

Rodeheaver Boys' Ranch, Inc.

Financial Statements and Independent
Auditor's Report

December 31, 2012

Rodeheaver Boys' Ranch, Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rodeheaver Boys' Ranch, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Rodeheaver Boys' Ranch, Inc. (the "Ranch"), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

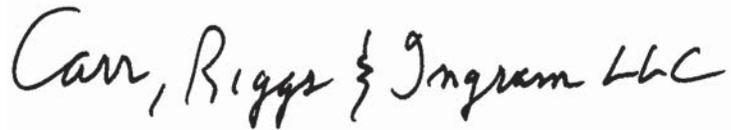
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ranch as of December 31, 2012, 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.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram LLC". The signature is written in a cursive, flowing style.

Palatka, Florida
September 25, 2013

Rodeheaver Boys' Ranch, Inc.

Statement of Financial Position

<i>As of December 31,</i>	2012
Assets	
Current assets:	
Cash	\$ 140,766
Investment in equity securities	55,321
Prepaid expense	12,000
Inventories	36,500
Total current assets	244,587
Property and equipment:	
Land	425,630
Buildings and improvements	4,349,600
Automotive	294,527
Furniture, fixtures and equipment	650,562
Less: accumulated depreciation	(2,748,470)
Total property and equipment	2,971,849
Other assets:	
Restricted cash	19,164
Investments in real estate	25,511
Investment in limited partnership	19,009
Beneficial interest in trust	144,000
Qualified interest in Foundation (see note 1)	1,736,881
Total other assets	1,944,565
Total assets	\$ 5,161,001
Liabilities and net assets	
Current liabilities	
Accounts payable	\$ 38,737
Boys' deposits	19,164
Short-term note payable to Foundation	26,630
Line-of-credit	47,640
Total liabilities	132,171
Net assets	
Unrestricted	3,045,696
Temporarily restricted	1,814,134
Permanently restricted	169,000
Total net assets	5,028,830
Total liabilities and net assets	\$ 5,161,001

See accompanying notes.

Rodeheaver Boys' Ranch, Inc.

Statement of Activities

Year ended December 31,

2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions:				
Vehicle improvement program	\$ 317,810	\$ -	\$ -	\$ 317,810
Other cash contributions	847,702	22,782	-	870,484
In-kind	142,920	-	-	142,920
Boys' support	81,408	-	-	81,408
Agricultural programs	40,300	-	-	40,300
Sales and special events	150,887	-	-	150,887
Miscellaneous	38,383	-	-	38,383
Investment income on perpetual trust	19,502	-	-	19,502
Interest income	86	-	-	86
Net assets released from restrictions:				
Satisfaction of purpose restrictions	197,139	(197,139)	-	-
Total support and revenue	1,836,137	(174,357)	-	1,661,780
Expenses				
Program services:				
Boys' care	1,070,402	-	-	1,070,402
Vehicle improvement program	230,678	-	-	230,678
Agricultural programs	54,823	-	-	54,823
Support services:				
General and administrative	174,249	-	-	174,249
Cost of sales and special events	47,245	-	-	47,245
Fundraising	179,123	-	-	179,123
Total expenses	1,756,520	-	-	1,756,520
Excess of support and revenue over (under) expenses	79,617	(174,357)	-	(94,740)
Gains and losses				
Loss on sale of assets	(4,994)	-	-	(4,994)
Gain on investments	6,055	-	-	6,055
Gain on beneficial interest in trust	-	-	14,108	14,108
Change in qualified interest in foundation	-	39,355	-	39,355
Net gains and losses	1,061	39,355	14,108	54,524
Change in net assets	80,678	(135,002)	14,108	(40,216)
Net assets, January 1, 2012	2,965,018	1,949,136	154,892	5,069,046
Net assets, December 31, 2012	\$ 3,045,696	\$ 1,814,134	\$ 169,000	\$ 5,028,830

See accompanying notes.

Rodeheaver Boys' Ranch, Inc.

Statement of Cash Flows

<i>Year ended December 31,</i>	2012
Cash flows from operating expenses	
Change in net assets	\$ (40,216)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	203,208
Loss on sale of assets	4,994
Contributed fixed assets	(7,700)
Gain on investments	(7,255)
Loss on beneficial interest in trust	(14,108)
Change in qualified interest in Foundation	(39,355)
Change In:	
Inventory	12,703
Note receivable	2,101
Prepaid expense	(12,000)
Accounts payable	(8,965)
Boys' deposits	(1,082)
Net cash provided by operating activities	92,325
Cash flows from investing activities	
Purchase of capital assets	(259,989)
Proceeds from sale of assets	8,000
Net cash used by investing activities	(251,989)
Cash flows from financing activities	
Payments on debt	(20,360)
Proceeds from line-of-credit	26,630
Net cash provided by financing activities	6,270
Net decrease in cash	(153,394)
Cash, beginning of year	313,324
Cash, end of year	\$ 159,930

Supplemental disclosures of cash flow information:	
Interest paid	\$ 2,233
Noncash investing activities:	
Contributed fixed assets	7,700

See accompanying notes.

Rodeheaver Boys' Ranch, Inc.

Statement of Functional Expenses

Year ended December 31,

2012

	Program Services			Support Services			Total Expenses	
	Boys' care	Vehicle Improvement Program	Agriculture	Total Program Services	General and Administrative	Sales and Special Event		Fund Raising
Payroll and personnel	\$ 518,086	\$ 76,643	-	\$ 594,729	\$ 96,682	\$ -	\$ 48,848	\$ 740,259
Depreciation	102,299	4,830	19,534	126,663	7,135	-	69,410	203,208
Event expenses:								
Bluegrass festival	-	-	-	-	-	24,566	-	24,566
Tournaments & special events	-	-	-	-	-	2,279	-	2,279
Cost of sales	-	-	10,265	10,265	-	20,400	-	30,665
Food and sustenance	116,000	-	-	116,000	-	-	-	116,000
Repairs and maintenance	44,495	14,357	-	58,852	-	-	-	58,852
Utilities	85,360	2,505	-	87,865	-	-	-	87,865
Interest expense	-	-	-	-	2,233	-	-	2,233
Vehicle operation	55,539	69,163	21,668	146,370	-	-	-	146,370
Insurance	55,586	2,048	1,141	58,775	7,340	-	3,513	69,628
Legal and professional	-	-	-	-	32,700	-	-	32,700
Miscellaneous	19,300	546	2,215	22,061	6,109	-	1,163	29,333
Advertising	-	42,338	-	42,338	-	-	10,755	53,093
Telephone	8,271	4,781	-	13,052	5,442	-	3,125	21,619
Printing and postage	-	728	-	728	1,180	-	19,921	21,829
Supplies	12,697	776	-	13,473	2,131	-	1,304	16,908
Boys' activities/gifts	28,615	-	-	28,615	-	-	-	28,615
Rent	-	3,223	-	3,223	2,446	-	12,889	18,558
Travel and meetings	639	8,740	-	9,379	1,023	-	6,543	16,945
Clothing	368	-	-	368	-	-	-	368
Medical expenses	22,249	-	-	22,249	-	-	-	22,249
School expenses	898	-	-	898	-	-	-	898
Fees, dues, licenses	-	-	-	-	8,334	-	1,652	9,986
Property taxes	-	-	-	-	1,494	-	-	1,494
Totals	\$ 1,070,402	\$ 230,678	\$ 54,823	\$ 1,355,903	\$ 174,249	\$ 47,245	\$ 179,123	\$ 1,756,520

See accompanying notes.

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. In addition, in May 2013, the Foundation's articles were amended to allow the Foundation to support any qualified non-profit corporation that provides care for needy children, including the Ranch.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

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, four checking accounts for designated funds, a petty cash account, as well as a restricted cash account for amounts held on behalf of residents. The Ranch's deposits are insured by the FDIC. At times, bank balances may exceed FDIC insurance limits.

Investments

Investments in equity securities and limited partnerships are reported at fair value. The beneficial interest in trust is reported at the net present value of estimated future cash flows. Investments in real estate are recorded at cost or estimated fair value when a donation is received.

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 5 to 33 years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 approximately \$21,600 of contributed dental services and \$18,000 of contributed accounting services for the year ended December 31, 2012.

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.

Uncertain Tax Positions

The Ranch follows the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. As of December 31, 2012, the Ranch has no uncertain tax positions that

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

qualify for either recognition or disclosure in the financial statements. The Ranch is no longer subject to examination by the IRS for tax years before 2009.

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.

Subsequent Events

In preparing these financial statements, the Ranch has evaluated events and transactions for potential recognition or disclosure through September 25, 2013, the date the financial statements were available to be issued.

NOTE 2 – INVENTORIES

Inventories consist of the following:

Automobiles – donated for resale	\$ 27,100
Animals – farm livestock	9,400
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Total	<u>\$ 36,500</u>

NOTE 3 – INVESTMENTS***Real Estate***

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

Limited Partnership

During 2012, the Ranch owned approximately .60% of the ML Spalding Limited Partnership. Fair value of this investment was initially estimated on the date of donation and is adjusted, as necessary, based on the partnership's profits or losses.

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 4 – FAIR VALUE MEASUREMENTS

The Ranch follows the provisions of FASB ASC 820 regarding *Fair Value Measurements*. Using those provisions, the Ranch has characterized its investments based on the priority of the inputs used to value the investments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investment.

Investments recorded in the statement of financial position are categorized based on the valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Ranch has the ability to access. These investments are exchange-traded investments in equity securities.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Level 3. These are investments where values are based on process or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

Where applicable, as a valuation technique, the Ranch uses the market approach. The following tabulation summarizes the Ranch's fair value measurements for assets that are measured on a recurring basis.

Fair Value Measurements at Reporting Date Using:

Description	12/31/2012	Quoted Prices in		Significant
		Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Unobservable Inputs Level 3
Equity securities	\$ 55,321	\$ 55,321	\$ -	\$ -
Beneficial interest in trust	144,000	-	-	144,000
Limited partnership	19,009	-	-	19,009
Total	\$ 218,330	\$ 55,321	\$ -	\$ 163,009

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in the Ranch's Level 3 assets are summarized in the following tabulation:

	Beneficial Interest in Trust
Balance 1-1-12	\$ 129,892
Distributions	(6,133)
Fees	(5,969)
Income	8,811
Unrealized gain on fair value	17,399
Balance 12-31-12	<u>\$ 144,000</u>

NOTE 5 – QUALIFIED INTEREST IN FOUNDATION

The Foundation and the Ranch are considered financially interrelated as defined by the Financial Accounting Standards Board. Therefore, 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	\$ 1,711,881
Permanently Restricted	25,000
	<hr/>
Total	<u>\$ 1,736,881</u>

NOTE 6 – LINE-OF-CREDIT

6.0% variable interest line-of-credit with Harbor Community Bank, payable in monthly installments of accrued interest calculated on the amount of credit outstanding.

\$ 47,640

NOTE 7— 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.	\$ 144,000
Qualified Interest in Foundation related to permanently restricted net assets of the Foundation.	25,000
Total	\$ 169,000

Temporarily restricted net assets consist of the following:

Contributions restricted for the purchase of or improvement to the Ranch's physical	\$ 102,253
Qualified Interest in Foundation related to temporarily restricted and unrestricted net assets of the Foundation.	1,711,881
Total	\$1,814,134

NOTE 8 – RELATED PARTY TRANSACTIONS

The Foundation pledged a \$50,000 certificate of deposit as collateral for the Ranch's line-of-credit.

At December 31, 2012, the Ranch had a \$26,630 short-term note payable to the Foundation.

During 2012, the Ranch received approximately \$45,000 in donations from two different board members.

NOTE 9 – LETTER-OF-CREDIT

The Ranch has a \$25,000 letter-of-credit with Harbor Community Bank. The credit line is unsecured. There were no amounts outstanding at December 31, 2012.

NOTE 10 – SALES AND SPECIAL EVENTS

Sales and special events revenues and costs of sales consist of the following for 2012:

	Bluegrass Festival	Special Events	Merchandise Sales	Food and Concession Sales	Total
Sales and ticket revenue	\$ 73,850	\$ 7,380	\$ 47,233	\$ 22,424	\$ 150,887
Less: direct expenses	24,566	2,279	8,276	12,124	47,245
Net income	\$ 49,284	\$ 5,101	\$ 38,957	\$ 10,300	\$ 103,642

Bluegrass Festival expenses include advertisements, electricity for the park, permit fees, and portable toilets to host a Bluegrass music festival.

Special Events include expenses to host an annual open house. This includes advertisements, food, and awards.

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

Food and Concession Sales include the cost of purchasing and cooking food to sell at events such as the Bluegrass festival and the Open House.

NOTE 11 – COMMITMENTS

At December 31, 2012, the Ranch was committed under signed contracts for approximately \$112,700 of construction on a museum building.