASSETS	\$	5,509,165

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	76,245
Deferred Revenue		13,765
Boys' Deposits		27,071
Advance From Foundation		58,894
Current Portion of Long-Term Debt		160,328
TOTAL CURRENT LIABILITIES		336,303

LONG-TERM LIABILITIES

Advance from Foundation		490,576
Long-Term Debt		34,758
TOTAL LONG-TERM LIABILITIES		525,334
TOTAL LIABILITIES		861,637

NET ASSETS

Unrestricted		2,298,177
Temporarily Restricted		1,984,730
Permanently Restricted		364,621
TOTAL NET ASSETS		4,647,528
TOTAL LIABILITIES AND NET ASSETS	\$	5,509,165

See accompanying notes.

Statement of Activities
For the Year Ended December 31, 2007
Rodeheaver Boys' Ranch, Inc.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>				
Contributions:				
Vehicle Improvement Program	\$ 462,485	\$ -	\$ -	\$ 462,485
Other Cash Contributions	849,700	45,659	-	895,359
In-Kind	170,810	-	-	170,810
Boys' Support	105,358	-	-	105,358
Agricultural Programs	35,874	-	-	35,874
Sales and Special Events	215,382	-	-	215,382
Miscellaneous	44,018	-	-	44,018
Investment Income on Perpetual Trust	7,984	-	-	7,984
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	189,396	(189,396)	-	-
TOTAL SUPPORT AND REVENUE	<u>2,081,007</u>	<u>(143,737)</u>	<u>-</u>	<u>1,937,270</u>
<u>EXPENSES</u>				
Program Services:				
Boys' Care	1,056,743	-	-	1,056,743
Vehicle Improvement Program	225,975	-	-	225,975
Agricultural Programs	121,062	-	-	121,062
Support Services:				
General and Administrative	209,380	-	-	209,380
Cost of Sales and Special Events	129,999	-	-	129,999
Fundraising	222,748	-	-	222,748
TOTAL EXPENSES	<u>1,965,907</u>	<u>-</u>	<u>-</u>	<u>1,965,907</u>
EXCESS OF SUPPORT AND REVENUE OVER EXPENSES	<u>115,100</u>	<u>(143,737)</u>	<u>-</u>	<u>(28,637)</u>
<u>GAINS AND LOSSES</u>				
Loss on Disposal of Assets	(2,396)	-	-	(2,396)
Gain on Investments	9,528	-	-	9,528
Gain on Beneficial Interest in Trust	-	-	9,506	9,506
Increase in Qualified Interest in Foundation	-	262,091	-	262,091
NET GAINS AND LOSSES	<u>7,132</u>	<u>262,091</u>	<u>9,506</u>	<u>278,729</u>
CHANGE IN NET ASSETS	122,232	118,354	9,506	250,092
NET ASSETS, January 1, 2007	<u>2,175,945</u>	<u>1,866,376</u>	<u>355,115</u>	<u>4,397,436</u>
NET ASSETS, December 31, 2007	<u>\$ 2,298,177</u>	<u>\$ 1,984,730</u>	<u>\$ 364,621</u>	<u>\$ 4,647,528</u>

See accompanying notes.

Statement of Cash Flows
For the Year Ended December 31, 2007
Rodeheaver Boys' Ranch, Inc.

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 250,092
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	187,795
Loss on Disposal of Assets	2,396
Contributed Fixed Assets	(7,260)
Gain on Investments	(9,528)
Gain on Beneficial Interest in Trust	(9,506)
Change in Qualified Interest in Foundation	(262,091)
Change In:	
Inventory	(11,350)
Accounts Payable	15,546
Boys' Deposits	14,358
Deferred Revenue	(7,830)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>162,622</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Capital Assets	(326,167)
Sale of Capital Assets	2,500
NET CASH USED IN INVESTING ACTIVITIES	<u>(323,667)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Long-Term Debt	(22,228)
Advance from Foundation	108,087
Payment to Foundation on Advance	(53,237)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>32,622</u>

NET DECREASE IN CASH	(128,423)
CASH, Beginning of Year	<u>345,672</u>
CASH, End of Year	<u><u>\$ 217,249</u></u>

Supplemental Disclosures of Cash Flow Information:

Cash Paid During the Year for Interest	\$ <u>43,814</u>
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Noncash Investing Activity:

Contributed Fixed Assets	\$ <u>7,260</u>
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See accompanying notes.

**Statement of Functional Expenses
For the Year Ended December 31, 2007
Rodeheaver Boys' Ranch, Inc.**

	PROGRAM SERVICES			SUPPORT SERVICES			TOTAL EXPENSES
	BOYS' CARE	VEHICLE IMPROVEMENT PROGRAM	AGRICULTURE	GENERAL AND ADMIN-STRATIVE	COST OF SALES AND SPECIAL EVENTS	FUND RAISING	
Payroll and Personnel	\$ 486,878	\$ 55,394	\$ 22,034	\$ 84,725	\$ -	\$ 63,520	\$ 712,551
Depreciation	94,155	5,598	25,136	11,906	-	51,000	187,795
Event Expenses:							
Bluegrass Festival	-	-	-	-	42,297	-	42,297
Southern Gospel Festival	-	-	-	-	40,027	-	40,027
Civil War	-	-	-	-	24,996	-	24,996
Tournaments & Open House	-	-	-	-	10,055	-	10,055
Cost of Sales	-	11,539	40,707	-	12,624	-	64,870
Food and Sustenance	115,000	-	-	-	-	-	115,000
Repairs and Maintenance	66,181	127	-	-	-	-	66,308
Utilities	72,572	2,314	-	-	-	-	74,886
Interest Expense	4,027	1,403	21	38,363	-	-	43,814
Vehicle Operation	48,700	98,917	28,900	-	-	-	176,517
Insurance	70,808	2,995	2,148	6,061	-	3,472	85,484
Legal and Professional	-	-	-	22,100	-	-	22,100
Miscellaneous	20,241	571	1,866	7,169	-	2,668	32,515
Advertising	-	37,138	-	-	-	42,409	79,547
Telephone	6,814	2,298	-	11,016	-	924	21,052
Printing and Postage	-	1,951	-	1,663	-	34,430	38,044
Supplies	18,027	1,619	-	4,260	-	1,899	25,805
Boys' Activities/Gifts	34,991	-	-	-	-	-	34,991
Rent	4,025	3,232	-	4,156	-	15,566	26,979
Travel and Meetings	454	879	250	3,447	-	4,205	9,235
Clothing	278	-	-	-	-	-	278
Medical Expenses	12,942	-	-	-	-	-	12,942
School Expenses	650	-	-	-	-	-	650
Fees, Dues, Licenses	-	-	-	6,041	-	-	8,696
Property Taxes	-	-	-	8,473	-	-	8,473
TOTALS	\$ 1,056,743	\$ 225,975	\$ 121,062	\$ 209,380	\$ 129,999	\$ 222,748	\$ 1,965,907

See accompanying notes.

Notes to Financial Statements
December 31, 2007
Rodeheaver Boys' Ranch, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

Rodeheaver Boys' Ranch, Inc. (the "Ranch") is a nonprofit organization under the Florida Not-For-Profit Corporation Act, located in southern Putnam County, Florida. The Ranch is exempt from income taxes according to provisions of Section 501(c)(3) of the Internal Revenue Code.

The Ranch is a private, voluntary health and welfare organization providing residential group care to dependent and neglected boys. The primary function of the Ranch is to provide practical education and a healthy farm environment for the boys.

The Rodeheaver Foundation, Inc.

The Rodeheaver Foundation, Inc. (the "Foundation") was created in December 1995. The Articles of Incorporation of the Foundation state that the specific purpose for which the Foundation is formed is to obtain through any and all means permitted by law, monies, intangible property, tangible property and real property and, from time to time as may be necessary in the sole discretion of the Trustees, to use the same for the care, support, maintenance and education of the boys at Rodeheaver Boys' Ranch, Inc. located in Palatka, Florida, a non-profit corporation which provides a home for needy boys, and to contribute to the operating and capital expense budget of Rodeheaver Boys' Ranch, Inc. However, the Foundation is a legally separate entity managed and governed by a separate Board of Directors. As such, the Ranch has no ability to influence the actions of the Foundation.

The Ranch and the Foundation do not meet the criteria for consolidation under generally accepted accounting principles. Therefore, the accompanying financial statements are solely those of the Ranch and are not intended to present the financial position, change in net assets, or cash flows of the Foundation.

The Ranch and the Foundation are financially interrelated organizations. Accordingly, in the accompanying financial statements, the Ranch has recognized its interest in the net assets of the Foundation and has adjusted that interest for its share of the change in net assets of the Foundation. Distribution for the purposes set forth above are subject to the sole discretion of the Trustees of the Foundation, as described in paragraph three above.

The Rodeheaver-Westbury Trust for Boys

The Rodeheaver-Westbury Trust for Boys was created by the donors of the property occupied by the Ranch to receive the property if and when it is not used for the purpose of a ranch for boys for a period of five years. The original deeds specified that the property would revert to the grantors or their successors under the above conditions. The trust has no other assets and is inactive.

Basis of Accounting

The financial statements of the Ranch have been prepared on the accrual basis of accounting.

Notes to Financial Statements
December 31, 2007
Rodeheaver Boys' Ranch, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting for Net Assets

The Ranch's net assets, the excess of assets over liabilities, are reported in three mutually exclusive classes:

Permanently Restricted - Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Ranch.

Temporarily Restricted - Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which expire by passage of time or are fulfilled by actions of the Ranch.

Unrestricted - Those net assets that are not temporarily or permanently restricted.

The Ranch reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. However, donor-restricted contributions whose restrictions are met within the same fiscal year are reported as unrestricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions".

Cash

Cash consists of an operating account, two checking accounts for designated funds, and a petty cash account, as well as a restricted cash account for amounts held on behalf of residents.

Investments

Investments in equity securities and the beneficial interest in trust are reported at fair value. Investments in real estate and limited partnerships are recorded at cost.

Inventories

Inventories are stated at the lower of cost ("FIFO") or market. Contributed inventories are recorded at estimated fair value when received.

Property and Equipment

Property and equipment are stated at cost for purchased items and at estimated fair value on the day received for donated items. Depreciation is computed using the straight line and declining balance methods over lives ranging from 3 to 33 years.

The Ranch reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Ranch reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Notes to Financial Statements
December 31, 2007
Rodeheaver Boys' Ranch, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributed Services

The Ranch recognizes contributed services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Ranch recognized for the year ended December 31, 2007, approximately \$12,600 of contributed dental services.

Expense Allocation

The costs of providing the programs and activities of the Ranch have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expense Classifications

- ◆ "Boys' Care" includes expenses related to the care of the children living on the Ranch.
- ◆ The "Vehicle Improvement Program" is a vocational-technical aspect of the boys' program. The Program solicits the donation of used automobiles. These automobiles are picked up, some repairs are made, and cars are auctioned several times each year. The profits from this auction go directly to support the boys' programs.
- ◆ "Agricultural Programs" includes expenses for farm operations.
- ◆ "General and Administrative" includes expenses required to conduct the affairs of the Ranch, which are not allocable to other functional areas.
- ◆ "Cost of Sales and Special Events" includes the cost of items sold by the Ranch and the costs of special events.
- ◆ "Fundraising" includes the costs of all fundraising activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Ranch to make estimates and assumptions that affect the reported amounts. Actual results could vary from the estimates that were used.

NOTE 2 – CREDIT RISK

Periodically, amounts on deposit in financial institutions exceed Federal insurance coverages. Deposits at December 31, 2007 exceeded Federal insurance coverages by approximately \$33,000.

**Notes to Financial Statements
December 31, 2007
Rodeheaver Boys' Ranch, Inc.**

NOTE 3 – INVENTORIES

Inventories consist of the following:

Automobiles – Donated for Resale	28,300
Animals – Farm Livestock	<u>77,100</u>
Total	<u><u>\$ 105,400</u></u>

NOTE 4 – INVESTMENTS IN REAL ESTATE

Real Estate investments consist of various donated parcels of land. The Ranch owns three parcels in Putnam County, one in Volusia County, two in Marion County and one parcel in Flagler County.

NOTE 5 – INVESTMENT IN LIMITED PARTNERSHIP

During 2007, the Ranch owned approximately .60% of the ML Spalding Limited partnership.

NOTE 6 – BENEFICIAL INTEREST IN TRUST

This investment consists of a perpetual trust held on behalf of the Ranch by Harris Trust and Savings Bank. Under the terms of the trust, the Ranch has the irrevocable right to receive the income on the trust assets in perpetuity. Distributions are paid in quarterly installments.

NOTE 7 – QUALIFIED INTEREST IN FOUNDATION

The Foundation and the Ranch are considered financially interrelated as defined in Statement of Financial Accounting Standards No. 136. In accordance with the provisions of that standard, the Ranch has recorded the net assets of the Foundation as an interest in the Foundation. These amounts are reflected in Net Assets of the Ranch as follows:

Temporarily Restricted	\$ 1,821,778
Permanently restricted	<u>25,000</u>
Total	<u><u>\$ 1,846,778</u></u>

Notes to Financial Statements
December 31, 2007
Rodeheaver Boys' Ranch, Inc.

NOTE 8 – ADVANCE FROM FOUNDATION

At December 31, 2007, the Ranch owed the Foundation \$549,470. The debt has no scheduled repayment terms.

NOTE 9 – LONG-TERM DEBT

Long-term debt consists of the following:

8.75% note payable to GMAC, payable in monthly installments of \$675, including interest, secured by a 2004 Chevy bus	\$ 13,104
9.25% variable interest note payable to Putnam State Bank, monthly interest payments only, due in full May 13, 2008	143,803
8.0% note payable to Putnam State Bank, payable in monthly installments of \$365, including interest, secured by a 2004 Nissan truck	13,030
8.25% note payable to Putnam State Bank, payable in monthly installments of \$642, including interest, secured by a 2007 GMC passenger van	<u>25,149</u>
Total Principal	195,086
Less, Current Portion	<u>(160,328)</u>
Long-Term Debt	<u><u>\$ 34,758</u></u>

Future debt service as of December 31, 2007 is summarized in the following tabulation:

<u>Year Ending</u>	<u>Ending December 31,</u>	
	2008	\$ 169,606
	2009	18,214
	2010	12,086
	2011	<u>8,080</u>
Total		207,986
Less Interest		<u>12,900</u>
Total Principal		<u><u>\$ 195,086</u></u>

Notes to Financial Statements
December 31, 2007
Rodeheaver Boys' Ranch, Inc.

NOTE 10 – NET ASSET RESTRICTIONS

Permanently restricted net assets consist of the following:

A perpetual trust held on behalf of the Ranch by Harris Trust and Savings Bank. Under the terms of the trust, the Ranch has the irrevocable right to receive the income on the trust assets in perpetuity. Distributions are paid in quarterly installments.	\$ 339,621
Qualified Interest in Foundation related to permanently restricted net assets of the Foundation	<u>25,000</u>
Totals	<u><u>\$ 364,621</u></u>

Temporarily restricted net assets consist of the following:

Temporarily restricted net assets consist primarily of contributions restricted for the purchase of or improvement to the Ranch's physical plant.	\$ 162,952
Qualified Interest in Foundation related to temporarily restricted and unrestricted net assets of the Foundation	<u>1,821,778</u>
Totals	<u><u>\$ 1,984,730</u></u>

NOTE 11 – RELATED PARTY TRANSACTIONS

The Ranch has deposits with and has received loans from a financial institution whose board of directors includes one of the Ranch's officers. Deposits held with this financial institution totaled approximately \$49,900 at December 31, 2007. Debt payable to this financial institution totaled approximately \$182,000 at December 31, 2007.

During 2007, the Ranch contracted with an entity, whose owners include one of the Ranch's officers, to build a walk-in freezer building. The cost was approximately \$112,000.

As previously described, the Ranch owed the Foundation \$549,470 at December 31, 2007.

NOTE 12 – LETTER-OF-CREDIT

The Ranch has a \$25,000 letter-of-credit with Putnam State Bank. The credit line is unsecured. There were no amounts outstanding at December 31, 2007.

**Notes to Financial Statements
December 31, 2007
Rodeheaver Boys' Ranch, Inc.**

NOTE 13 – SALES AND SPECIAL EVENTS

Sales and special events revenues and costs of sales consist of the following for 2007:

	<u>Bluegrass Festival</u>	<u>Southern Gospel Festival</u>	<u>Civil War</u>	<u>Other Special Events</u>	<u>Merchandise Sales</u>	<u>Total</u>
Sales and Ticket Revenues	\$ 88,722	\$ 46,947	\$ 31,698	\$ 27,727	\$ 20,288	\$ 215,382
Less: Direct Expenses	<u>(42,297)</u>	<u>(40,027)</u>	<u>(24,996)</u>	<u>(10,055)</u>	<u>(12,624)</u>	<u>(129,999)</u>
Net Income	<u>\$ 46,425</u>	<u>\$ 6,920</u>	<u>\$ 6,702</u>	<u>\$ 17,672</u>	<u>\$ 7,664</u>	<u>\$ 85,383</u>

Bluegrass Festival expenses include advertisements, food, permit fees, and portable toilets to host a Bluegrass music festival.

Southern Gospel Festival expenses include advertisements, entertainer fees, food, permit fees, and portable toilets to host a Southern Gospel music festival.

Civil War expenses include advertisements, food, entertainment, pyrotechnics, and portable toilets to host a re-enactment of a civil war battle for spectators.

Other Special Events include expenses to host a golf tournament, open house and watermelon blast festival. This includes greens fees, advertisements, food, and awards.

Merchandise Sales include costs of selling jellies, honey, t-shirts, bricks, and cookbooks.