

EDGEWOOD CHILDREN'S RANCH, INC.

**Financial Statements
For the Years Ended
June 30, 2013 and 2012**

EDGEWOOD CHILDREN'S RANCH, INC.

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For the Years Ended June 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Edgewood Children's Ranch, Inc.
Orlando, Florida

We have audited the accompanying financial statements of Edgewood Children's Ranch, Inc., a nonprofit organization (the "Ranch"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, 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 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 Edgewood Children's Ranch, Inc. as of June 30, 2013, 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.

Report on Summarized Comparative Information

We have previously audited the Edgewood Children's Ranch, Inc. 2012 financial statements, and our report dated September 7, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carole Riggs & Deborah LLC

Orlando, Florida
October 17, 2013

EDGEWOOD CHILDREN'S RANCH, INC.

Statements of Financial Position

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 708,985	\$ 653,762
Investment securities	15,122	10,902
Tuition receivable, net of allowance for doubtful accounts of \$3,934 and \$4,094, respectively	10,494	11,801
Inventory	62,000	61,000
Other assets	2,230	2,230
Total current assets	<u>798,831</u>	<u>739,695</u>
Contribution receivable from remainder trust	67,518	64,221
Investment in Community Foundation	697,435	647,671
Property and equipment, net	<u>3,661,374</u>	<u>3,775,297</u>
Total non-current assets	<u>4,426,327</u>	<u>4,487,189</u>
Total assets	<u><u>\$ 5,225,158</u></u>	<u><u>\$ 5,226,884</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accrued payroll expenses	\$ 34,031	\$ 10,641
Current portion of mortgage payable	17,310	221,685
Total current liabilities	<u>51,341</u>	<u>232,326</u>
Long-term liabilities		
Mortgage payable, net of current portion	186,767	-
Postemployment benefits payable	79,135	84,424
Total long-term liabilities	<u>265,902</u>	<u>84,424</u>
Total liabilities	<u>317,243</u>	<u>316,750</u>
Net assets		
Unrestricted	4,775,170	4,830,981
Temporarily restricted	132,745	79,153
Total net assets	<u>4,907,915</u>	<u>4,910,134</u>
Total liabilities and net assets	<u><u>\$ 5,225,158</u></u>	<u><u>\$ 5,226,884</u></u>

See accompanying notes to financial statements.

EDGEWOOD CHILDREN'S RANCH, INC.

Statement of Activities

For the Year Ended June 30, 2013 (with comparative totals for 2012)

	Unrestricted	Temporarily Restricted	Totals	
			2013	2012
Support and revenue				
Support				
Contributions	\$ 810,459	\$ 59,634	\$ 870,093	\$ 931,266
Bequests	15,396	-	15,396	30,500
Special events	428,671	-	428,671	379,830
Thrift shop	196,705	-	196,705	225,644
Donated food	256,000	-	256,000	248,000
Total support	<u>1,707,231</u>	<u>59,634</u>	<u>1,766,865</u>	<u>1,815,240</u>
Revenue				
Tuition	167,969	-	167,969	101,171
Investment income	187,461	-	187,461	89,064
Other loss	-	-	-	-
Unrealized gain on investment securities	1,013	-	1,013	1,122
Total revenue	<u>356,443</u>	<u>-</u>	<u>356,443</u>	<u>191,357</u>
Net assets released from restrictions	6,042	(6,042)	-	-
Total support and revenue	<u>2,069,716</u>	<u>53,592</u>	<u>2,123,308</u>	<u>2,006,597</u>
Expenses				
Program services	1,731,663	-	1,731,663	1,702,880
Management and general	215,155	-	215,155	216,185
Fundraising	98,020	-	98,020	137,399
Thrift shop	80,689	-	80,689	70,830
Total expenses	<u>2,125,527</u>	<u>-</u>	<u>2,125,527</u>	<u>2,127,294</u>
Increase (decrease) in net assets	<u>(55,811)</u>	<u>53,592</u>	<u>(2,219)</u>	<u>(120,697)</u>
Net assets at beginning of year	<u>4,830,981</u>	<u>79,153</u>	<u>4,910,134</u>	<u>5,030,831</u>
Net assets at end of year	<u>\$ 4,775,170</u>	<u>\$ 132,745</u>	<u>\$ 4,907,915</u>	<u>\$ 4,910,134</u>

See accompanying notes to financial statements.

EDGEWOOD CHILDREN'S RANCH, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2013 (with comparative totals for 2012)

	Program Services	Management and General	Fundraising	Thrift Shop	Totals	
					2013	2012
Salaries	\$ 769,029	\$ 145,865	\$ -	\$ 44,613	\$ 959,507	\$ 859,989
Employee health benefits	155,843	11,141	-	5,846	172,830	166,971
Payroll taxes	54,772	9,900	-	3,502	68,174	70,667
Insurance	91,220	1,457	-	907	93,584	102,334
Local transportation	17,791	-	-	-	17,791	16,954
Miscellaneous	65,148	2,052	-	-	67,200	35,043
Office expense	1,787	1,786	6,223	-	9,796	10,604
Professional fees	-	40,500	-	-	40,500	41,601
Repairs and maintenance	67,788	-	-	-	67,788	156,386
Special events	-	-	90,979	-	90,979	130,808
Supplies	15,277	-	-	238	15,515	24,861
Interest	-	-	-	14,722	14,722	1,169
Telephone	16,299	-	-	877	17,176	17,455
Utilities	87,622	2,454	818	9,984	100,878	104,619
Food costs, donated	255,000	-	-	-	255,000	250,000
Total expenses before depreciation	1,597,576	215,155	98,020	80,689	1,991,440	1,989,461
Depreciation	134,087	-	-	-	134,087	137,833
Total expenses	\$ 1,731,663	\$ 215,155	\$ 98,020	\$ 80,689	\$ 2,125,527	\$ 2,127,294

See accompanying notes to financial statements.

EDGEWOOD CHILDREN'S RANCH, INC.

Statements of Cash Flows

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Changes in net assets	\$ (2,219)	\$ (120,697)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	134,087	137,833
Provision for doubtful accounts	563	(160)
Gain on sale of investment securities	(87)	(249)
Unrealized gain on investment securities	(1,013)	(1,122)
Unrealized loss (gain) on investment in Community Foundation	(75,582)	13,490
Stock donation	-	(10,740)
Donated property and equipment	-	(20,000)
Changes in operating assets and liabilities:		
Decrease in tuition receivable	744	640
Decrease (increase) in inventory	(1,000)	2,000
Decrease in other assets	-	7,316
Increase in contribution receivable from remainder trust	(3,297)	(3,219)
Increase (decrease) in accrued payroll expenses	23,390	(44,250)
Decrease in postemployment benefits payable	(5,289)	(5,665)
Total adjustments	<u>72,516</u>	<u>75,874</u>
Net cash provided (used) by operating activities	<u>70,297</u>	<u>(44,823)</u>
Cash flows from investing activities		
Purchase of investment securities	(4,628)	(7,199)
Proceeds from sale of investment securities	1,508	14,004
Purchase of property and equipment	(20,164)	(3,709)
Proceeds from investment in Community Foundation	<u>25,818</u>	<u>26,507</u>
Net cash provided by investing activities	<u>2,534</u>	<u>29,603</u>
Cash flows from financing activities		
Payments on mortgage payable and net cash used by financing activities	<u>(17,608)</u>	<u>(40,132)</u>
Net increase (decrease) in cash and cash equivalents	55,223	(55,352)
Cash and cash equivalents, beginning of year	<u>653,762</u>	<u>709,114</u>
Cash and cash equivalents, end of year	<u>\$ 708,985</u>	<u>\$ 653,762</u>

See accompanying notes to financial statements.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

For the Years Ended June 30, 2013 and 2012

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS AND BASIS OF PRESENTATION - Edgewood Children's Ranch, Inc. (the "Ranch"), located in Orlando, Florida, is a Christian rehabilitation organization providing a home, education and family counseling to abused and troubled children, primarily from the Central Florida area. The Ranch's mission is to help such children return to a normal life by exposing them to a loving and caring environment and schooling that instills Christian moral values.

The accompanying financial statements have been prepared on the accrual basis of accounting. Support and revenue are recognized when earned or unconditionally received, and expenses are recognized when incurred. Changes in the net assets of the Ranch as a result of support, revenue, expenses, gains and losses are classified based on the existence of any donor-imposed restrictions. Accordingly, net assets of the Ranch and changes therein are classified and reported as follows:

- Temporarily Restricted – Net assets whose use by the Ranch is subject to donor-imposed stipulations that can be fulfilled by actions of the Ranch pursuant to those stipulations or that expire by the passage of time.
- Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, the comparative information presented should be read in conjunction with the Ranch's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

RECOGNITION OF CONTRIBUTIONS - The Ranch reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. When donor-restricted gifts are received and either spent or deemed spent within the same year, they are reported as unrestricted revenues.

The Ranch reports donated assets as unrestricted support unless explicit donor stipulations specify how they must be used. 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 as unrestricted when the donated or acquired long-lived assets are placed in service.

In the event a donor makes changes to the nature of a restricted gift which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the revenue section of the statement of activities.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

For the Years Ended June 30, 2013 and 2012

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED ASSETS AND SERVICES - Food and sundries donated and consumed are reflected in the financial statements as support and expense at their estimated fair value. Items donated for resale in the Thrift Shop are recognized as support when the items are subsequently sold since there is no objective basis available to measure the value of such items at the date of donation. As such, no Thrift Shop inventory is reflected in the financial statements. Professional services donated for the annual fundraiser are recognized as fundraising expense at their estimated fair value.

A substantial number of volunteers have contributed significant amounts of their time to the Ranch's programs, fundraising campaigns, and management. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the year ended June 30, 2012 the Ranch recorded approximately \$49,000 of contributed services relating to landscaping, tile installation, and other repairs and maintenance around the Ranch. The contributed services are included as contributions in the accompanying statement of activities.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents include cash on hand, cash in banks, a certificate of deposit and interest-bearing money market funds with a brokerage firm. For the purposes of the statement of cash flows, the Ranch considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

INVENTORY - Inventory consists of food and sundries donated to the Ranch on a continuing basis. Amounts on hand at year-end are valued by management at their estimated fair value.

INVESTMENT SECURITIES - The Ranch is required to report its investments in equity securities with readily determinable fair values, and all investments in debt securities, at their fair values. Unrealized gains and losses associated with market fluctuations are included in the statement of activities. Gifts of investments are recorded at their fair value at the date of gift. Purchases and sales of investments are recorded on the trade date.

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost or at their estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Land improvements	10 – 20 years
Buildings	5 – 40 years
Office equipment, furniture and fixtures	5 – 10 years
Vehicles	5 – 10 years

Maintenance and repairs are charged to expense when incurred, betterments are capitalized.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

For the Years Ended June 30, 2013 and 2012

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

INCOME TAXES - The Ranch is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

UNCERTAIN TAX POSITIONS - Tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of June 30, 2013, the Ranch had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The tax years that remain subject to examination are the periods beginning July 1, 2009 for all major tax jurisdictions.

IMPAIRMENT OF LONG-LIVED ASSETS - In the event that facts and circumstances indicate that long-lived assets or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down is required. If a write-down is required, the Ranch would prepare a discounted cash flow analysis to determine the amount of the write-down. As of June 30, 2013, no such impairment has been identified.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates used in preparing these financial statements include estimating the value of donated food and services, including the amount of food inventory held at year-end and estimating of the present value of the contribution receivable from the remainder trust.

NOTE 2 - INVESTMENT SECURITIES

Investment securities are comprised of the following at June 30:

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Equity funds	\$ 14,295	\$ 12,244	\$ 8,336	\$ 7,449
Fixed income	827	772	2,566	2,366
	<u>\$ 15,122</u>	<u>\$ 13,016</u>	<u>\$ 10,902</u>	<u>\$ 9,815</u>

Investment income includes dividends and interest earned during the year. Included in investment income are realized gains of \$87 and \$249 for the years ended June 30, 2013 and 2012, respectively.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

For the Years Ended June 30, 2013 and 2012

NOTE 3 - CONTRIBUTION RECEIVABLE FROM REMAINDER TRUST

Edgewood Children's Ranch has been named as a co-beneficiary of an irrevocable Charitable Remainder Unitrust ("Remainder Trust"). The Remainder Trust is being managed by the donors. The present value of the estimated future distribution expected to be received by the Ranch upon the death of the donors is reflected in the statements of financial position as a receivable. This present value is calculated as the difference between the fair value of the assets held in trust at fiscal year end and the present value of the expected payments to the donor, based on actuarially determined life expectancy over the term of the trust. Changes in the present value of the estimated future distribution expected to be received by the Ranch are reflected in the statements of activities as an increase or decrease in temporarily restricted contribution revenue and totaled \$3,297 and \$3,219 for the years ended June 30, 2013 and 2012, respectively.

NOTE 4 - INVESTMENT IN COMMUNITY FOUNDATION

The Community Foundation of Central Florida, Inc. (the "Foundation") is a charitable entity established for the long-term benefit and development of the Central Florida community. This endowment is for charitable, educational, scientific or civic uses, pursuant to the incorporating documents and policies adopted by the Foundation naming the Ranch as sole beneficiary. The endowment fund is designed to provide the Ranch with a fixed 5.0% annual return with additional earnings accumulating in principal.

The investment in the Foundation totaled \$697,435 and \$647,671 as of June 30, 2013 and 2012, respectively. It includes accrued interest income, realized gains and losses from investment transactions and unrealized gains and losses on the fund. For the year ended June 30, 2013 and 2012, the Ranch had interest income totaling \$25,818 and \$26,507, respectively.

The Board of Directors of the Foundation shall have the power to modify or eliminate any restriction, limitation, or condition on the distribution of funds, including their use for any specified purposes or their distribution to specific organizations, if the Board of Directors determines that such restriction, limitation or condition becomes by material and significant change of circumstances in effect unnecessary, incapable of fulfillment, or inconsistent with the proper charitable, religious, scientific, literary, cultural or educational uses and purposes of the Central Florida area.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

For the Years Ended June 30, 2013 and 2012

NOTE 5 - FAIR VALUE MEASUREMENT

Fair value of assets measured on a recurring basis at June 30, 2013 and 2012 are as follows:

		Fair Value Measurements at Reporting Date Using	
	Fair Value	Quote Prices In Active Markets for Identical Assets Level 1	Significant Unobservable Inputs Level 3
<hr/>			
June 30, 2013			
Investment securities	\$ 15,122	\$ 15,122	\$ -
Contribution receivable from remainder trust	67,518	-	67,518
Investment in Community Foundation	697,435	697,435	-
Total	<u>\$ 780,075</u>	<u>\$ 712,557</u>	<u>\$ 67,518</u>
<hr/>			
June 30, 2012			
Investment securities	\$ 10,902	\$ 10,902	\$ -
Contribution receivable from remainder trust	64,221	-	64,221
Investment in Community Foundation	647,671	647,671	-
Total	<u>\$ 722,794</u>	<u>\$ 658,573</u>	<u>\$ 64,221</u>

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

For the Years Ended June 30, 2013 and 2012

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

Fair values for investment securities and investment in Community Foundation are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the remainder trust is estimated as the present value of expected future cash inflows.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Contribution receivable from remainder trust

June 30, 2011	\$ 61,002
Change in value	<u>3,219</u>
June 30, 2012	64,221
Change in value	<u>3,297</u>
June 30, 2013	<u>\$ 67,518</u>

The change in value of the remainder trust is attributable to the revaluation of the contribution receivable from remainder trust based on applicable mortality tables and current market conditions and is included in the change in temporarily restricted net assets in the accompanying statement of activities for the years ended June 30, 2013 and 2012, respectively.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 1,315,491	\$ 1,315,491
Buildings	4,229,448	4,218,294
Office equipment, furniture and fixtures	398,108	389,098
Vehicles	<u>234,673</u>	<u>234,673</u>
Less: accumulated depreciation	<u>(2,516,346)</u>	<u>(2,382,259)</u>
	<u>\$ 3,661,374</u>	<u>\$ 3,775,297</u>

NOTE 7 - POSTEMPLOYMENT BENEFITS PAYABLE

Postemployment benefits are provided to a retired Executive Director of the Ranch under the terms of a contractual agreement. The agreement requires the Ranch to make monthly retirement payments equal to 70% of the retiree's salary as of the date of his retirement, adjusted for any social security benefits he also receives. For the years ended June 30, 2013 and 2012, annual payments equaled approximately \$19,200.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

For the Years Ended June 30, 2013 and 2012

NOTE 7 - POSTEMPLOYMENT BENEFITS PAYABLE (CONTINUED)

Benefits are to be provided over the remaining life of the retiree. The present value of the estimated future benefits expected to be paid by the Ranch are reflected in the statements of financial position as a long-term liability. Based on the retiree's life expectancy as listed in the applicable mortality tables and the use of a 4.5% discount rate, the present value of the future amounts expected to be paid by the Ranch under this agreement was estimated to be \$79,135 and \$84,424 as of June 30, 2013 and 2012, respectively. Changes in the present value of the estimated future payments are reflected in the statement of activities as an increase or decrease in salaries expense. The postemployment benefits payable was evaluated and adjusted based on the current life expectancy at June 30, 2013 and 2012.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2013</u>	<u>2012</u>
Scholarship fund	\$ 5,716	\$ 5,716
Gym Remodel	55,881	-
Rancher Night Out	456	-
Remainder trust (time restricted)	67,518	64,221
Student birthday gifts	3,174	3,990
Staff bonuses	<u>-</u>	<u>5,316</u>
Total restricted funds	<u>\$ 132,745</u>	<u>\$ 79,153</u>

NOTE 9 - CONTRIBUTIONS FROM EDGEWOOD RANCH ENDOWMENT, INC.

Edgewood Ranch Endowment, Inc. (the "Endowment") is a charitable entity established for the long-term benefit of the Ranch. One person serves on both the 6 member board of trustees of the Endowment and the Ranch's 17 member board. The goal of the Endowment, to accumulate a fund of \$1,000,000 the earnings from which would provide a stable source of operating income for the Ranch in the future, was reached in 1999. The incorporating documents of the Endowment prohibit the use of the principal for any short-term financial needs the Ranch may have. The Ranch received grants from the Endowment of \$100,000 for the years ended June 30, 2013 and 2012.

NOTE 10 - MORTGAGE PAYABLE

On December 9, 2002, the Ranch entered into a ten-year mortgage note payable. Monthly payments were \$3,375 including interest at the variable rate of current three-year treasury bills plus 3.5% (6% at June 30, 2012), adjusted every three years with a floor rate of 6%. The mortgage payable balance outstanding amounted to \$221,685 at June 30, 2012. All remaining principal and accrued interest was due at maturity in January 2013.

On December 9, 2012, the Ranch refinanced the above mortgage note payable into another ten-year mortgage note payable. Monthly payments were \$2,260 including interest at a rate of 5.00% per annum based on a 360 day year. The mortgage payable balance outstanding amounted to \$204,077 at June 30, 2013. Both notes are collateralized by a building with a cost of \$525,000, net of accumulated depreciation of \$138,906 and \$125,781 at June 30, 2013 and 2012, respectively.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

For the Years Ended June 30, 2013 and 2012

NOTE 10 - MORTGAGE PAYABLE (CONTINUED)

A debt maturity schedule as of June 30, is as follows:

2014	\$	17,310
2015		18,195
2016		19,126
2017		20,105
2018		21,133
Thereafter		<u>108,208</u>
	\$	<u>204,077</u>

NOTE 11 - CONCENTRATIONS

Financial instruments which potentially subject the Ranch to concentrations of credit risk consist of cash and cash equivalents, investment securities, and other investments. The Ranch places its cash and investments with high quality credit institutions. At times, such cash and investments may be in excess of federally insured limits.

During the year ended June 30, 2013, three donors made contributions in excess of 10% of total contributions. These donations amounted to approximately 43%. During the year ended June 30, 2012, two donors made contributions in excess of 10% of total contributions. These donations amounted to approximately 23%.

NOTE 12 - SUBSEQUENT EVENTS

The Ranch has evaluated subsequent events through October 17, 2013, which represents the date the financial statements were approved for issuance.

NOTE 13 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:

	<u>2013</u>	<u>2012</u>
Interest	<u>\$ 14,820</u>	<u>\$ 15,016</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>