

ECHOING HOPE RANCH
Hereford, Arizona

Financial Statements
As of and for the Year Ended
June 30, 2021

ECHOING HOPE RANCH
Hereford, Arizona
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Echoing Hope Ranch
Hereford, Arizona

Report on the Financial Statements

I have audited the accompanying financial statements of Echoing Hope Ranch, an Arizona nonprofit corporation, which comprise the statement of financial position as of June 30, 2021 and the related statements of activities and changes in net assets, functional expenses 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 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

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 includes 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 the purpose of expressing an opinion on the effectiveness of the entity'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 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 financial position of Echoing Hope Ranch as of June 30, 2021 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Tucson, Arizona
October 23, 2021

ECHOING HOPE RANCH
STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents-unrestricted	\$ 563,917
Cash and cash equivalents-USDA restricted	9,157
Accounts receivable	251,731
Payroll tax refunds receivable	167,660

Total Current Assets

992,465

LONG-TERM ASSETS, at cost

Buildings and improvements	785,813
Equipment and furnishings	94,570
Land	350,000
Vehicles	89,391
Construction in progress	13,401
Less accumulated depreciation	(249,400)

Total Long-Term Assets

1,083,775

Total Assets

\$ 2,076,240

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 15,185
Accrued payroll and related	139,514
Interest payable	4,828
Loans payable, current portion	42,755

Total Current Liabilities

202,282

LONG-TERM LIABILITIES

Loans payable, less current portion above	822,390
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Total Liabilities

1,024,672

NET ASSETS

Net assets Without Donor Restrictions- Available for Operations	642,462
Net assets Without Donor Restrictions- Property and Equipment	409,106

Total Net Assets

1,051,568

Total Liabilities and Net Assets

\$ 2,076,240

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

STATEMENT 2**ECHOING HOPE RANCH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

NET ASSETS WITHOUT DONOR RESTRICTIONS	
Revenues and Support Without Donor Restrictions:	
Contract revenues-Arizona Department of Economic Security-Department of Developmental Disabilities	\$ 2,392,093
Grants and contributions	483,467
Forgiven PPP loans	262,467
On-site housing rentals	71,357
Miscellaneous product sales and services	34,860
Interest income	4
Total revenues and support without donor restrictions	<u>3,244,248</u>
Expenses:	
Program	2,506,839
General and administrative	116,013
Fundraising	37,819
Total expenses	<u>2,660,671</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	583,577
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<u>467,991</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	<u><u>\$ 1,051,568</u></u>

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

ECHPONG HOPE RANCH
STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in total net assets	\$ 583,577
Adjustments to reconcile increase in total net assets to net cash provided by operating activities:	
Depreciation	56,377
PPP loans forgiveness	(262,467)
Changes in operating assets and liabilities:	
Increase in accounts receivable	(135,462)
Increase in payroll tax refunds receivable	(167,660)
Increase in accounts payable	4,809
Increase in accrued expenses	75,829
Increase in interest payable	4,828
Net cash provided by operating activities	<u>159,831</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Borrowing of EIDL loan	125,000
Repayments of loans	(25,162)
Net cash provided by financing activities	<u>99,838</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	(64,741)
Net cash (used in) investing activities	<u>(64,741)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

194,928

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

378,146

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR\$ 573,074**COMPONENTS OF CASH EQUIVALENTS AND RESTRICTED CASH**

Cash and cash equivalents- unrestricted	\$ 563,917
Cash and cash equivalents- restricted	9,157
	<u>\$ 573,074</u>

SUPPLEMENTAL DISCLOSURES

Interest paid	<u>\$ 27,869</u>
Income taxes paid	<u>-</u>

These financial statements should be read only in connection with the accompanying notes.

ECHOING HOPE RANCH
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Payroll	\$ 1,963,305	\$ 40,273	\$ 10,068	\$ 2,013,646
Payroll taxes and employee expenses	230,296	4,724	1,181	236,201
Vehicles	20,149	4,533	504	25,186
Program expenses-other direct	11,206			11,206
Insurance	77,460	17,429	1,937	96,826
Occupancy	48,814	10,983	1,220	61,017
Office related	33,758	7,595	844	42,197
Operational related	8,618	1,939	215	10,772
Professional fees	16,097	16,098	16,211	48,406
Promotion	3,051	763	3,814	7,628
Travel	4,426	996	111	5,533
Interest	26,158	5,885	654	32,697
Miscellaneous	10,383	2,336	260	12,979
Total expenses before depreciation	2,453,721	113,555	37,018	2,604,294
Depreciation	53,118	2,458	801	56,377
TOTAL FUNCTIONAL EXPENSES	\$ 2,506,839	\$ 116,013	\$ 37,819	\$ 2,660,671

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

Echoing Hope Ranch
Notes to Financial Statements
June 30, 2021

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 generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, “Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities”, as well ASU No. 2014-09, “Revenue from Contracts with Customers” (Topic 606). The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

RECENT NEW MAJOR ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, “Leases” (topic 842), requiring lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and to disclose key information about lease agreements. The guidance is effective for entities’ fiscal years beginning after December 15, 2021 and early adoption is permitted. The Ranch is currently evaluating the impact of the pronouncement but does not anticipate the adoption will have a material impact on the financial statements.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Ranch’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Ranch’s management believes that the estimates and assumptions are reasonable in the circumstances, however, the actual results could differ from those estimates.

Echoing Hope Ranch
Notes to Financial Statements
June 30, 2021

NOTE 2– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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:

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, 2021.

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

Echoing Hope Ranch
Notes to Financial Statements
June 30, 2021

NOTE 2– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Accounting For Contributions (continued) 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 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 year ended June 30, 2021.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred and totaled \$7,628 for the year ended June 30, 2021.

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.

Echoing Hope Ranch
Notes to Financial Statements
June 30, 2021

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

Functional Allocation of Expenses The costs of providing the programs and other activities are summarized on a functional basis. Accordingly, costs are allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll, benefits and taxes	Time and effort
Depreciation	Usage
Vehicles	Full time payroll equivalent
Professional fees	Full time payroll equivalent
Operational	Full time payroll equivalent
Promotion	Time and effort
Office expenses	Full time payroll equivalent
Interest	Full time payroll equivalent
Occupancy	Square footage and usage
Insurance	Full time payroll equivalent
Travel	Full time payroll equivalent
Miscellaneous	Full time payroll equivalent

**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 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 federal Payroll Protection Program (PPP) loans in April, 2020 in the amount of \$262,400. This newly created special loan program through the Small Business Administration had 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

Echoing Hope Ranch
Notes to Financial Statements
June 30, 2021

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

requirements, which the Ranch did in fact meet during the year ended June 30, 2021 and the loans were therefore forgiven along with \$67 of accrued interest.

NOTE 4 – OTHER LOANS PAYABLE

The Ranch has 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, 2021 of \$674,670.

The Ranch entered into three vehicle purchase loans, one payable in monthly installments of \$335 including interest of 6.84% through March 2024, another payable in monthly installments of \$162, including interest of 7% through September 2025, and the other payable in monthly installments of \$296, including interest of 6.69% through March 2024. The loans are collateralized by three vehicles and had remaining combined balances of \$21,805 as of June 30, 2021. All of these loans were paid off in July of 2021.

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 \$18,670 as of June 30, 2021.

During the year ended June 30, 2020 the Ranch entered into a \$25,000 SBA Economic Injury Disaster Loan (EIDL) payable in monthly installments of \$107. During the year ended June 30, 2021 the EIDL was modified to be \$150,000 payable in monthly installments of \$634 commencing June 2021, including interest of 2.75% through June 2050. The loan is collateralized by the Ranch's assets and had a remaining balance of \$150,000 as of June 30, 2021. Also see Note #6 about an increase in the loan amount.

Principal maturities of long-term debt are as follows:

June 30, 2022	\$ 42,755
June 30, 2023	21,539
June 30, 2024	22,149
June 30, 2025	22,778
June 30, 2026	23,745
Thereafter	<u>732,179</u>
Total	<u>\$865,145</u>

Echoing Hope Ranch
Notes to Financial Statements
June 30, 2021

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 by management through October 23, 2021, which is the date the financial statements were made available to be issued.

On August 31, 2021 the Ranch purchased a home in Sierra Vista, Arizona for \$245,000 cash to operate a group home from.

In August 2021 the Ranch obtained an additional \$200,000 EIDL payable over thirty years.

Other events occurring after October 23, 2021 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, 2021	\$ 992,465
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
USDA restricted funds	(9,157)
Loan payments commitments	<u>(42,755)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$940,553</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.