

DOUBLE H RANCH, INC.

Independent Auditor's Report

Financial Statements

December 31, 2017
(With Comparative Totals for 2016)

DOUBLE H RANCH, INC.

Table of Contents

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3-4
Statement of Activities	5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-20



**WHITTEMORE, DOWEN
& RICCIARDELLI, LLP**

333 Aviation Road, Bldg B
Queensbury, NY 12804
Ph: (518)792-0918
Fax: (518)743-0882
www.wdr CPA.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Double H Ranch, Inc.

We have audited the accompanying financial statements of Double H Ranch, Inc. (a nonprofit organization, hereinafter referred to as the Ranch), which comprise the statement of financial position as of December 31, 2017, 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 the Ranch as of December 31, 2017, 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 Ranch's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

March 19, 2018

DOUBLE H RANCH, INC.
Statements of Financial Position
December 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents - unrestricted	\$ 1,034,924	\$ 842,843
Cash and cash equivalents - temporarily restricted	792,695	915,561
Other pledge receivables	58,500	322,902
Current unconditional promises to give	640,183	811,666
Prepaid expenses	10,000	-
Inventories	<u>32,616</u>	<u>16,596</u>
 Total Current Assets	 <u>2,568,918</u>	 <u>2,909,568</u>
Property and Equipment:		
Property and equipment	6,552,657	5,744,356
Construction in progress	1,201,967	238,302
Less: accumulated depreciation	<u>(3,249,753)</u>	<u>(2,996,187)</u>
 Net Property and Equipment	 <u>4,504,871</u>	 <u>2,986,471</u>
Other Assets:		
Cash and cash equivalents, non-current - unrestricted	941,895	1,004,008
Cash and cash equivalents, non-current - temporarily restricted	-	1,001
Cash surrender value - deferred compensation	367,131	311,468
Investments, non-current	7,494,375	6,460,683
Unconditional promises to give, non-current	<u>3,446,463</u>	<u>4,170,309</u>
 Total Other Assets	 <u>12,249,864</u>	 <u>11,947,469</u>
 Total Assets	 <u><u>\$ 19,323,653</u></u>	 <u><u>\$ 17,843,508</u></u>

See Independent Auditor's Report and Notes

DOUBLE H RANCH, INC.
Statements of Financial Position
December 31, 2017 and 2016

LIABILITIES AND NET ASSETS	<u>2017</u>	<u>2016</u>
Current Liabilities:		
Accounts payable	\$ 235,087	\$ 37,315
Accrued payroll and payroll taxes	38,369	58,376
Annuities payable, current	5,346	4,506
Notes payable, current	<u>7,821</u>	<u>15,786</u>
Total Current Liabilities	<u>286,623</u>	<u>115,983</u>
Non-Current Liabilities:		
Annuities payable, non-current	29,323	27,964
Deferred compensation, non-current	405,000	360,000
Notes payable, non-current	<u>11,882</u>	<u>19,683</u>
Total Non-Current Liabilities	<u>446,205</u>	<u>407,647</u>
Total Liabilities	<u>732,828</u>	<u>523,630</u>
Net Assets:		
Unrestricted Net Assets:		
Undesignated, available for general activities	5,481,601	3,566,077
Designated by board of directors	<u>3,923,156</u>	<u>3,928,786</u>
Total Unrestricted Net Assets	9,404,757	7,494,863
Temporarily restricted net assets	1,313,668	2,066,890
Permanently restricted net assets	<u>7,872,400</u>	<u>7,758,125</u>
Total Net Assets	<u>18,590,825</u>	<u>17,319,878</u>
Total Liabilities and Net Assets	<u><u>\$ 19,323,653</u></u>	<u><u>\$ 17,843,508</u></u>

See Independent Auditor's Report and Notes

DOUBLE H RANCH, INC.

Statement of Activities

Year Ended December 31, 2017
With Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Operating Revenue:					
Contributions received for support	\$ 2,637,921	\$ 115,000	\$ -	\$ 2,752,921	\$ 2,763,536
Special events (net)	794,110	-	-	794,110	816,833
Non-cash donations	28,183	-	-	28,183	23,377
Rental income	57,000	-	-	57,000	57,000
Interest and dividends	145,829	6	-	145,835	143,781
Merchandise sales (net) and other income	94,989	-	-	94,989	76,946
Released from restrictions	78,161	(78,161)	-	-	-
Subtotal	<u>3,836,193</u>	<u>36,845</u>	<u>-</u>	<u>3,873,038</u>	<u>3,881,473</u>
Realized and unrealized gain on investments	<u>861,769</u>	<u>-</u>	<u>-</u>	<u>861,769</u>	<u>308,679</u>
Total Operating Revenue	<u>4,697,962</u>	<u>36,845</u>	<u>-</u>	<u>4,734,807</u>	<u>4,190,152</u>
Expenses:					
Program services	<u>3,014,982</u>	<u>-</u>	<u>-</u>	<u>3,014,982</u>	<u>2,999,429</u>
Support Services:					
Management and general	395,046	-	-	395,046	393,930
Fund raising	679,624	-	-	679,624	660,758
Total Support Services	<u>1,074,670</u>	<u>-</u>	<u>-</u>	<u>1,074,670</u>	<u>1,054,688</u>
Total Operating Expenses	<u>4,089,652</u>	<u>-</u>	<u>-</u>	<u>4,089,652</u>	<u>4,054,117</u>
Total Operating Income	608,310	36,845	-	645,155	136,035
Campaign income (loss) (net)	(156,219)	674,193	114,275	632,249	2,585,421
Annuity loss	(6,457)	-	-	(6,457)	(2,996)
Released from restrictions	1,464,260	(1,464,260)	-	-	-
Increase (Decrease) in Net Assets	1,909,894	(753,222)	114,275	1,270,947	2,718,460
Net Assets at Beginning of Year	<u>7,494,863</u>	<u>2,066,890</u>	<u>7,758,125</u>	<u>17,319,878</u>	<u>14,601,418</u>
Net Assets at End of Year	<u>\$ 9,404,757</u>	<u>\$ 1,313,668</u>	<u>\$ 7,872,400</u>	<u>\$ 18,590,825</u>	<u>\$ 17,319,878</u>

See Independent Auditor's Report and Notes

DOUBLE H RANCH, INC.

Statement of Functional Expenses

Year Ended December 31, 2017
With Comparative Totals for 2016

	<u>Support Services</u>			<u>2017 Totals</u>	<u>2016 Totals</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>		
Advertising and promotion	\$ 49,296	\$ 208	\$ 54,289	\$ 103,793	\$ 130,293
Animal care	27,612	-	-	27,612	25,259
Automotive	11,750	-	83	11,833	9,380
Alumni society	320	-	-	320	261
Bank and credit card fees	-	36,056	48,383	84,439	73,433
Capital campaign	-	-	-	-	15,760
Cleaning supplies	10,279	-	-	10,279	16,201
Depreciation	252,232	902	434	253,568	240,958
Dues and subscriptions	928	2,022	735	3,685	3,166
Equipment rental	15,477	-	-	15,477	16,757
Filing fees	-	821	-	821	821
Food and kitchen supplies	309,002	-	-	309,002	294,649
Grounds maintenance	18,934	-	-	18,934	35,144
Insurance	72,598	26,514	-	99,112	142,691
Interest	-	383	-	383	928
Licenses and permits	-	100	-	100	-
Life insurance premiums	-	-	72,123	72,123	-
Medical and activity supplies	8,412	-	-	8,412	11,112
Medical services	12,676	-	-	12,676	13,256
Miscellaneous	10	-	-	10	25
Office supplies	28,298	8,045	11,789	48,132	43,269
Payroll taxes and employee benefits	301,514	78,861	74,395	454,770	415,937
Printing and postage	5,706	2,703	19,961	28,370	59,781
Professional fees and dues	500	64,638	-	65,138	64,140
Program supplies	149,042	-	1,000	150,042	159,886
Repairs and maintenance	115,950	-	-	115,950	143,162
Salaries	1,453,366	147,259	369,485	1,970,110	1,910,634
Technology	26,947	9,873	18,825	55,645	77,597
Telephone	10,358	12,531	5,131	28,020	17,777
Training	6,380	-	340	6,720	4,851
Travel and meetings	3,789	4,130	2,651	10,570	12,407
Utilities and heat	123,606	-	-	123,606	114,582
Total Functional Expenses	\$ 3,014,982	\$ 395,046	\$ 679,624	\$ 4,089,652	\$ 4,054,117

See Independent Auditor's Report and Notes

DOUBLE H RANCH, INC.

Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Increase in Net Assets	\$ 1,270,947	\$ 2,718,460
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	253,568	240,958
Unrealized (gain) loss on investments	(638,709)	79,085
Realized gain on investments	(223,060)	(387,764)
Donated fixed assets	(5,645)	-
Campaign income present value discount	(268,838)	46,982
(Increase) Decrease in:		
Unconditional promises to give	1,164,166	(1,052,333)
Other pledge receivables	264,402	(237,694)
Prepaid expenses	(10,000)	-
Cash surrender value - deferred compensation	(55,663)	(52,930)
Inventories	(16,020)	1,897
Increase (Decrease) in:		
Accounts payable	197,772	(11,876)
Accrued payroll and payroll taxes	(20,007)	23,616
Annuities payable	2,199	(1,785)
Deferred compensation	45,000	45,000
Net Cash Provided (Used) by Operating Activities	<u>1,960,112</u>	<u>1,411,616</u>
Cash Flows From Investing Activities:		
Proceeds from sale of marketable securities	2,428,591	7,228,776
Purchase of marketable securities	(2,600,515)	(6,920,048)
Acquisition of fixed assets	<u>(1,766,321)</u>	<u>(513,194)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,938,245)</u>	<u>(204,466)</u>
Cash Flows From Financing Activities:		
Payments on long-term debt	(15,766)	(18,969)
Proceeds from long-term debt	<u>-</u>	<u>31,284</u>
Net Cash Provided (Used) by Financing Activities	<u>(15,766)</u>	<u>12,315</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	6,101	1,219,465
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>2,763,413</u>	<u>1,543,948</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 2,769,514</u>	<u>\$ 2,763,413</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	<u>\$ 383</u>	<u>\$ 928</u>

See Independent Auditor's Report and Notes

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Organization and Significant Accounting Policies

Organization

Double H Ranch, Inc. (the Ranch) is a non-profit corporation organized under Not-For-Profit Corporation Law of New York State on April 24, 1992. As of December 31, 2017, the tax years that remain subject to examination by taxing authorities begin with 2014.

The Ranch is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Ranch's tax-exempt purposes is subject to taxation as unrelated business income. In addition, the Ranch qualifies 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).

Program and Supporting Services

The following programs and supporting services are included in the accompanying financial statements:

Activities

Operations of an organization that provides specialized year-round program services for children and their families dealing with life threatening illness.

Ski Program

Operations of a winter adaptive ski program not open to the general public, to enable seriously ill children who participate at the Ranch to enjoy the sport of skiing.

Medical/Clinical

Provides medical services for children with life threatening illness who participate at the Ranch.

Food Services

Provides meals for the children with life threatening illness who attend the Ranch.

Facilities Management

Includes the maintenance and upkeep of the facilities in order to ensure the safety of the children participating at the Ranch.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Ranch.

Fund Raising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

Financial Statement Presentation

Financial statement presentation follows FASB ASC 958-210. Under FASB ASC 958-210, an organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The amounts for December 31, 2016 in the accompanying statement are included to provide a basis for comparison with December 31, 2017 and present summarized totals only. Accordingly, the December 31, 2016 amounts are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Organization and Significant Accounting Policies – Continued

Financial Statement Presentation – Continued

The following classes of net assets are maintained:

Unrestricted Net Assets

The unrestricted net asset class includes general and board designated assets and liabilities of the Ranch. The unrestricted net assets of the Ranch may be used at the discretion of management to support the Ranch's purposes and operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets include donations for a particular asset or program. When the contribution is used for the purpose intended, the amount is released to unrestricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expendable to support the Ranch's programs and operations.

Use of Estimates

The presentation of financial statements in accordance 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.

Fair Value Measures

The Ranch has adopted ASC 820-10. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP) and expands disclosures about fair value measurements. ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC 820-10 are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Ranch's investment in money market funds and certificates of deposit with maturities less than 91 days have been considered a cash equivalent.

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Organization and Significant Accounting Policies – Continued

Concentration of Credit Risk

The Ranch has several deposit accounts at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at these institutions may at times, exceed Federal insured limits. The amount in excess of the FDIC limits totaled \$1,757,987 and \$1,184,099 at December 31, 2017 and 2016, respectively. The Ranch has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

The Ranch also maintains cash and securities at brokerage firms which are insured for up to \$500,000, with a limit of \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). The risk is managed by maintaining cash and securities in high quality financial institutions.

Inventories

Inventories are stated at the lower of cost (determined by the first-in, first-out method) or net realizable value. Inventories consist principally of merchandise held for re-sale.

Fixed Assets

Property and equipment are stated at cost. The Ranch follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$1,000. The fair market value of donated fixed assets, if significant in amount, is also capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Interest incurred during construction is not capitalized.

Securities

Investments in marketable securities are stated at fair value. Realized and unrealized gains or losses are determined by comparison of costs (determined on a first-in, first-out basis) to proceeds or market, respectively.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Non-Cash Contributions

Donated real estate, furniture, equipment and services are reflected in the financial statements at their estimated market values at the date of receipt.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Ranch that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Ranch believes that all promises to give are collectible within their specific time period, thus no allowance for uncollectible promises to give is maintained. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are received to discount the amounts.

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Organization and Significant Accounting Policies – Continued

Advertising and Promotion

The Ranch expenses advertising as incurred. Advertising and promotion expense was \$103,793 and \$130,293 for the years ended December 31, 2017 and 2016, respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs that benefit more than one function have been allocated among the programs and supporting services.

Cash and Cash Equivalents

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows at December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,034,924	\$ 841,848
Restricted cash and cash equivalents	792,695	915,555
Cash and cash equivalents, non-current	941,895	1,005,009
Restricted cash and cash equivalents, non-current	-	1,001
	<u>\$ 2,769,514</u>	<u>\$ 2,763,413</u>

Amounts included in restricted cash and cash equivalents represent those required to be set aside for temporarily restricted purposes in relation to capital construction projects and cash received with a donor imposed restriction that limits use of that cash to long-term purposes.

Investments

The investments consist of mutual funds and marketable securities which are carried at fair value determined at December 31.

Fair values and unrealized gains (losses) at December 31, 2017 and 2016 are summarized as follows:

<u>2017</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Fixed income securities	\$ 2,482,778	\$ 2,468,193	\$ (14,585)
Equity securities	4,123,184	5,026,182	902,998
Total	<u>\$ 6,605,962</u>	<u>\$ 7,494,375</u>	<u>\$ 888,413</u>

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Investments – Continued

<u>2016</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Fixed income securities	\$ 2,020,443	\$ 1,984,193	\$ (36,250)
Equity securities	4,189,850	4,476,490	286,640
Total	<u>\$ 6,210,293</u>	<u>\$ 6,460,683</u>	<u>\$ 250,390</u>

The fair value measurement of investments at December 31, was as follows:

<u>Description</u>	<u>2017</u>	<u>Fair Value Measurements at Reporting Date Using:</u>		
		<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	\$ 7,494,375	\$ 7,494,375	\$ -	\$ -

<u>Description</u>	<u>2016</u>	<u>Fair Value Measurements at Reporting Date Using:</u>		
		<u>Quoted Prices In Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	\$ 6,460,683	\$ 6,460,683	\$ -	\$ -

Endowment Funds

The Ranch classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The investment objective of the Ranch endowment fund is designed to provide long-term growth of principal and a stream of earnings to further the mission of the Ranch. The endowment will be managed by an investment manager in a manner satisfactory to the Board of Directors of the Ranch to generate a return that equals or exceeds the inflation rate as published by the Consumer Price Index.

The Ranch honors the donors' specific, written restrictions or directives. The endowment distribution policy denies withdrawal of the initial gift. The Ranch's policy permits a spending of income and investment appreciation of up to 6% of the endowment's average market value for the prior 12 quarters. Funds withdrawn may be used for purposes of continuing the mission of the Ranch.

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Endowment Funds – Continued

The changes in, and composition of, endowment net assets for the year ended December 31, 2017 are as follows:

	<u>Permanently Restricted</u>
Endowment Net Assets – Beginning of Year	\$ 5,500,927
Contributions	<u>90,000</u>
Endowment Net Assets – End of Year	<u>\$ 5,590,927</u>

The changes in, and composition of, endowment net assets for the year ended December 31, 2016 are as follows:

	<u>Permanently Restricted</u>
Endowment Net Assets – Beginning of Year	\$ 5,350,927
Contributions	<u>150,000</u>
Endowment Net Assets – End of Year	<u>\$ 5,500,927</u>

Endowment net asset composition by type of funds as of December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Permanently restricted endowment funds	\$ 643,866	\$ -	\$ 5,590,927	\$ 6,234,793

The endowment net income classified as unrestricted net assets includes the following:

Dividends and interest income	\$ 111,914
Realized gain on sale	182,283
Unrealized gain	500,823
Investment fees	(35,983)
Amounts appropriated for expenditure	<u>(310,872)</u>
Total	<u>\$ 448,165</u>

Endowment net asset composition by type of funds as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Permanently restricted endowment funds	\$ 158,565	\$ -	\$ 5,500,927	\$ 5,659,492

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Endowment Funds – Continued

The endowment net loss classified as unrestricted net assets includes the following:

Dividends and interest income	\$ 113,909
Realized gain on sale	333,288
Unrealized loss	(67,734)
Investment fees	(39,621)
Amounts appropriated for expenditure	<u>(406,003)</u>
 Total	 <u>\$ (66,161)</u>

Property and Equipment

Property and equipment at December 31, 2017 and 2016 are comprised as follows:

	<u>2017</u>	<u>2016</u>
Buildings and leasehold improvements	\$ 3,889,204	\$ 3,116,044
Furniture and fixtures	228,036	223,496
Machinery and equipment	1,866,790	1,836,189
Displays	28,627	28,627
Construction in progress (building renovations)	<u>1,201,967</u>	<u>238,302</u>
	7,214,624	5,442,658
 Land - Queensbury, NY	 <u>540,000</u>	 <u>540,000</u>
 Total property and equipment	 7,754,624	 5,982,658
 Less: accumulated depreciation	 <u>(3,249,753)</u>	 <u>(2,996,187)</u>
 Property and equipment, net	 <u>\$ 4,504,871</u>	 <u>\$ 2,986,471</u>

Depreciation expense totaled \$253,568 and \$240,958 for the years ended December 31, 2017 and 2016, respectively.

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Non-Cash Donations

During the years ended December 31, 2017 and 2016, the Ranch received the following non-cash donations which have been reflected in the Ranch's statement of activities:

	<u>2017</u>	<u>2016</u>
Activities supplies	\$ 12,150	\$ 23,377
Facilities supplies	10,388	-
Property and equipment	<u>5,645</u>	<u>-</u>
Operating non-cash donations	28,183	23,377
Fund raising non-cash donations relating to special events	<u>73,283</u>	<u>70,756</u>
Total non-cash donations	<u>\$ 101,466</u>	<u>\$ 94,133</u>

The following non-cash donations were not valued in the financial statements as there is no objective basis available to value these items:

1. The use of the facilities where the Ranch operates were donated by the Charles R. Wood Foundation which owns the real and much of the personal property at the site. All operating and maintenance expenses for the facilities are the responsibility of the Ranch.
2. Some of the medical attention provided to the children attending the Ranch by physicians and registered nurses who volunteer their services.
3. Various program help and support of daily operations of the Ranch including counseling, chaperoning, grounds maintenance, housekeeping and coordination of various camper activities were provided by the general public of the surrounding communities.

Special Events

During the years ended December 31, 2017 and 2016, the Ranch held several fundraising events. Net revenue generated from events was as follows:

	<u>2017</u>	<u>2016</u>
Gross events revenue	\$ 1,093,661	\$ 1,066,025
Expenses relating to events	<u>(299,551)</u>	<u>(249,192)</u>
Net revenue generated from events	<u>\$ 794,110</u>	<u>\$ 816,833</u>

Contributions received at events in addition to ticket sales are included in gross event income.

Special events revenues are presented in the statement of activities net of expenses.

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Lease Revenue

In 1995, the Ranch received a donation from Charles R. Wood of 1.597 acres of land, valued at \$540,000, which was under a long-term lease with Burger King Corporation; the land has been improved for use as a Burger King Restaurant outlet. The property is located in the Town of Queensbury, New York between Exit 19 of I-87 and Route 9, adjacent to the enclosed Aviation Mall facility.

The current lease expired in December 2015 and called for annual rent of \$54,000 in 2015. An appraisal was conducted by an outside source and valued the current rental payment at \$57,000 on an annual basis. The lessee is responsible for all expenses relating to the property including repairs, maintenance, insurance and real estate taxes. The lessee, Carrols Corporation, exercised its option to renew its obligation under the lease for four additional periods of five years each with annual rents starting in the initial five-year period of the option at \$57,000 and graduating to \$91,291 in the last five-year period which ends December 31, 2035.

Unconditional Promises to Give

Unconditional promises to give consist of Board Designated pledges and donor pledges to the "Campaign" to raise funds to be permanently restricted for investment purposes or temporarily restricted for Capital Campaign purposes totaled \$7,224,167 and \$8,388,333 at December 31, 2017 and 2016, respectively.

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 640,183	\$ 811,666
Receivable in one to five years	530,984	1,195,667
Receivable after five years	<u>6,053,000</u>	<u>6,381,000</u>
Total	7,224,167	8,388,333
Less: unamortized discount	<u>(3,137,521)</u>	<u>(3,406,358)</u>
Net unconditional promises to give	<u>\$ 4,086,646</u>	<u>\$ 4,981,975</u>

Proceeds collected from Capital Campaign pledges and donations are to be used for capital projects planned by the Ranch. Proceeds collected from "Campaign" pledges and donations are invested to preserve and increase principal. Annual payout to fund the operating budget is limited up to 6% of the prior twelve quarters' average asset value of the permanently restricted fund. Permanently restricted funds are to be kept in perpetuity as an endowment fund.

<u>Level 3 Reconciliation</u>	<u>2017</u>
Beginning of Year Fair Market Value	\$ 4,981,975
New Pledges Receivable	285,000
Cash Received Against Pledges	(1,299,167)
Pledges Written Off	(150,000)
Amortized Discount	<u>268,838</u>
End of Year Fair Market Value	<u>\$ 4,086,646</u>

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Unconditional Promises to Give – Continued

The fair value measurement of unconditional promises to give at December 31, was as follows:

Description	2017	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unconditional promises to give	\$ 4,086,646	\$ -	\$ -	\$ 4,086,646

Description	2016	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Unconditional promises to give	\$ 4,981,975	\$ -	\$ -	\$ 4,981,975

The discount rate used to value long-term promises to give was 8% for both 2017 and 2016. The discount rate was not adjusted for a variable component due to the positive history of collectability of the Ranch's promises to give.

Notes Payable

	2017	2016
In 2014, the Ranch entered into a 36-month loan agreement for the purchase of a tractor with monthly payments of \$1,019, including interest at 5%, maturing on August 25, 2017.	\$ -	\$ 8,033
In 2016, the Ranch entered into a 36-month loan agreement for the purchase of a van with monthly payments of \$663, including interest at .9%, maturing on June 17, 2020.	19,703	27,436
Total long-term debt	19,703	35,469
Less: current portion	(7,821)	(15,786)
Long-term debt, net of current portion	\$ 11,882	\$ 19,683

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Notes Payable – Continued

Maturities of the notes payable follows:

Years ending December 31,		
2018	\$	7,821
2019		7,888
2020		<u>3,994</u>
Total	\$	<u>19,703</u>

Total interest expense recognized for 2017 and 2016 was \$383 and \$928, respectively.

Charitable Gift Annuity

In 2008, the Ranch entered into charitable gift annuity agreements with four donors and in 2017 with one donor. These agreements provide for quarterly payments payable for the life of the donors. Annuity payments in the amount of \$5,346 and \$4,506 were made for the years ended December 31, 2017 and 2016, respectively. The Ranch records the net present value of estimated amounts due as current and long-term liabilities using a 5% rate of return.

Line of Credit

In 2017, the Ranch opened a line of credit in the amount of \$1,500,000 with a bank at an interest rate of 3%. A security interest in the form of inventory, accounts receivable, furniture, fixtures and equipment has been granted as collateral in relation to the line of credit. No balance was due at December 31, 2017.

Unrestricted Net Assets

Total unrestricted net assets as of December 31, 2017 and 2016 amounted to \$9,404,757 and \$7,494,863, respectively. Of the unrestricted net assets, the board has designated net assets as an operations reserve in the amounts of \$3,923,156 and \$3,928,786, respectively.

Temporarily Restricted Net Assets

Net assets were temporarily restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Capital campaign projects	\$ 1,274,827	\$ 2,066,890
Roofing project	<u>38,841</u>	<u>-</u>
Total	<u>\$ 1,313,668</u>	<u>\$ 2,066,890</u>

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017
(With Comparative Information for 2016)

Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Permanently restricted endowment	\$ 5,590,927	\$ 5,500,927
Permanently restricted endowment pledges receivable	1,741,473	1,717,198
Land at cost	<u>540,000</u>	<u>540,000</u>
Total	<u>\$ 7,872,400</u>	<u>\$ 7,758,125</u>

Land recorded as permanently restricted was donated to the Ranch under the conditions that if it was to be sold in the future, the proceeds of the sale would become part of the permanently restricted endowment fund.

Allocation of Joint Costs

During the years ended December 31, 2017 and 2016, the Ranch conducted activities that included requests for contributions, as well as program and management and general components. Those activities included direct mail campaigns, special events and telephone solicitations. The costs of conducting these activities included a total of \$431,364 and \$397,262, respectively, of joint costs, which are not specifically attributable to particular components of the activities. Joint costs were allocated as follows:

<u>2017</u>	<u>Promotion and Direct Mail</u>	<u>Special Events</u>	<u>Telephone Solicitation</u>	<u>Total</u>
Ranch program	\$ 49,296	\$ -	\$ 10,358	\$ 59,654
Management and general	208	-	12,531	12,739
Fund raising	<u>54,289</u>	<u>299,551</u>	<u>5,131</u>	<u>358,971</u>
Total	<u>\$ 103,793</u>	<u>\$ 299,551</u>	<u>\$ 28,020</u>	<u>\$ 431,364</u>
<u>2016</u>	<u>Promotion and Direct Mail</u>	<u>Special Events</u>	<u>Telephone Solicitation</u>	<u>Total</u>
Ranch program	\$ 67,431	\$ -	\$ 5,719	\$ 73,150
Management and general	100	-	9,646	9,746
Fund raising	<u>62,762</u>	<u>249,192</u>	<u>2,412</u>	<u>314,366</u>
Total	<u>\$ 130,293</u>	<u>\$ 249,192</u>	<u>\$ 17,777</u>	<u>\$ 397,262</u>

DOUBLE H RANCH, INC.

Notes to Financial Statements

December 31, 2017

(With Comparative Information for 2016)

Commitments and Contingencies

The Ranch leases the land and buildings in Lake Luzerne, New York from the Charles R. Wood Foundation for \$1 per year. It is a 40-year lease that was renewed in 2005 for 10 years, renewed in 2015 for 25 years, and renewable in 2040 for an additional 25 years.

In August 2016, the Charles R. Wood Foundation Board approved the option of extending the lease agreement with the Double H Ranch, Inc. The lease agreement was extended from 2040 to 2065 with an annual payment of \$1 due to the Wood Foundation. The Double H Ranch, Inc. Board voted to accept the lease at that time instead of waiting for the current lease to expire. A lump sum payment of \$25 for the years covered under the lease extension was prepaid.

Pension Plan

The Ranch has a Simple IRA Plan available to all full-time, year-round employees after three months of service. The Ranch matches dollar for dollar up to 3% of the employee's base salary. The Ranch's contribution was \$31,960 in 2017 and \$30,633 in 2016.

Deferred Compensation

On or about February 23, 2009, Double H Ranch entered into a deferred compensation plan with the Chief Executive Officer. The Ranch's obligations under the plan are being funded by means of a life insurance policy with Northwestern Mutual Life Insurance Company. Under the terms of the plan, the Chief Executive Officer will begin receiving annual benefits at age 62 from the cash surrender value of the policy. In the event of his death before age 62, the deferred compensation agreement stipulates the employee's death benefit, in an amount ranging from \$420,000 to \$567,000 depending upon his age at death (from age 56 through age 62), that is to be paid to his designated beneficiary.

The deferred compensation is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. A liability is also accrued for the obligation under the plan. The expenses incurred for the deferred compensation for the years ended December 31, 2017 and 2016 were \$46,314 and \$46,314, respectively. The resulting deferred compensation liability was \$405,000 and \$360,000 as of December 31, 2017 and 2016, respectively.

Subsequent Events

The Ranch has evaluated all events through March 19, 2018, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.