FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

SHERIFFS RANCHES ENTERPRISES, INC.
BOYS RANCH, FLORIDA

SEPTEMBER 30, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Sheriffs Ranches Enterprises, Inc.
Boys Ranch, Florida

Report on the Financial Statements
We have audited the accompanying statements of financial position of the Sheriffs Ranches Enterprises, Inc. (the Organization), as of September 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 our 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 Organization, as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Purvis, Gray and Company, LLP

December 13, 2013
Gainesville, Florida

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012
SHERIFFS RANCHES ENTERPRISES, INC.
BOYS RANCH, FLORIDA

ASSETS

	2013	2012
Assets		
Cash and Cash Equivalents	$ 230,146	$ 249,646
Thrift Store Inventories	214,999	214,513
Land, Buildings, and Equipment, Net	260,560	198,922
Other Assets	228,091	301,553
Total Assets	933,796	964,634

LIABILITIES AND NET ASSETS

	2013	2012
Liabilities		
Accounts Payable	108,403	41,638
Payroll and Accrued Expenses	134,740	121,103
Total Liabilities	243,143	162,741
Net Assets		
Unrestricted	690,653	801,893
Total Liabilities and Net Assets	$ 933,796	$ 964,634

See accompanying notes.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
SHERIFFS RANCHES ENTERPRISES, INC.
BOYS RANCH, FLORIDA

	2013	2012
Change in Unrestricted Net Assets		
Revenue		
Sales	$ 2,916,147	$ 2,811,598
In-kind Contributions Received	2,500	0
Contributions	21,089	46,020
Other Revenue	1,467	32,384
Total Revenue	2,941,203	2,890,002
Expenses		
Salaries and Benefits:		
Salaries	1,133,992	1,072,096
Payroll Taxes	80,172	74,859
Benefits	213,091	195,073
Total Salaries and Benefits	1,427,255	1,342,028
Other Expenses:		
Cost of Sales	19,545	16,734
Professional Fees	19,864	18,692
Marketing and Promotion	24,418	20,037
Office Expense	18,085	13,284
Dues, Subscriptions and Memberships	1,452	1,632
Recruiting and Staff Development	10,028	8,237
Travel	19,708	19,889
Automobile	107,155	97,737
Insurance	47,033	52,305
Taxes and Licenses	2,891	3,196
Telephone	25,059	24,475
Occupancy	519,047	545,430
Repairs and Maintenance	35,231	56,444
Bank and Credit Card Fees	44,322	48,998
Program Specific Expenses	8,589	10,632
Fixed Asset Disposal	3,800	713
Depreciation	41,115	48,844
Total Other Expenses	947,342	987,279
(Total Expenses)	(2,374,597)	(2,329,307)
Increase in Unrestricted Net Assets - Before In-kind Contributions	566,606	560,695
(In-kind Contributions to Florida Sheriffs Youth Ranches, Inc.)	(2,269)	(6,598)
Increase in Unrestricted Net Assets	564,337	554,097
(Transfer to Florida Sheriffs Youth Ranches, Inc.)	(675,577)	(587,500)
(Transfer From Florida Sheriffs Youth Ranches, Inc.)	0	350,000
Net Assets, Beginning of Year	801,893	485,296
Net Assets, End of Year	$ 690,653	$ 801,893

See accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012
SHERIFFS RANCHES ENTERPRISES, INC.
BOYS RANCH, FLORIDA

	2013	2012
Cash Flows from Operating Activities		
Change in Unrestricted Net Assets	$ 564,337	$ 554,097
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	41,115	48,844
Losses (Gains) on Fixed Assets	3,800	713
Decrease (Increase) in Operating Assets:		
Thrift Store Inventories	(486)	(14,771)
Other Assets	73,462	(208,417)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	80,402	(15,869)
Net Cash Provided by (Used in) Operating Activities	762,630	364,597
Cash Flows from Investing Activities		
Proceeds from Sale of Equipment	2,500	0
Purchases of Land, Buildings, and Equipment	(109,053)	(88,866)
Net Cash Provided by (Used in) Investing Activities	(106,553)	(88,866)
Cash Flow from Financing Activities		
Equity Transfer in from Florida Sheriffs Youth Ranches, Inc.	0	350,000
Equity Transfer to Florida Sheriffs Youth Ranches, Inc.	(675,577)	(587,500)
Net Cash Provided by (Used in) Financing Activities	(675,577)	(237,500)
Net Increase (Decrease) in Cash and Cash Equivalents	(19,500)	38,231
Cash and Cash Equivalents, Beginning of Year	249,646	211,415
Cash and Cash Equivalents, End of Year	$ 230,146	$ 249,646

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
SHERIFFS RANCHES ENTERPRISES, INC.
BOYS RANCH, FLORIDA

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Sheriffs Ranches Enterprises, Inc. (the Organization) were prepared using the accrual basis of accounting. A description of significant accounting policies used in such preparation is presented below to enhance the usefulness of the accompanying financial statements to the reader.

Entity

The Organization began operations on July 1, 2006, and is recognized as a nonprofit supporting organization of the Florida Sheriffs Youth Ranches, Inc. (Youth Ranches) under Section 509(a)(3) of the Internal Revenue Code. Its primary purpose is to operate the productive enterprises of the Youth Ranches. The two organizations are considered to be financially interrelated, as defined in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* 958-20, *Financially Interrelated Entities*. While the Organization's financial activity is included in the consolidated financial statements of the Youth Ranches, these financial statements present the activity of the Organization alone.

The primary sources of revenues used for operations include contributions and sales of contributed goods. In-kind contributions to the Youth Ranches consist of certain goods received by the Organization that will be used in the Youth Ranches programs. It is the intent of the Organization to distribute excess funds accumulated to the Youth Ranches after provision has been made for adequate working capital.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- **Unrestricted Net Assets**—Net assets that are not subject to donor-imposed restrictions.

- **Temporarily Restricted Net Assets**—Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

- **Permanently Restricted Net Assets**—Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Currently, all net assets are unrestricted.

Note 1 - <u>Summary of Significant Accounting Policies</u> *(Concluded)*

Accounting Estimates
The preparation of financial statements in conformity with U.S. 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents consist of amounts on deposit in operating checking and money market accounts. The Organization maintains cash balances in financial institutions that are covered by Federal Deposit Insurance Corporation (FDIC) insurance.

Donated Materials
Substantially all of the Organization's revenue to-date has consisted of clothing, household goods, furniture, and automobiles that are resold in the Organization's thrift stores or at its vehicle sales lot. A smaller volume of sales is also realized through internet sales.

Throughout the year, the Organization records the value of donated goods when sold. If donated goods are used in programs, the goods are recorded at fair market value.

Thrift Store Inventories
Thrift store inventories consist of donated or purchased items held for resale in the Organization's thrift stores. At the end of each fiscal year, donated items are valued based on a month's average of annual sales, which approximate their fair value at the date of donations on the first-in, first-out (FIFO) method.

Income Taxes
The Organization is a Type 1 supporting organization, as provided by Section 509(a)(3), supporting the Youth Ranches. The Organization is currently exempt from income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 and, accordingly, has made no provision for income taxes.

The Organization files informational returns in the U.S. Federal jurisdiction. The Organization is no longer subject to U.S. federal, state, and local, tax examinations by tax authorities for years before 2009.

The Organization follows the provisions of uncertain tax positions as addressed in FASB *Accounting Standards Codification* 740-10, *Income Tax Uncertainties*. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the periods presented.

Subsequent Events
The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 13, 2013, the date the financial statements were available to be issued.

Note 2 - Commitments

Lease Commitments

The Organization has entered into various noncancellable operating lease agreements for the rental of three thrift store facilities. Minimum rentals, on noncancellable operating lease agreements with lease terms greater than one year, are as follows:

Year Ending September 30,	Amount
2014	$ 485,469
2015	496,311
2016	507,452
2017	257,256
2018	76,188
Total	$ 1,822,676

Total rent expense for the years ended September 30, 2013 and 2012, was $411,918 and $437,382, respectively.

The Organization entered into a lease agreement that provides, among other things, that the Organization will make certain improvements to property being leased at the Crystal River thrift store. Under this agreement, the lessor will reimburse the cost of the improvements to the Organization of up to $310,000 by crediting a prorated amount against the monthly rental payments over the five year term of the lease. As of September 30, 2013, the remaining leasehold rent credit was $150,026. This amount is carried on the statement of financial position in other assets.

Note 3 - Employee Benefit Plans

The Organization, along with the Youth Ranches, sponsored a defined contribution money purchase plan. The plan is a SunTrust Bank prototype, nonstandardized 401(k) plan. The plan covers all employees who are employed on January 1 following the date of employment. In 2010, the plan was amended to be a safe-harbor plan. Matching contributions made under a safe harbor plan are vested immediately rather than being subject to the three years of credible service requirement necessary for the plan's employer nonelective contribution. The employer will match employee-elected contributions up to 3% of annual compensation and a 50 cents-on-the-dollar match on elective contributions between 3% and 5%. In addition, the employer nonelective discretionary contribution made on behalf of eligible employees is based on a discretionary rate which will be determined by the Board each year based on the financial condition of the employer. For 2013 and 2012, no amount of employer nonelective discretionary contribution was approved.

In 2013 and 2012, contributions to the plan totaled $19,911 and $6,108, respectively. In addition to the pension plan, employee plans are maintained for group life, long-term disability and a Section 125 Cafeteria Plan.

Note 4 - Land, Buildings, and Equipment

Land, buildings, and equipment are capitalized at cost. Furniture and equipment are being depreciated over estimated useful lives of five to thirty years using a straight-line method. Leasehold improvements are being amortized over the shorter of the lease term or useful life.

Land, buildings, and equipment consist of the following:

	2013	2012
Buildings and Improvements	$ 389,299	$ 359,413
Furniture, Fixtures and Equipment	151,597	147,531
Vehicles	501,964	473,619
Leasehold Improvements	96,817	96,817
Construction in Progress	34,230	0
	1,173,907	1,077,380
(Accumulated Depreciation)	(913,347)	(878,458)
Land, Buildings, and Equipment, Net	$ 260,560	$ 198,922

Note 5 - Transfers to/from Florida Sheriffs Youth Ranches, Inc.

The Organization transfers excess funds accumulated from operations to the Youth Ranches. Excess funds are determined by estimating net income and working capital requirements during the budgetary process. Excess funds transferred to the Youth Ranches for the years ended September 30, 2013 and 2012, were $675,577 and $587,500, respectively. During 2012, the Youth Ranches transferred $350,000 to the Organization for the purposes of renovating the leasehold property in Crystal River. Excess funds transferred included a return of capital related to the renovation of $88,077 and $0 for the years ended September 30, 2013 and 2012, respectively.