

Roundup River Ranch

Financial Report

October 31, 2018

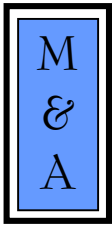


a seriousfun camp

**Roundup River Ranch
(A Colorado Non-Profit Corporation)
October 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Roundup River Ranch

We have audited the accompanying financial statements of Roundup River Ranch, which comprise the statement of financial position as of October 31, 2018, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roundup River Ranch as of October 31, 2018, 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 Roundup River Ranch October 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
January 31, 2019

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Statement of Financial Position
October 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Assets:		
Current assets:		
Cash and cash equivalents	3,151,166	6,761,649
Investments	1,368,519	-
Current portion of pledges receivable (net of allowance for doubtful accounts of \$87,500 (2017 - \$87,500))	223,851	366,510
Prepaid expenses and other current assets	2,369	17,359
Total Current Assets	4,745,905	7,145,518
Non-current assets:		
Restricted cash and cash equivalents	75,500	75,500
Pledges receivable, net of current portion	628,499	567,500
Capital assets, net	16,097,702	13,914,511
Total Non-current Assets	16,801,701	14,557,511
Total Assets	21,547,606	21,703,029
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued liabilities	49,261	130,922
Accrued payroll and payroll taxes	122,699	109,480
Notes payable	1,254,465	1,483,275
Total Liabilities	1,426,425	1,723,677
Net Assets:		
Without donor restrictions	18,825,721	17,437,862
With donor restrictions	1,295,460	2,541,490
Total Net Assets	20,121,181	19,979,352
Total Liabilities and Net Assets	21,547,606	21,703,029

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

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Statement of Activities
For the Year Ended October 31, 2018
(With Comparative Totals for 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains, and support:				
Contributions	1,991,877	1,295,037	3,286,914	2,581,897
Special event contributions	1,639,574	-	1,639,574	1,098,276
Special events	48,666	-	48,666	176,073
In-kind donations	478,151	-	478,151	422,451
Interest and dividends	29,690	-	29,690	4,029
Unrealized gain (loss) on investments	(52,797)	-	(52,797)	-
Miscellaneous	4,910	-	4,910	4,177
Gain (Loss) on sale of assets	-	-	-	(1,200)
Net assets released from restrictions:				
Satisfaction of program restrictions	2,069,358	(2,069,358)	-	-
Expiration of time restrictions	471,709	(471,709)	-	-
Total net assets released from restrictions	2,541,067	(2,541,067)	-	-
Total revenues and support	6,681,138	(1,246,030)	5,435,108	4,285,703
Expenses:				
Salaries and labor	2,133,676	-	2,133,676	1,876,988
Payroll taxes and benefits	471,508	-	471,508	387,994
Professional services and fees	305,230	-	305,230	371,539
General administrative expenses	86,002	-	86,002	90,291
Camp programs and transportation	171,840	-	171,840	167,986
Advertising and promotion	115,519	-	115,519	146,870
Insurance	122,576	-	122,576	105,878
Medical and activity supplies	2,223	-	2,223	10,590
Food and kitchen supplies	87,735	-	87,735	85,527
Repairs and maintenance	209,493	-	209,493	105,716
Utilities and telephone	123,281	-	123,281	108,278
In-kind	478,151	-	478,151	414,091
Events	299,727	-	299,727	237,060
Depreciation	649,348	-	649,348	660,648
Miscellaneous	36,970	-	36,970	39,886
Total Expenses	5,293,279	-	5,293,279	4,809,342
Change in Net Assets	1,387,859	(1,246,030)	141,829	(523,639)
Net Assets - Beginning of Year	17,437,862	2,541,490	19,979,352	20,502,991
Net Assets - End of Year	18,825,721	1,295,460	20,121,181	19,979,352

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

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Statement of Functional Expenses
For the Year Ended October 31, 2018
(With Comparative Totals for 2017)

	2018				2017
	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total	
Salaries and labor	1,461,310	242,564	429,802	2,133,676	1,876,988
Insurance	122,576	-	-	122,576	105,878
Utilities and heat	64,046	4,060	9,940	78,046	69,681
Payroll taxes and benefits	321,361	54,606	95,541	471,508	387,993
Food and kitchen supplies	148,542	-	-	148,542	152,313
Medical and activity supplies	1,841	-	-	1,841	6,720
Medical services	2,671	-	-	2,671	1,961
Professional fees	89,138	22,502	8,528	120,168	166,650
Telephone	25,522	3,043	8,659	37,224	33,120
Advertising and promotion	7,332	811	106,701	114,844	145,973
Printing and postage	16,312	5,270	9,861	31,443	23,241
Travel and meetings	49,328	10,219	21,864	81,411	81,416
Office supplies	4,422	2,725	3,201	10,348	11,062
Depreciation	649,348	-	-	649,348	660,649
Grounds maintenance	244,549	-	-	244,549	158,469
Training and recruiting	34,625	1,067	7,530	43,222	42,703
Technology	18,671	8,761	13,662	41,094	39,398
Licenses and permits	14,636	-	-	14,636	30,241
Dues and subscriptions	6,510	3,858	1,421	11,789	14,977
Bank fees and interest	-	17,838	39,248	57,086	49,520
Events	-	-	299,727	299,727	237,060
Other	4,524	-	-	4,524	8,256
Other program expenses	94,854	-	-	94,854	90,982
In-kind	345,424	65,779	66,949	478,152	414,091
Total Expenses	3,727,542	443,103	1,122,634	5,293,279	4,809,342
Percentages	<u>70%</u>	<u>10%</u>	<u>20%</u>	<u>100%</u>	
Percentages without in-kind	<u>70%</u>	<u>8%</u>	<u>22%</u>	<u>100%</u>	

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

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Statement of Cash Flows
For the Year Ended October 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash Flows from Operating Activities:		
Cash received from:		
Contributions	\$ 5,008,149	\$ 4,210,548
Special events	48,666	176,073
Interest	29,690	4,483
Miscellaneous	4,909	2,975
Cash paid for goods and services	(1,627,267)	(1,388,144)
Cash paid for personnel, taxes, and benefits	(2,591,965)	(2,269,339)
Net Cash Provided by Operating Activities	872,182	736,596
Cash Flows from Investing Activities:		
Purchase of fixed assets	(2,832,539)	(9,162)
Purchase of investments	(1,421,316)	-
Proceeds from sale of investments	-	1,000,000
Net Cash Provided by Investing Activities	(4,253,855)	990,838
Cash Flows from Financing Activities:		
Proceeds from debt issuance	-	1,300,000
Principal repayments	(228,810)	-
Net Cash Provided by Financing Activities	(228,810)	1,300,000
Net Change in Cash	(3,610,483)	3,027,434
Cash and Cash Equivalents - Beginning of Year	6,837,149	3,809,715
Cash and Cash Equivalents - End of Year	\$ 3,226,666	\$ 6,837,149
Reconciliation to Total Cash and Cash Equivalents		
Cash and cash equivalents	3,151,166	6,761,649
Restricted cash and cash equivalents	75,500	75,500
Cash and Cash Equivalents - End of Year	\$ 3,226,666	\$ 6,837,149
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Net Assets	\$ 141,829	\$ (523,639)
Adjustments to increase (decrease) in net assets:		
Depreciation	649,348	660,649
Net (gain) loss on disposal of fixed assets	-	1,200
Net (gain) loss on investments	52,797	-
Donated fixed assets	-	(8,360)
(Increase) decrease in contributions receivable, net	81,664	530,373
(Increase) decrease in accrued interest	-	453
(Increase) decrease in prepaid expenses	14,989	17,221
Increase (decrease) in accounts payable and accrued liabilities	(81,664)	63,056
Increase (decrease) in accrued payroll and payroll taxes	13,219	(4,357)
Total Adjustments	730,353	1,260,235
Net Cash Provided by Operating Activities	\$ 872,182	\$ 736,596
Schedule of Non-Cash Investing Activities		
Donated fixed assets	\$ -	\$ 8,360

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

**Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2018**

1. Organization

Roundup River Ranch (the "Ranch") was incorporated in the State of Colorado in 2006 and designated as a 501(c)(3) non-profit corporation. Roundup River Ranch enriches the lives of children with serious illnesses and their families by offering free, medically-supported camp programs that provide unforgettable opportunities to discover joy, friendships, and confidence.

2. Summary of Significant Accounting Principles

A. Financial Statement Presentation

The Ranch reports its financial statements in accordance with FASB Accounting Standards Codification Topic 958, *Not-for-Profit Organizations* ("ASC Topic 958"), formerly Statement of Financial Accounting Standards No. 117. Under ASC Topic 958, the Ranch is required to report information regarding its financial position and activities according to two classifications, without donor restriction and with donor restriction.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

C. Support and Revenue

Contributions of cash and other assets are reported as with donor restriction if they are received with donor stipulations that limit or specify the use of the donated assets, whether by time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or the stated purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions. Contributions with donor restriction received and released from restrictions within the same fiscal year are reported as contributions without donor restriction. Certain endowment contributions are perpetual in nature, with investment earnings to be used as needed by the Ranch. Such investment earnings are recorded without donor restriction or with donor restriction, depending on the donor's stipulation.

Non-monetary contributions of goods and services are recorded at their fair values in the period received. Donated services are recorded at their fair values in the period received, provided that such services either create or enhance non-financial assets or the services are considered "professional" services which the Ranch would otherwise be required to purchase. Donated fixed assets are recorded at fair value when received and reflected in these financial statements as contribution revenue and an addition to fixed assets.

D. Cash and Cash Equivalents

The Ranch considers all checking, savings, and money market accounts, as well as all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents for purposes of the Statement of Cash Flows.

**Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2018
(Continued)**

2. Summary of Significant Accounting Principles (continued)

E. Allowance for Doubtful Accounts

The Ranch uses the allowance method for recognition of uncollectible receivables, whereby an allowance for possible uncollectibility is established when collection becomes doubtful. An allowance in the amount of \$87,500 was recorded at October 31, 2018.

F. Fixed Assets and Depreciation

Assets with original cost in excess of \$5,000 and a useful life generally in excess of two years are recorded as fixed assets. These assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

	Estimated Useful Lives
Computers & Software	3 years
Furniture & Fixtures	8 years
Motor Vehicles	3 years
Land Improvements & Infrastructure	20 years
Buildings	10 - 45 years
Machinery & Equipment	5 years

G. Income Tax

The Ranch is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, pursuant to an Internal Revenue Service determination letter dated June 21, 2006, and is thus exempt from Federal and State income taxes on income which is directly related to its organizational purpose.

Unrelated business income is income derived from a trade or business by the exempt organization that is not substantially related to the performance of the organization's exempt purpose or function. For the year ended October 31, 2018, the Ranch had no unrelated business income.

The Federal information returns of the Ranch are subject to examination by the Internal Revenue Service. The Ranch is no longer subject to examination for tax years prior to October 31, 2014.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2018
(Continued)

2. Summary of Significant Accounting Principles (continued)

I. Method used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Ranch. These expenses include depreciation, certain personnel salaries and benefits, information technology, and utilities. Depreciation is allocated based on use of assets and location of assets. Salaries and benefits are allocated based on position or time spent on each function. Information technology is allocated based on time spent and specific technology utilized. Utilities are allocated based on location.

J. Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

K. Subsequent Events

Management has evaluated subsequent events through January 31, 2019, the date these financial statements were available to be issued. No material events were noted.

3. Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Ranch that is, in substance, unconditional. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at their present value. Pledges are discounted at a rate equal to the three-year treasury bill issued by the United States of America, currently 2%. Unconditional promises to give at October 31, 2018 were:

Receivable in less than one year	\$ 311,351
Receivable in one to five years	628,499
Total unconditional promises to give	939,850
Less allowance for doubtful accounts	(87,500)
Net unconditional promises to give at October 31, 2018	\$ 852,350

4. Conditional Promises to Give

The Ranch has received notification of the intention of two separate donors to bequeath \$1,544,667 in total, to the Ranch. The amount of each bequest will be recognized in revenue when the probate court declares the will valid.

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2018
(Continued)

5. Fixed Assets

Fixed asset balances at October 31, 2018 were as follows:

	Oct. 31/18
Land	\$ 2,957,254
Construction in progress	2,795,702
Land improvements	4,613,288
Buildings	9,484,791
Furniture and equipment	1,140,509
Total cost	20,991,544
Less: Accumulated depreciation	(4,893,842)
Fixed assets, net	\$ 16,097,702

Depreciation for the year ended October 31, 2018 was \$649,348.

6. Liquidity and Availability of Resources

The Ranch's net assets consist of donor-restricted amounts and amounts without donor restrictions. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditures. The Ranch's investment policy and liquidity management is structured around short-term investments and the Ranch maintains access to a line of credit in the amount of \$500,000, which it could draw upon, to ensure financial assets are available as general expenditures and other obligations become due. The financial assets available within one year from October 31, 2018 for general expenditures are as follows:

Cash and cash equivalents	\$ 3,151,166
Accounts and interest receivable	223,851
Contributions receivable	311,351
Short-term investments	1,368,519
	\$ 5,054,887

7. Fair Value Measurements and Disclosures

The Ranch reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2018
(Continued)

7. Fair Value Measurements and Disclosures (continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include 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, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of the Ranch's investment assets are classified within Level 1 because they comprise fixed income funds and pooled equity funds with readily determinable fair values based on daily redemption values. We invest in CDs traded in the financial markets. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

The following table presents assets measured at fair value at October 31, 2018:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 3,226,666	\$ 3,226,666	\$ -	\$ -
Investments:				
Domestic equities	798,527	798,527	-	-
Fixed income	569,992	569,992	-	-
	<u>1,368,519</u>	<u>1,368,519</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,595,185</u>	<u>\$ 4,595,185</u>	<u>\$ -</u>	<u>\$ -</u>

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2018
(Continued)

8. Classification of Net Assets and Net Assets Released from Restriction

During the year ended October 31, 2018, the following assets were released from restriction:

Purpose restrictions accomplished:	
Facilities improvements	\$ 1,853,299
Innovation programs	68,351
Farm improvements	74,276
Astronomy programs	50,000
Other programs	23,432
Time restrictions expired:	
Passage of specified time	471,709
Total restrictions released	<u>\$ 2,541,067</u>

At October 31, 2018, the Ranch had the following net assets both without donor restrictions and with donor restrictions:

Without donor restriction	
Undesignated	\$ 3,982,484
Invested in property and equipment, net of debt	<u>14,843,237</u>
	<u>18,825,721</u>
With donor restriction	
Perpetual in nature	
Ranch programs and operations	75,500
Purpose restrictions	
Innovation programs	26,666
Facilities improvements - solar farm	287,226
Facilities improvements - admin building	50,000
Other	18,218
Time-restricted for future periods	
General future pledges	837,850
	<u>1,295,460</u>
Total net assets	<u>20,121,181</u>
Total liabilities and net assets	<u>\$ 21,547,606</u>

9. Lease Agreements

On December 21, 2009, the Ranch entered into a lease agreement with Alpine Bank for office space. The lease for the office space was amended during September 2016 to extend the lease term through December 31, 2017 with a base rent of \$14,000. The lease was amended again in December 2018 to extend the lease term through October 31, 2018 with a base rent of \$1,167 per month. The estimated annual value of the lease is \$45,657, and \$31,657 is reflected as an in-kind contribution to the Ranch from Alpine Bank for fiscal year 2018.

On June 26, 2006, the Ranch entered into a lease agreement with Wells Fargo Bank for storage space. The tenancy of this lease is month-to-month and commenced on July 3, 2006. Under current terms of the lease, there is no base rent. The estimated annual value of the lease is \$33,912, and is reflected as an in-kind contribution to the Ranch from Wells Fargo Bank.

Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2018
(Continued)

10. In-Kind Donations

For the fiscal year ending October 31, 2018, non-monetary contributions of goods and services aggregating to \$478,151 were recognized as revenue by the Ranch. These contributions, and the offsetting expense or asset, are recorded in the Ranch's financial statements at fair market value at the date of donation. Such "in-kind donations" include occupancy related expenses for the Ranch's central offices, food and beverage for donor parties, legal services, marketing services, information technology support, tax and accounting services, general contracting, other construction related services, and various physical items for use in the camp.

11. Restrictions on Land

On November 2, 2009, the Ranch closed on the purchase of an 85-acre site along the banks of the Colorado River in western Eagle County. The land was purchased from Shipley Craghead, LLC (the "Seller") with a purchase price of \$2,151,731. In connection with the purchase, the Ranch entered into a Covenant and Option to Repurchase agreement with the Seller whereby the following conditions must be met or the Seller will have the right to exercise its Option to Repurchase the property:

- For twenty (20) years after November 5, 2009, the property shall be used solely as a camp for children with serious or life-threatening illnesses and their families, with medical, recreational and other facilities as well as other activities reasonably related to this purpose. Deviation from this purpose can only be made with the prior written consent of the Seller. The Seller has the sole and absolute discretion to grant or withhold its consent.
- Construction of Phase I of the Camp (defined as construction of facilities necessary to support at least 60 campers) must be substantially complete and the Camp must be open for operations on or before June 30, 2012. Phase I was completed during fiscal 2011.

In the event that the seller exercises its option to repurchase the property, the repurchase price will be at the purchase price that was paid by the Ranch at closing (\$2,151,731). This agreement is subordinated to the bank providing the construction financing.

12. Line of Credit

On August 16, 2017, the Ranch executed a line of credit in the amount of \$500,000 with principal and interest due on August 16, 2018. The line of credit was then renewed until August 16, 2019. Unpaid principal accrues interest at a variable rate based on changes in an independent index which is the JP Morgan Chase Bank prime rate.

As of October 31, 2018 the balance outstanding under this line of credit is \$0.

13. Promissory Notes

A. Private Promissory Note

On February 22, 2016, the Ranch executed an interest-free promissory note from a current board member in the amount of \$208,300 with the principal due on December 31, 2019. There is a late charge of five percent (5%) of any payment not received within ten days after the payment is due. If payment is not paid when due, the entire principal amount outstanding and accrued interest will become due and payable and the indebtedness will bear interest at the rate of 18% per annum from the date of default.

At October 31, 2018, the balance outstanding under this Note is \$133,275.

**Roundup River Ranch
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
October 31, 2018
(Continued)**

13. Promissory Notes (continued)

B. 2017 Promissory Note

On March 31, 2017, the Ranch executed a promissory note ("the Note") in the amount of \$1,300,000 with the principal and interest due on December 31, 2024. Unpaid principal accrues interest at 1.45% per annum. Payments under this note are \$200,000 annually, beginning on December 31, 2019 and ending on December 31, 2024 with a payment for all remaining unpaid principal and interest.

At October 31, 2018, the balance outstanding under this Note is \$1,128,876. The Ranch has received notification that it is the note holder's intent, although not a legal obligation, to forgive \$200,000 per year until the note is retired. \$200,000 of principal and interest was forgiven during the fiscal year 2018.

C. Schedule of Future Payments

The Ranch's annual debt service is as follows:

Fiscal Year	Interest	Principal	Total
2019	24,175	-	24,175
2020	14,337	294,765	309,102
2021	11,587	188,413	200,000
2022	8,835	191,165	200,000
2023	6,043	193,957	200,000
2024 - 2025	3,677	386,165	389,842
	68,654	1,254,465	1,323,119

14. Comparative Information

The financial statements include certain prior year comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Ranch's financial statements for the year ended October 31, 2017, from which comparative totals were derived.