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**ECHOING HOPE RANCH**  
**Hereford, Arizona**

**Financial Statements**  
**As of and for the Years Ended**  
**June 30, 2020 and 2019**

**ECHOING HOPE RANCH**  
**Hereford, Arizona**  
**As of and for the Years Ended**  
**June 30, 2020 and 2019**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Echoing Hope Ranch  
Hereford, Arizona

I have audited the accompanying financial statements of Echoing Hope Ranch (the Ranch), an Arizona nonprofit corporation, which comprise the statements of assets, liabilities and net assets-modified cash basis as of June 30, 2020 and 2019 and the related statements of revenues, expenses and changes in net assets- modified cash basis 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 presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 error or fraud. 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 Ranch's internal control. Accordingly, I express no such

opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Echoing Hope Ranch as of June 30, 2020 and 2019 and its revenues and expenses for the year then ended in conformity with the modified cash basis of accounting described in Note 2.

*D. J. [Signature] CPA, P.C.*

Tucson, Arizona  
November 10, 2020

## STATEMENT 1

**ECHOING HOPE RANCH**  
**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS-**  
**MODIFIED CASH BASIS**  
**June 30, 2020 AND 2019**

<b>ASSETS</b>		
	<u><b>June 30, 2020</b></u>	<u><b>June 30, 2019</b></u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 378,146	\$ 145,953
<b>Total Current Assets</b>	<u>378,146</u>	<u>145,953</u>
<b>LONG-TERM ASSETS, at cost</b>		
Buildings and improvements	753,410	753,410
Equipment and furnishings	75,637	34,499
Land	350,000	350,000
Vehicles	89,391	61,096
Less accumulated depreciation	<u>(193,027)</u>	<u>(133,146)</u>
<b>Total Long-Term Assets</b>	<u>1,075,411</u>	<u>1,065,859</u>
<b>Total Assets</b>	<u><u>\$ 1,453,557</u></u>	<u><u>\$ 1,211,812</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Credit cards payable	\$ 8,382	\$ 6,194
Payroll Protection Program loan	252,400	
Loans payable, current portion	<u>20,799</u>	<u>15,418</u>
<b>Total Current Liabilities</b>	<u>281,581</u>	<u>21,612</u>
<b>LONG-TERM LIABILITIES</b>		
Loans payable, less current portion above	<u>754,575</u>	<u>710,626</u>
<b>Total Long-Term Liabilities</b>	<u>754,575</u>	<u>710,626</u>
<b>NET ASSETS</b>		
Net assets Without Donor Restrictions- Available for Operations	82,364	139,488
Net assets Without Donor Restrictions- Property and Equipment	<u>335,037</u>	<u>340,086</u>
<b>Total Net Assets</b>	<u>417,401</u>	<u>479,574</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,453,557</u></u>	<u><u>\$ 1,211,812</u></u>

See Independent Auditor's Report.

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



## STATEMENT 2

**ECHOING HOPE RANCH**  
**STATEMENT OF REVENUES AND EXPENSES-**  
**MODIFIED CASH BASIS**

Years Ended June 30, 2020 and 2019

<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>June 30,</b>	<b>June 30,</b>
<b>Revenues and Support Without Donor Restrictions:</b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Contract revenues-Arizona Department of Economic Security-Department of Developmental Disabilities	\$ 1,479,760	1,258,580
Grants and contributions	320,225	231,952
On-site housing rentals	61,713	69,152
Miscellaneous product sales and services	426	8,359
Special event, net of expenses of \$4,926	1,827	
Interest income	36	48
Total revenues and support without donor restrictions	<u>1,863,987</u>	<u>1,568,091</u>
<b>Expenses:</b>		
Program		
Home and community based habilitation and respite	207,894	221,994
Employment	157,592	135,124
Day programs	431,652	272,176
On-facility residential	791,022	629,374
Other program	182,710	232,532
Total program	<u>1,770,870</u>	<u>1,491,200</u>
General and administrative	110,212	82,151
Fundraising	45,078	46,237
Total expenses	<u>1,926,160</u>	<u>1,619,588</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>(62,173)</b>	<b>(51,497)</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR</b>	<b><u>479,574</u></b>	<b><u>531,071</u></b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR</b>	<b><u>\$ 417,401</u></b>	<b><u>479,574</u></b>

See Independent Auditor's Report.

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

**ECHOING HOPE RANCH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2020**

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Payroll	\$ 1,442,506	\$ 29,590	\$ 7,397	\$ 1,479,493
Payroll taxes and employee expenses	7,867	161	40	8,069
Vehicles	28,323	6,373	708	35,404
Program expenses-other direct	4,130			4,130
Insurance	74,730	16,814	1,868	93,412
Occupancy	62,823	14,135	1,571	78,529
Office related	14,478	3,257	362	18,097
Operational related	29,818	6,709	745	37,272
Professional fees	23,438	23,438	26,643	73,519
Promotion	2,979	745	3,724	7,448
Travel	387	87	10	484
Interest	22,878	5,148	572	28,598
Miscellaneous	1,459	328	36	1,824
Total expenses before depreciation	1,715,816	106,786	43,677	1,866,279
Depreciation	55,053	3,426	1,401	59,881
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,770,870</b>	<b>\$ 110,212</b>	<b>\$ 45,079</b>	<b>\$ 1,926,160</b>

See Independent Auditor's Report.

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



**ECHOING HOPE RANCH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2019**

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Payroll	\$ 1,079,674	\$ 22,147	\$ 5,537	\$ 1,107,358
Payroll taxes and employee expenses	167,619	3,438	860	171,917
Vehicles	25,565	5,752	639	31,956
Program expenses-other direct	12,453			12,453
Insurance	20,839	4,689	521	26,049
Occupancy	41,023	9,230	1,026	51,279
Operational and office expenses	20,456	4,602	511	25,569
Professional fees	55,453	19,558	28,152	103,163
Promotion	5,874	1,468	7,342	14,684
Participants' expenses	2,799			2,799
Travel	3,916	881	98	4,895
Interest	25,405	5,716	635	31,756
Loss on disposition of vehicle		2,517		2,517
Miscellaneous	2,897	652	72	3,621
Total expenses before depreciation	<u>1,463,972</u>	<u>80,651</u>	<u>45,393</u>	<u>1,590,016</u>
Depreciation	<u>27,228</u>	<u>1,500</u>	<u>844</u>	<u>29,572</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u><u>\$ 1,491,200</u></u></b>	<b><u><u>\$ 82,151</u></u></b>	<b><u><u>\$ 46,237</u></u></b>	<b><u><u>\$ 1,619,588</u></u></b>

See Independent Auditor's Report.

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

**Echoing Hope Ranch**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**NOTE 1 – NATURE OF ACTIVITIES**

Echoing Hope Ranch (the Ranch) was incorporated as a nonprofit corporation on October 23, 2009 under the laws of Arizona. The Ranch operates a residential and day program facility near Hereford, Arizona at which it assists teens and adults with autism and other developmental disabilities to identify and develop their individual special skills to build as full and satisfying a life as possible. In addition, the Ranch provides off-facility home and community-based habilitation and respite services throughout most of Pima and Cochise Counties, Arizona.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Ranch prepares its financial statements in accordance with the modified cash basis of accounting for not-for-profit entities, which differs significantly from U.S. generally accepted accounting principles. The Ranch generally reports income when cash is received, mostly in the form of a state contract and other donations. The Ranch recognizes expenses when the cash is expended, with modification for credit cards payable.

The significant accounting and reporting policies used by the Ranch are described subsequently to enhance the usefulness and understandability of the financial statements.

Cash and Cash Equivalents The Ranch considers all liquid investments available for use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment It is the Ranch's policy to capitalize all significant property and equipment and other fixed asset purchases as an asset. Purchased property and equipment are recorded at cost and donated assets are recorded at their fair market value at the date of the donation. Items purchased or donated under \$1,000 are expensed. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which is generally five years for vehicles and office equipment, seven years for furnishings and ranch equipment, and up to thirty-nine years for buildings. Maintenance and repairs are charged to expense as incurred. When property and equipment are disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

Net Assets Net assets are classified into one of two classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

**Echoing Hope Ranch**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Ranch, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from agreements with grantor agencies and others entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions include contributed net assets for which donors have imposed future time and particular purpose restrictions. The Ranch's unspent contributions are classified in this class if the donor limited their use. The Ranch had no net assets with donor restrictions as of June 30, 2020 and 2019.

When a donor restriction expires, that is, when a stipulated time restriction ends or 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.

Accounting For Contributions Contributions are recognized when actually received. All contributions are reported as increases in net assets without donor restrictions unless they are received with donor stipulations that limit the use of the donated assets. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounting For Gift-In-Kind Contributions

The Ranch periodically receives contributions in a form other than cash. If the Ranch receives a contribution of property or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the

**Echoing Hope Ranch**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

*Accounting For Gift-In-Kind Contributions (Continued)*

asset and its estimated useful life meets the Ranch's capitalization policy. Donated supplies are recorded as contributions at the date of the gift and as expenses when the donated items are placed into service or distributed.

The Ranch benefits from personal services provided by a substantial number of volunteers that have donated significant amounts of time and services in the Ranch's operations and its fund-raising events. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. Accounting principles allow recognition of contributed services only if the donated services 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 donations. There were no such services recorded during the years ended June 30, 2020 and 2019.

*Advertising and Promotion Costs*

Advertising and promotion costs are expensed as incurred and totaled \$7,748 and \$14,684 for the years ended June 30, 2020 and 2019, respectively.

*Income Taxes* – The Ranch is an organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Arizona law. The Ranch is not classified as a private foundation. The Ranch's management believes that any tax positions it has taken would be sustainable under an audit by any taxing authority, and the statute of limitations on most audits is no more than four years.

*Functional Allocation of Expenses*

The cost of providing the programs and other activities are summarized on a functional basis. Accordingly, costs are allocated among programs and supporting services benefited. Management's estimate of the functional allocation of expenditures is based on actual expenditures and management's estimate of levels of service.

**NOTE 3- COVID-19 PANDEMIC AND PAYROLL PROTECTION PROGRAM LOAN**

During the spring of 2020 the world, including the United States, was hit with a severe outbreak of the novel corona virus (COVID-19) which resulted in all but designated essential businesses to not remain open, created stay at home orders for most of the



**Echoing Hope Ranch**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

**NOTE 3- COVID-19 PANDEMIC AND PAYROLL PROTECTION PROGRAM  
LOAN (continued)**

citizens, and created required social distancing rules and regulations. The Ranch's programs and services were significantly affected.

To insure the Ranch could continue to meet its payroll obligations to its staff it applied for and received a federal Payroll Protection Program (PPP) loan in April, 2020 in the amount of \$252,400. This newly created special loan program through the Small Business Administration has provisions in it that allows for a substantial portion, if not all, of the loan to be forgiven if the Ranch meets certain payroll and operating requirements, which the Ranch contemplates meeting. If any portion of the loan is later to be determined to not be forgiven that portion will be repayable commencing in December 2020 on a monthly basis through April 2022 with 1% interest.

**NOTE 4 – LOANS PAYABLE**

During the year ended June 30, 2019 the Ranch obtained a loan from the United States Department of Agriculture (USDA) to refinance its property mortgage. The loan is secured by a first deed of trust on the Ranch property and requires monthly principal and interest payments of \$3,052 including 3.875% interest through December of 2053. The loan had a remaining balance due as of June 30, 2020 of \$684,932.

During the year ended June 30, 2019 the Ranch entered into two vehicle purchase loans, one payable in monthly installments of \$335, including interest of 6.84% through March 2024, and the other payable in monthly installments of \$296, including interest of 6.69% through March 2024. The loans are collateralized by two vehicles and had remaining combined balances of \$26,753 as of June 30, 2020.

During the year ended June 30, 2020 the Ranch entered into an additional vehicle purchase loan, payable in monthly installments of \$162, including interest of 7% through September 2025. The loan is collateralized by a vehicle and had a remaining balance of \$7,239 as of June 30, 2020.

During the year ended June 30, 2020 the Ranch entered into an equipment purchase loan, payable in monthly installments of \$162, including interest of 7% through September 2025. The loan is collateralized by a tractor and had a remaining balance of \$21,450 as of June 30, 2020.

During the year ended June 30, 2020 the Ranch entered into a SBA Economic Injury Disaster Loan, payable in monthly installments of \$144 commencing June 2021, including interest of 2.75% through June 2051. The loan is collateralized by the Ranch's assets and had a remaining balance of \$35,000 as of June 30, 2020.

**Echoing Hope Ranch  
Notes to Financial Statements  
June 30, 2020 and 2019**

**NOTE 4 – LOANS PAYABLE**

Principal maturities of long-term debt are as follows:

June 30, 2021	\$ 20,799
June 30, 2022	22,418
June 30, 2023	23,413
June 30, 2024	24,269
June 30, 2025	16,445
Thereafter	<u>668,030</u>
Total	<u>\$775,374</u>

**NOTE 5 – CONTINGENCIES**

The Ranch may be subject to compliance audits by its grantor agency. The nature and extent of such audits is uncertain and assessments, if any, which could result would be recorded when they become determinable.

**NOTE 6– SUBSEQUENT EVENTS REVIEW**

Subsequent events have been evaluated through November 10, 2020, which is the date the financial statements were made available to be reviewed by management. Events occurring after that date have not been evaluated to determine whether a change to the financial statements would be required.

**NOTE 7– LIQUIDITY**

Financial assets as of June 30, 2020	\$ 378,146
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Loan payments commitments	<u>(20,799)</u>
Financial assets available to meet cash needs for general expenditures within one year, assuming PPP loan forgiveness	<u>\$ 357,347</u>

As part of the Ranch's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In the event of an unanticipated liquidity need, the Ranch could conduct a fundraising appeal.

These notes are an integral part of the financial statements.