

RANCH HOPE, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

RANCH HOPE, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
Ranch Hope, Inc.
P.O. Box 325
Alloway, New Jersey 08001

We have audited the accompanying financial statements of Ranch Hope, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows 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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Ranch Hope, Inc. as of June 30, 2020, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of operating expenses – Ranch, expenditures – School, revenues and expenses – Radio Ministry, investments, statement of activities – Shelter of Hope, state and federal financial assistance (as required by the New Jersey Department of the Treasury, Office of Management and Budget Circular Letter 15-08-OMB) budgeted and incurred costs, and findings and questioned costs, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2020, on our consideration of Ranch Hope, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ranch Hope, Inc.'s internal control over financial reporting and compliance.

GRESSMAN, REPICE & ASSOCIATES

Gressman, Repice & Associates

Vineland, New Jersey 08360
October 30, 2020

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

To The Board of Managers
Ranch Hope, Inc.
Box 325
Alloway, New Jersey 08001

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Ranch Hope, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

GRESSMAN, REPICE & ASSOCIATES

Gressman, Repice & Associates

Vineland, New Jersey
October 30, 2020

RANCH HOPE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	2020		
	Operating	Capital	Total
ASSETS			
Cash and cash equivalents	\$ 1,058,375	\$	\$ 1,058,375
Investments, at cost	40,352		40,352
Accounts receivable	2,055,060		2,055,060
Due from capital	3,775,480		3,775,480
Prepaid expenses	183,201		183,201
Other assets	120,203		120,203
Property, plant and equipment, at cost			
less accumulated depreciation		4,003,081	4,003,081
Total assets	<u>\$ 7,232,671</u>	<u>\$ 4,003,081</u>	<u>\$ 11,235,752</u>
LIABILITIES			
Accounts payable	\$ 200,666	\$	\$ 200,666
Due to operating		3,775,480	3,775,480
Accrued payroll	133,658		133,658
Accrued payroll taxes	28,823		28,823
Accrued expenses	373,076		373,076
Reserve for Annuity	15,090		15,090
Deferred revenue	160		160
Refundable Advance	1,204,002		1,204,002
Notes payable	2,903,434		2,903,434
Total liabilities	<u>\$ 4,858,909</u>	<u>\$ 3,775,480</u>	<u>\$ 8,634,389</u>
NET ASSETS			
Without donor restrictions	\$ 2,373,762	\$ 227,601	\$ 2,601,363
With donor restrictions	0		0
Total net assets	<u>\$ 2,373,762</u>	<u>\$ 227,601</u>	<u>\$ 2,601,363</u>
Total liabilities and net assets	<u>\$ 7,232,671</u>	<u>\$ 4,003,081</u>	<u>\$ 11,235,752</u>

See accompanying notes and accountant's report.

RANCH HOPE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	2020		
	Without donor restrictions	With donor restrictions	Total
Public support			
Contributions	\$ 442,873		\$ 442,873
Hope for the future capital contributions	0		0
Memorials	22,786		22,786
Total public support	\$ 465,659	\$ 0	\$ 465,659
Program revenue			
Agency support	\$ 6,307,167		\$ 6,307,167
Tuition	2,498,225		2,498,225
Lunch program	0		0
Emergency placements	120,574		120,574
Alternative revenue	224,754		224,754
Harvest of Hope Camp	32,500		32,500
Total program revenue	\$ 9,183,220	\$ 0	\$ 9,183,220
Other revenue			
Dividend and interest income	\$ 2,692	\$	\$ 2,692
Radio ministry fund raising programs	314,612		314,612
Thrift shop revenue	88,256		88,256
Miscellaneous	551,414		551,414
Housing	5,838		5,838
Catering	258,306		258,306
Gross book sales	1,502		1,502
Other investment income (loss)	20,848		20,848
Total other revenue	\$ 1,243,468	\$ 0	\$ 1,243,468
Total public support and revenue	\$ 10,892,347	\$ 0	\$ 10,892,347
Total public support, revenue and reclassifications	\$ 10,892,347	\$ 0	\$ 10,892,347

See accompanying notes and accountant's report.

RANCH HOPE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	2020		
	Without donor restrictions	With donor restrictions	Total
Expenses			
Personnel services	\$ 5,974,894	\$	\$ 5,974,894
Consultants and professional fees	229,080		229,080
Materials and supplies	427,341		427,341
Facility costs	755,099		755,099
Specific assistance to clients	41,733		41,733
Other operating expenses	579,937		579,937
Auxiliary and other fund raising expenses	317,229		317,229
Administration	516,377		516,377
Instruction	994,128		994,128
Health services for private schools	67,143		67,143
Pupil transportation service	1,149		1,149
Operation & maintenance of plant	376,434		376,434
Fixed charges	504,979		504,979
Student-body activities	36,173		36,173
Other expenses	24,404		24,404
Total operating expenses	<u>\$ 10,846,100</u>	<u>\$ 0</u>	<u>\$ 10,846,100</u>
Increase (decrease) in net assets	\$ 46,247	\$ 0	\$ 46,247
Net assets at beginning of year	2,555,116		2,555,116
Net assets at end of year	<u>\$ 2,601,363</u>	<u>\$ 0</u>	<u>\$ 2,601,363</u>

See accompanying notes and accountant's report.

RANCH HOPE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

	<u>2020</u>
Cash flows from operating activities	
Increase (decrease) in net assets	\$ 46,247
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:	
Depreciation	249,530
Gain on sale of investments	(20,848)
(Increase) decrease in operating assets	
Accounts receivable	149,771
Prepaid expenses	(112,921)
Other assets	(43,292)
Increase (decrease) in operating liabilities	
Accounts payable	(690,335)
Accrued payroll	28,830
Accrued payroll taxes	19,214
Accrued expenses	(83,107)
Deferred revenue	(3,785)
Net cash provided (used) by operating activities	<u>\$ (460,696)</u>
Cash flows from investing activities	
Purchases of property, plant and equipment	\$ (38,705)
Net Proceeds from sale/purchase of investments	<u>97,360</u>
Net cash provided (used) by investing activities	<u>\$ 58,655</u>
Cash flows from financing activities	
Payments on notes payable	\$ (65,629)
Payroll Protection Loan	<u>1,204,002</u>
Net cash provided (used) by financing activities	<u>\$ 1,138,373</u>
Net increase (decrease) in cash and cash equivalents	\$ 736,332
Cash and cash equivalents as of beginning of year	<u>322,043</u>
Cash and cash equivalents as of end of year	<u><u>\$ 1,058,375</u></u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ 205,903

See accompanying notes and accountant's report.

RANCH HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Ranch Hope, Inc.'s (the Organization) mission is to be a leader in fostering environments that transform lives empowered through Christ-centered love and compassion. This mission is accomplished by providing the following services to children, youth and families: Behavioral Healthcare Services (Residential Treatment, Specialty Bed Residential Treatment, Specialty Bed Medically Fragile Residential Treatment), Educational Services (Strang School Special Education School, Virtual Alternative School), Short term Shelter Services (Shelter of Hope), Supportive Housing (HILLS Program), Adventure Based Camps and Programming (Camp Edge), and Employment Training and Placement (Ranch Hope Catering, Thrift Stores, Landscaping and Screen Printing).

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Non-Profit Organization, Inc.'s ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Basis of Presentation

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts of the Association are maintained in accordance with the principles of fund accounting on a modified accrual basis. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are

RANCH HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

classified as follows: Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time. Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Revenue and Expense Recognition

Program revenue is recognized as it is received by the Organization. Program expenses are classified as unrestricted net assets in the statement of activities.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Materials and Services

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No

RANCH HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's program services. The Organization receives more than 5,100 volunteer hours per year.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in the schedules of operating expenses - Ranch and in the statements of expenditures - School. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property, Plant and Equipment

Donations of property are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Support

The Organization's major source of funding is received from the New Jersey Department of Children & Families under a fixed per diem rate contract.

Income Taxes

The Organization is a nonprofit Corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Organization that is not a Private Foundation under Section 509(a)(2).

RANCH HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As a nonprofit Organization, Ranch Hope, Inc. is also exempt from state income taxes.

Investments

The investments are presented in the financial statements at cost. Donated investments are reflected as contributions at their market value at the date of receipt.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The estimated fair values of the Organization's financial instruments, none of which are held for trading purposes, are as follows:

		<u>2020</u>	
	<u>Carrying</u>		<u>Fair</u>
	<u>Amount</u>		<u>Value</u>
Cash and cash equivalents	\$ 1,058,375	\$	1,058,375
Long-term investments for			
which it is:			
Practical to estimate fair value	40,352		42,618
Not practical to estimate fair value	1,204,002		1,204,002
Notes payable	2,903,434		2,903,434

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents - The carrying amounts reported in the Statements of Financial Position approximate fair values because of the short maturities of those instruments.

Long-term investments – The fair values of some long-term investments are estimated based

RANCH HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

on quoted market prices for those or similar investments. For other investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. These investments are carried at cost in the Statement of Financial Position.

Notes Payable – Fair value approximates carrying value since stated rates are similar to rates currently available to the Organization for debt with similar terms and remaining maturities.

NOTE 2. PROPERTY, PLANT AND EQUIPMENT

Fixed assets, consisting of land, buildings, furniture, equipment and agency vehicles are carried at cost, less accumulated depreciation computed on the straight-line method. The buildings are depreciated over their estimated useful lives of 20-45 years. Furniture and equipment are depreciated over their estimated useful lives of 5-10 years. Vehicles are depreciated over their estimated useful lives of 3-5 years.

Property, plant and equipment consists of the following:

	<u>2020</u>	
	Ranch	School
Buildings	\$ 5,862,493	\$ 660,151
Improvements	953,990	126,400
Land	238,930	
Equipment and furnishings	947,175	162,502
Vehicles	638,335	
	<u>\$ 8,640,923</u>	<u>\$ 949,053</u>
Less: Accumulated depreciation	<u>4,806,493</u>	<u>780,402</u>
	<u>\$ 3,834,430</u>	<u>\$ 168,651</u>

The depreciation expense for the year ended June 30, 2020 was \$249,530.

RANCH HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. NOTES PAYABLE

Notes payable at June 30, 2020 consisted of the following:

	2020
On March 21, 2014 Ranch Hope, Inc. entered into a construction loan agreement with Pennsville National Bank in the amount of \$3,000,000 for the construction of the Campbell house which will house the Cowan Program and eight cottages for the Residential Program. The note matured December 31, 2015 at which time it converted to a 25 year mortgage with Pennsville National Bank. On February 9, 2017 Pennsville National Bank rolled the \$600,000 line of credit balance into the construction loan. The note will mature on December 1, 2040. The interest rate on the note as of June 2020 is 6.50%.	\$ 2,903,434

Total notes payable	\$ 2,903,434
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Maturities of debt are as follows:

June 30, 2021	64,013
June 30, 2022	74,310
June 30, 2023	79,287
June 30, 2024	84,597
June 30, 2025	90,263
Thereafter	2,510,964
	\$ 2,903,434

NOTE 4. PENSION PLAN

The Organization has a defined contribution plan for the benefit of eligible employees. An employee must have one year of service with the Organization before they can participate in the plan. The plan is an employer sponsored retirement plan funded through a tax-deferred group annuity contract. The Organization makes matching contributions in the amount of three percent (3%), three and a half percent (3.5%) and four percent (4%) of the first 3%, 4%, and 5% respectively of the employee salary reduction contributions. For the year ended June 30, 2020, the Organization contributed 58,221.

RANCH HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. PENSION PLAN (continued)

The Organization also has a Ministerial Pension Plan through the General Board of Pensions of the United Methodist Church covering Rev. David L. Bailey. Contributions of twelve percent (12%) of the compensation base are made by the Organization. For the year ended June 30, 2020, the Organization contributed \$-0-.

NOTE 5. INVESTMENTS

The Organization has appointed Pennsville National Bank as investment advisors for the Endowment Fund. Their purpose as investment advisors is to perform discretionary investment management on the assets of the Endowment Fund within the investment objectives as determined by the members of the Endowment Fund Committee. In addition, Pennsville National Bank will provide custodial services for the Endowment Fund portfolio.

Investments are composed of the following at June 30, 2020:

	<u>Cost</u>	<u>Market</u>
Corporate Stocks	\$ 24,799	\$ 23,969
Intermissions Gift Annuity Fund	15,553	18,649
	<u>\$ 40,352</u>	<u>\$ 42,618</u>

The relationship between carrying values and market values of investments is as follows:

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at end of year	\$ 40,352	\$ 40,618	\$ 2,266
Balance at beginning of year	\$ 119,957	\$ 142,877	22,920
Decrease in unrealized appreciation			\$ (20,654)
Realized net gain (loss) for year			20,848
Total net gain for year			<u>\$ 194</u>

The average annual yield exclusive of net gains (losses) was .56%, and the annual total return based on market value was .56% for the year ended June 30, 2020.

RANCH HOPE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. RELATED PARTY TRANSACTIONS

The Organization also contracted Bobbitt Pontiac Buick Inc. for miscellaneous repairs and maintenance services on motor vehicles totaling \$7,328. The organization purchased two vehicles costing \$22,750 in total for the fiscal year ended June 30, 2020. This company is owned by Board member John Bobbitt. Management monitors the fees from time to time for reasonable pricing.

NOTE 7. CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains cash balances at several financial institutions located in New Jersey. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, these accounts exceed federally insured limits; the Company has not experienced any losses in such accounts and does not believe it to be a significant credit risk. The Company's uninsured cash balance totaled \$ 196,132 for the year ended June 30, 2020.

NOTE 8 - SUBSEQUENT EVENT

Management has evaluated subsequent events through the report date of October 30, 2020 which is the date the financial statements were available to be issued.

The spread of novel strain of coronavirus (COVID-19) through August 2020 has caused significant volatility in U.S. markets. There is a significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be determined at this time.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

To The Board of Managers
Ranch Hope, Inc.
Box 325
Alloway, New Jersey 08001

Report on Compliance for Each Major Federal Program

We have audited Ranch Hope, Inc.'s compliance with the types of compliance requirements described in *NJ State Grant compliance supplement* that could have a direct and material effect on each of Ranch Hope, Inc.'s major state programs for the year ended June 30, 2020. Ranch Hope, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of state statutes, regulations and the term and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ranch Hope, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Treasury, Office of Management and Budget Circular Letter 15-08-OMB (NJ OMB Circular 15-08). Those standards and NJ OMB Circular 15-08 require that we plan perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test

basis, evidence about Ranch Hope, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ranch Hope, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Ranch Hope, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year then ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Ranch Hope, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ranch Hope, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purposes of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with NJ OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ranch Hope, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of NJ OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Gressman, Repice & Associates

GRESSMAN, REPICE & ASSOCIATES

Vineland, New Jersey
October 30, 2020

RANCH HOPE, INC.
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>2020</u>
Personnel services	
Salaries	\$ 4,600,009
Employee benefits and payroll taxes	1,374,885
Total personnel services	\$ <u>5,974,894</u>
Consultants and professional fees	
Auditing and consulting	\$ 229,080
Total consultants and professional fees	\$ <u>229,080</u>
Materials and supplies	
Food	\$ 308,675
House supplies	45,675
Livestock expense	1,351
Medical supplies	7,699
Office supplies	41,903
Postage	10,699
Program supplies	11,339
Allied Therapy	
Total materials and supplies	\$ <u>427,341</u>
Facility costs	
Building and grounds - Operations and repairs	\$ 104,896
Depreciation	208,881
Electric	144,206
Heating oil	39,500
Insurance	242,359
Real estate taxes	2,683
Equipment repairs	12,574
Total facility costs	\$ <u>755,099</u>
Specific assistance to clients	
Youth's incentive	\$ -
Youth's personal needs	9,216
Clothing	13,201
Reward program	9,357
Scholarships	-
Gifts	9,959
Total specific assistance to clients	\$ <u>41,733</u>

See accompanying notes and accountant's report.

RANCH HOPE, INC.
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>2020</u>
Other operating expenses	
Dues and subscriptions	\$ 27,016
Interest Expense	205,903
Publicity	23,749
Staff Training	1,398
Telephone	57,582
Transportation	32,784
Lease expense	11,031
Licenses and certifications	9,442
Water, sewer, and trash removal	73,642
IT Maintenance	67,887
Surveillance / Security	39,258
Oil Remediation	2,385
Bad Debt Expense	27,860
Total other operating expenses	<u>\$ 579,937</u>

See accompanying notes and accountant's report.

RANCH HOPE, INC. STRANG SCHOOL
STATEMENT OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2020

<u>ADMINISTRATION</u>	<u>2020</u>
Salaries for Administration	
Salaries for Director's Office	
Director	\$ 40,879
Salaries for the Office of Business Administration	
Administrative Assistant	109,663
Auditing and consulting	
Business Manager	44,394
Secretarial and Clerical	76,073
Computer Technology	-
Guidance	73,918
Salaries of Principals	
Principals	112,605
Salaries of Director of Treatment Services	
Chief Clinical Officer	28,933
Total	\$ 486,465
Other expenses	
Total administration	29,912
	\$ 516,377
<u>INSTRUCTION</u>	
Salaries of Special Class Instruction	
Special Class Teachers	\$ 475,514
Salaries of Regular Class Instruction	
Vocational Education Teachers	\$ 91,335
Other Professional Staff	-
Total	\$ 91,335
Other salaries for Regular Class Instruction	
Instruction Aides	\$ 371,221
Other Instructional Staff Salaries	
Other professional staff	\$ 11,338
Salaries of Secretarial and Clerical Assistants	
Secretarial	\$ 13,118
Textbooks	
Teaching supplies	\$ 144
Other expenses	6,626
Total instruction	24,832
	\$ 994,128

See accompanying notes and accountant's report.

RANCH HOPE INC. STRANG SCHOOL
STATEMENT OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2020

<u>HEALTH SERVICES</u>	<u>2020</u>
Salaries	
School Nurse	
Professional and Technical Services	\$ 51,900
Other expenses	8,590
Total health service	<u>6,653</u>
	\$ <u>67,143</u>
<u>PUPIL TRANSPORTATION SERVICE</u>	
Purchased Services	
	\$ 1,149
Total pupil transportation service	
	\$ <u>1,149</u>
<u>OPERATION & MAINTENANCE OF PLANT</u>	
Salaries	
Depreciation - School facilities and	\$ 109,507
Improvements	
Heat and electricity	40,649
Maintenance - Administrative facilities	58,296
Other expenses	2,724
Total operation & maintenance of plant	<u>165,258</u>
	\$ <u>376,434</u>
<u>FIXED CHARGES</u>	
Employee retirement	
Insurance and judgments	\$ 19,480
Total fixed charges	<u>485,499</u>
	\$ <u>504,979</u>
<u>STUDENT BODY ACTIVITIES</u>	
Salaries	
Other expenses	\$ 36,173
Total student body activities	<u>0</u>
Total allowable costs	\$ <u>36,173</u>
	\$ <u>2,496,383</u>
<u>EXTRAORDINARY SERVICES</u>	
Salaries and fringe benefits	
Total extraordinary services	\$ <u>60,139</u>
Total expenditures	\$ <u>60,139</u>
	\$ <u>2,556,522</u>

See accompanying notes and accountant's report.

RANCH HOPE, INC.
RADIO MINISTRY
SCHEDULE OF REVENUE AND EXPENSES
YEAR ENDED JUNE 30, 2020

OTHER REVENUE

2020

Boutique	
Retreats	\$ 17,897
Book sales	49,304
S-O-T ads	1,458
Donations	0
Chapel services	6,068
	<u>-</u>
Total other revenue	\$ <u>74,727</u>

OPERATING COSTS

Radio	
Rent	\$ 19,302
S-O-T expenses	8,250
Retreat expense	0
Postage and other expenses	36,960
NRB dues, conventions and contributions	11,062
	<u>585</u>
Total operating costs	\$ <u>76,159</u>

See accompanying notes and accountant's report.

RANCH HOPE, INC.
SCHEDULE OF INVESTMENTS
JUNE 30, 2020

	<u>Cost</u>	<u>Market value</u>
Stocks		
111 shares of Corning	\$ 3,271	\$ 2,875
150 shares of Johnson & Johnson	21,528	21,094
Investment in Intermissions Gift Annuity Fund	<u>15,553</u>	<u>18,649</u>
Total investments	<u>\$ 40,352</u>	<u>\$ 42,618</u>

See accompanying notes and accountant's report.

RANCH HOPE, INC.
SHELTER OF HOPE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	<u>2020</u>
Public support and revenue	
Emergency placement	\$ 870,948
Contributions	2,277
Restitution	0
Total public support and revenue	\$ <u>873,225</u>
Auditing and consulting	
Personnel services	
Salaries	\$ 414,222
Employee benefits and payroll taxes	57,617
Total personnel services	\$ <u>471,839</u>
Materials and supplies	
Food	\$ 3,941
House supplies	2,849
Medical supplies	1,581
Office supplies	973
Allied Therapy	1,145
Total materials and supplies	\$ <u>10,489</u>
Facility costs	
Building and grounds-Operations and repairs	\$ 3,333
Surveillance/Security	1,278
Electric	11,516
Heating oil	3,562
Insurance	12,589
Total facility costs	\$ <u>32,278</u>
Specific assistance to clients	
Staff Development	\$ 91
Boys personal needs	389
Reward programs	50
Gifts	225
Clothing	203
Total specific assistance to clients	\$ <u>958</u>
Other operating expenses	
Communications	6,119
Finance Charge	44
Bad Debt	34,210
Transportation	217
Dues & Subscriptions	1,387
Water, sewer and trash removal	1,122
Total other operating expenses	\$ <u>43,099</u>
Total expenses	\$ <u>558,663</u>
Excess of support over expenses	\$ <u><u>314,562</u></u>

See accompanying notes and accountant's report.

RANCH HOPE, INC.
SCHEDULE OF STATE AND FEDERAL FINANCIAL ASSISTANCE
JUNE 30, 2020

<u>Federal Grantor/Pass-through Grantor/program title</u>	<u>Federal CFDA number</u>	<u>Pass-through Grantor's number</u>	<u>Disbursements/ expenditures</u>
<u>Department of Agriculture</u>			
<u>State of New Jersey Department of Education</u>			
Summer Food Program	10.559		\$ -
National School Lunch Program	10.555		\$ 0
<u>State Grantor Department</u>	<u>State Program number</u>	<u>State Program amount</u>	<u>From To Expenditures</u>
<u>U.S Department of Health and Human Services</u>			
Pass Through State of New Jersey			
Department of Children and Families			
Child Protection and Permanency			
(1) Shelter Services	19ABSS	\$ 161,939	7/1/2019 6/30/2020 \$ 104,078
(2) Independent Services	19ABSS	112,631	7/1/2019 6/30/2020 89,471
(2) Residential Services	17ADSR	6,865,650	7/1/2019 6/30/2020 6,460,744
<u>Pass through NJ Counties</u>			
(1) Youth Shelter Services	N/A	707,310	7/1/2019 12/31/2020 454,586
		<u>\$ 7,847,529</u>	<u>\$ 7,108,879</u>

See accompanying notes and accountant's report.

RANCH HOPE, INC.
STATE OF NEW JERSEY DEPARTMENT OF
CHILDREN AND FAMILIES
SCHEDULE OF BUDGETED AND INCURRED COSTS
YEAR ENDED JUNE 30, 2020

	Budget	Total Costs Incurred	Costs (over) under Budget
Personnel	\$ 5,570,536	\$ 5,188,235	\$ 382,301
Consultant and Professional	320,100	200,774	119,326
Materials and supplies	474,300	310,019	164,281
Facility costs	440,032	659,088	(219,056)
Specific assistance to clients	77,375	33,572	43,803
Other	65,000	69,056	(4,056)
Totals	\$ <u>6,947,343</u>	\$ <u>6,460,744</u>	\$ <u>486,599</u>

See accompanying notes and accountant's report.

RANCH HOPE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

A. Summary of audit results

1. The auditor's report expresses an unqualified opinion on whether the financial statements of Ranch Hope, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies related to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Ranch Hope, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major state award programs are reported in the Report on Compliance for each Major Program and on Internal Control over Compliance in accordance with NJ OMB Circular 15-08.
5. No audit findings relative to the major state award programs for Ranch Hope, Inc. were reported.
6. The programs tested as major programs include: Residential Services - Contract No. 17ADSR.
7. The threshold for distinguishing Types A and B programs was \$750,000.
8. Ranch Hope, Inc. does not qualify as a low-risk auditee.

B. Findings and Questioned Costs – Major State Award Programs Audit

None

C. Finding and questioned Costs – Financial Statement Audit.

None