

# PARKS YOUTH RANCH, INC.

Financial Statements for the Year Ended December 31, 2012



# PARKS YOUTH RANCH, INC.

---

## TABLE OF CONTENTS

	<u>Page Number</u>
Independent Accountant's Review Report.....	1
Statement of Financial Position.....	2
Statement of Activity .....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6 - 11



---

## Independent Accountant's Review Report

To the Board of Directors  
Parks Youth Ranch, Inc.  
Sugar Land, Texas

We have reviewed the accompanying statement of financial position of Parks Youth Ranch, Inc., (the "Organization"), as of December 31, 2012, and the related statements of activity, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to the Organization's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Bennoch &amp; Walker LLC'.

Bennoch & Walker LLC  
Certified Public Accountants  
Houston, Texas

June 26, 2013

**PARKS YOUTH RANCH, INC.**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012

---

ASSETS	
Cash and cash equivalents	\$ 225,756
Accounts receivable	1,246
Property and equipment, net	<u>1,621,429</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,848,431</u></b>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 11,813
Accrued liabilities	39,828
Notes payable	<u>323,990</u>
Total Liabilities	<u>375,631</u>
Net Assets	
Unrestricted	1,464,814
Temporarily restricted	<u>7,986</u>
Total net assets	<u>1,472,800</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,848,431</u></b>

*See independent accountants review report.*

**PARKS YOUTH RANCH, INC.**  
**STATEMENT OF ACTIVITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUES</b>			
Contributions	\$ 209,178	\$ 7,986	\$ 217,164
Grants	38,607	-	38,607
Fundraising events, less direct benefit to donors of \$18,935	<u>177,527</u>	<u>-</u>	<u>177,527</u>
Total Public Support and Revenues	<u>425,312</u>	<u>7,986</u>	<u>433,298</u>
Net assets released from restrictions	<u>57,494</u>	<u>(57,494)</u>	<u>-</u>
Total Public Support and Revenues and Releases from Temporary Restrictions	<u>482,806</u>	<u>(49,508)</u>	<u>433,298</u>
<b>EXPENSES</b>			
Program Services	<u>220,563</u>	<u>-</u>	<u>220,563</u>
Total Program Services	<u>220,563</u>	<u>-</u>	<u>220,563</u>
Supporting Services:			
Management and general	54,223	-	54,223
Fundraising	<u>11,692</u>	<u>-</u>	<u>11,692</u>
Total Supporting Services	<u>65,915</u>	<u>-</u>	<u>65,915</u>
Total Expenses	<u>286,478</u>	<u>-</u>	<u>286,478</u>
Change in Net Assets	196,328	(49,508)	146,820
NET ASSETS, BEGINNING OF YEAR	<u>1,268,486</u>	<u>57,494</u>	<u>1,325,980</u>
NET ASSETS, END OF YEAR	<u>\$ 1,464,814</u>	<u>\$ 7,986</u>	<u>\$ 1,472,800</u>

*See independent accountants review report.*

**PARKS YOUTH RANCH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Program	Supporting Services		Total Supporting	Total
		Management & General	Fundraising		
Office supplies and expenses	\$ -	\$ 1,037	\$ -	1,037	\$ 1,037
Contracted services	123,925	-	-	-	123,925
Depreciation	33,094	8,273	-	8,273	41,367
Fundraising expenses	-	-	11,692	11,692	11,692
Shelter operations	4,637	-	-	-	4,637
Mileage reimbursement	-	1,623	-	1,623	1,623
Insurance	4,085	1,021	-	1,021	5,106
Interest expense	16,198	4,050	-	4,050	20,248
Other	-	2,527	-	2,527	2,527
Postage and shipping	-	443	-	443	443
Professional fees	600	-	-	-	600
Fees	-	223	-	223	223
Newsletter	-	2,094	-	2,094	2,094
Repairs and maintenance	3,509	-	-	-	3,509
Salary - Executive Director	32,734	32,734	-	32,734	65,468
Utilities	1,781	198	-	198	1,979
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$220,563</u></b>	<b><u>\$ 54,223</u></b>	<b><u>\$ 11,692</u></b>	<b><u>\$ 65,915</u></b>	<b><u>\$286,478</u></b>

*See independent accountants review report.*

**PARKS YOUTH RANCH, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

---

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	<u>\$ 146,820</u>
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	41,367
Change in operating assets and liabilities	
Accounts receivable	(148)
Accounts payable	11,813
Accrued liabilities	<u>37,691</u>
Net Cash from Operating Activities	<u>237,543</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Additions to property and equipment	<u>(12,242)</u>
Net Cash from Investing Activities	<u>(12,242)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Principle payments on notes payable	<u>(100,060)</u>
Net Cash from Financing Activities	<u>(100,060)</u>

Net Change in Cash and Cash Equivalents 125,241

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 100,515

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 225,756

SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION:

    Interest paid \$ 20,248

*See independent accountants review report.*

**PARKS YOUTH RANCH, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

---

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations** – Parks Youth Ranch, Inc. (the “Organization”) is a not-for-profit enterprise organized for the purpose of providing shelter for homeless and at-risk youth. Incorporated in 2006, the Organization’s mission is to provide emergency shelter, counseling and life changing services for the homeless and at-risk youth of Fort Bend County.

The Organization’s sources of revenue are contributions, grants, and proceeds from an annual fundraising event.

**Significant Accounting Policies**

**Basis of Accounting** – The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. .

**Basis of Presentation** – The Organization’s financial statements are presented in accordance with Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) 958-205-45-4, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205-45-4, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization. As of December 31, 2012, the Organization had \$1,464,817 of unrestricted resources.

Temporarily restricted net assets – These are resources that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. As of December 31, 2012, the Organization had \$7,986 of temporarily restricted resources.

Permanently restricted net assets – These are resources that are subject to donor restrictions requiring that the principal be held in perpetuity and any income thereon be used by the Organization. The Organization did not have any permanently restricted net assets as of December 31, 2012.

In addition, the Organization is required by FASB ASC 958-205-45-4 to present a statement of cash flows.

**Revenue Recognition** – Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Revenues from

**PARKS YOUTH RANCH, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

---

special events are recognized when the events are held. Interest income is recognized when earned based on passage of time. Program income and other income are recognized when received.

**Contributions and Promises to Give** – In accordance with FASB ASC 958-605-45-3, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give cash or other assets are not recognized as revenues until received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions were recognized. All other donor-restricted contributions would be 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 and reported in the Statement of Activities as net assets released from restrictions.

The Organization uses the allowances method to determine uncollectible unconditional promises receivable. The allowance is based on management's analysis of specific promises made. The Center considers all remaining promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is required.

If amounts become uncollectible, they will be charged to operations when that determination is made.

**Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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. The significant estimates included in the financial statements are the estimates of useful lives used for depreciating property and equipment items.

**Cash and Cash Equivalents** – The Organization considers all monies in banks to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments.

**Property and Equipment** – Purchased property and equipment assets are carried at cost. Major additions and betterments equal to or greater than \$1,000 that extend the useful lives of property and equipment are capitalized and charged to the asset accounts while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are

**PARKS YOUTH RANCH, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

---

expensed. Property and equipment are depreciated using the straight-line method with lives of 5 to 40 years.

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

**Grants Receivable** – Grants receivable consist primarily of cost reimbursement requests outstanding at year-end related to emergency shelter contract from Fort Bend County, Texas under Federal Grant Programs.

**Contributed Services** – The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization's purpose. No amounts have been reflected in the financial statements for these volunteer services since they do not meet the criteria for recognition under FASB ASC 958-605-25-26, "*Accounting for Contributions Received and Contributions Made*".

**Functional Allocation of Expense** – Expenses are categorized in the Statement of Activities as program services, fundraising and management and general.

Program service expenses consist of payments to Arrow Ministries (Arrow) who is the operator of the shelter per a service agreement entered into by the Organization in February 2010. Arrow collects payments from Child Protective Services and pays all appropriate expenses. In accordance with the service agreement, seventy-five percent (75%) of any deficiencies incurred by Arrow is paid by the Organization (*See Note 8*).

**Income Taxes** – The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("Code") and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not conduct any unrelated business activities in the current fiscal year. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, (formerly FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and

**PARKS YOUTH RANCH, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

---

penalties, accounting in interim periods, disclosures and transition. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Fair Value Measurement** – In accordance with accounting principles generally accepted in the United States of America, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date (exit price). Accounting principles generally accepted in the United States of America characterize inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs represent quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs that are not observable from objective sources.

Financial instruments that are not valued on a recurring or nonrecurring basis are cash, accounts receivable accounts payable, and notes payable. The Organization believes the carrying amount of these financial instruments approximate their fair values.

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

The Organization maintains cash balances at three financial institutions located in Texas. Accounts at Banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2012, the Organization had \$20,531 in UBS money market account that was not fully insured by the FDIC.

**NOTE 3 – GRANTS RECEIVABLE**

As of December 31, 2012, grants receivable amounted to \$143 from the Fort Bend County Emergency Grant.

**PARKS YOUTH RANCH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

---

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Land	\$ 285,639
Buildings and improvements	1,380,658
Equipment	26,797
Vehicles	<u>18,790</u>
	1,711,884
Less: accumulated depreciation	<u>(90,455)</u>
 Total	 <u><u>\$ 1,621,429</u></u>

Depreciation expense for the year ended December 31, 2012 was \$41,367.

**NOTE 5 – NOTES PAYABLE**

The Organization has a note payable (the “note”) to a bank. The note bears interest at a rate equal to five and eighty-five hundredths percent (5.85%) per annum. All accrued and unpaid interest on the note is payable monthly commencing September 27, 2010 until and including July 27, 2015. Annual principal reductions in the amount of \$100,000 are due and payable on or before August 27<sup>th</sup> of each year, commencing on August 27, 2011 until and including August 27, 2015. A final installment in the amount of all outstanding principal, plus accrued and unpaid interest is due and payable on August 27, 2015. The note is secured by land and buildings of the Organization.

Maturities of notes payable at December 31, 2012 for each of the next five (5) years and in the aggregate are as follows:

For the Year Ending December 31, 2012	
2013	\$ 100,000
2014	100,000
2015	<u>123,990</u>
Total	<u><u>\$ 323,990</u></u>

Interest expense for the year ended December 31, 2012 was \$20,248.

**PARKS YOUTH RANCH, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012

---

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purpose and time restrictions:

Debt retirement	<u>\$ 7,986</u>
-----------------	-----------------

**NOTE 7 – CONCENTRATIONS**

The Organization conducts an annual fundraiser in Fort Bend County, Texas, (the first was held October 2012.) The event provided forty-four percent (44%) of total income for 2012. The gross proceeds raised and direct costs of benefits to donors incurred may fluctuate from year-to-year based on economic and other factors. In addition, one foundation provided thirty-five percent (35%) of the Organization's total income for 2012.

**NOTE 8 – CONTINGENCIES**

The Organization's programs are supported through local grant programs that are governed by various rules and regulations. Expenses charged to the grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

**NOTE 9 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 26, 2013, the date the financial statements were available to be issued.

As mentioned in Note 1, the Organization has an agreement with Arrow Ministries to manage and operate the shelter. Effective March 15, 2013, the Organization terminated the service agreement with Arrow Ministries and took over the operations of the shelter.