

VICTORY RIDGE CHARITABLE FUND, INC.

Financial Statements

*Year Ended June 30, 2018
with Independent Auditor's Report*



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Table of Contents

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-11



McCRAZY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Victory Ridge Charitable Fund, Inc.

We have audited the accompanying financial statements of Victory Ridge Charitable Fund, Inc., (the "organization"), a nonprofit organization, which comprise the statement of financial position of as of June 30, 2018, and the related statement of activities 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 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 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 Victory Ridge Charitable Fund, Inc. as of June 30, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McCrary & Associates, PLLC

Altamonte Springs, FL

November 26, 2018

107 Water Oak Lane | Altamonte Springs, FL 32714
Office 407-960-4429 ■ admin@mccraryandassociates.com
www.mccraryandassociates.com

Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

VICTORY RIDGE CHARITABLE FUND, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 166,926
Pledges receivable, net	-
Total current assets	<u>166,926</u>

Property and equipment, net	<u>1,644,261</u>
Total assets	<u><u>\$ 1,811,187</u></u>

NET ASSETS

Net assets:

Temporarily restricted	\$ 113,506
Unrestricted	<u>1,697,681</u>
Total net assets	<u>1,811,187</u>
Total liabilities and net assets	<u><u>\$ 1,811,187</u></u>

The accompanying notes are an integral part of these financial statements

VICTORY RIDGE CHARITABLE FUND, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Contributions	\$ 97,974	\$ -	\$ 97,974
Interest income	68	-	68
Net assets released from restrictions:			
Satisfaction of program restrictions	-	-	-
Total public support and revenue	98,042	-	98,042
 Expenses			
Program services:			
Organizational support	44,386	-	44,386
Total program services	44,386	-	44,386
Supporting activities:			
General administration	4,939	-	4,939
Fundraising	18,600	-	18,600
Total supporting activities	23,539	-	23,539
 Total expenses	67,925	-	67,925
 Change in net assets	30,117	-	30,117
 Net assets at beginning of year	1,667,564	113,506	1,781,070
Net assets at end of year	\$ 1,697,681	\$ 113,506	\$ 1,811,187

The accompanying notes are an integral part of these financial statements

VICTORY RIDGE CHARITABLE FUND, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities

Change in net assets	\$	30,117
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation		19,755
Accounts receivable		<u>6,664</u>
Net cash provided by operating activities		<u>56,536</u>

Cash Flows From Investing Activities

Purchase of property and equipment		<u>(83,367)</u>
Net cash used for investing activities		<u>(83,367)</u>
Net decrease in cash and cash equivalents		(26,831)
Cash and cash equivalents, beginning of year		<u>193,757</u>
Cash and cash equivalents, end of year	\$	<u><u>166,926</u></u>

The accompanying notes are an integral part of these financial statements

VICTORY RIDGE CHARITABLE FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Supporting Activities</u>		<u>Total</u>
	<u>Organizational Support</u>	<u>General Administration</u>	<u>Fundraising</u>	
EXPENSES:				
Bank fees	\$ 626	\$ 69	\$ -	\$ 695
Licenses	268	30	6,664	6,962
Insurance	12,214	-	-	12,214
Office supplies	140	15	-	155
Professional fees	6,988	874	-	7,862
Travel	-	-	873	873
Miscellaneous	8,346	-	11,063	19,409
Total expenses before depreciation	28,582	988	18,600	48,170
Depreciation	15,804	3,951	-	19,755
	<u>\$ 44,386</u>	<u>\$ 4,939</u>	<u>\$ 18,600</u>	<u>\$ 67,925</u>

The accompanying notes are an integral part of the financial statements

VICTORY RIDGE CHARITABLE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1 SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Victory Ridge Charitable Fund, Inc., (the "Organization") is a 501(c)(3) formed in December 2011. The Organization was previously named Our Children's Charitable Fund, Inc., effective July 1, 2017 the name was changed to Victory Ridge Charitable Fund, Inc. The Organization is for the exclusive benefit of supporting Victory Ridge Academy, Inc. The Organization is organized exclusively for educational and charitable purposes.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Organization's cash consists of demand deposits with a financial institutions, which is insured through the Federal Depository Insurance Corporation ("FDIC"). The FDIC provides insurance limits up to \$250,000 per financial institution. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

Property and Equipment

Property and equipment are reported on the basis of cost and depreciated using the straight-line method over the estimated useful lives of the assets which range from four to thirty years. Donated property and equipment are recorded at fair value on the date of the contribution. Maintenance and repairs are expensed as incurred and major replacements and improvements, with a cost in excess of \$500 are capitalized.

Income Taxes

The Organization is a non-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and related Florida Statutes. Accordingly, no provision for income taxes has been reflected in these financial statements.

Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income. The Organization's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

VICTORY RIDGE CHARITABLE FUND, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Revenue and Expense Recognition

Revenues and expenses are recognized on the accrual basis. Revenues consist primarily of special events revenue, marketing contracts and contributions. Expenses consist of the cost of providing support for Victory Ridge Academy, Inc. ("VCA") and operating expenses.

Description of Net Assets

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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.

The Organization uses the following three classifications of net assets:

- Unrestricted Net Assets - net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily Restricted Net Assets - net assets resulting (a) from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kind of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.
- Permanently Restricted Net Assets - net assets resulting (a) from contributions and other inflow of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

As of June 30, 2018, there was \$113,506 in temporarily restricted net assets and no permanently restricted net assets.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

VICTORY RIDGE CHARITABLE FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Advertising

The Organization follows the policy of charging advertising costs to expenses as incurred. There was no advertising expense for the year ended June 30, 2018.

2 FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The Organization's significant financial instruments are cash, pledges receivable, property and equipment, and other short term assets and liabilities. For these financial instruments (level 1), carrying values approximate fair value because of the short maturity of these instruments.

3 PLEDGES RECEIVABLE

Pledges receivable is comprised of \$55,815 (before present value discount) from individuals for designated pledges related to a capital campaign as of June 30, 2018.

Pledges receivable are recorded at the amount pledged, less the allowance for uncollectible pledges as of June 30, 2018. Management has estimated the allowance to be \$55,815.

VICTORY RIDGE CHARITABLE FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Pledges receivable include the following:

	2018
Less than one year	\$ <u>55,815</u>
Total pledges	55,815
Less: allowance for uncollectible pledges	<u>(55,815)</u>
Pledges receivable, net	\$ <u>-</u>

4 PROPERTY AND EQUIPMENT

	2018
Buildings	\$ 538,775
Land	175,165
Construction in progress	950,076
Less accumulated depreciation	<u>(19,755)</u>
	<u>\$ 1,644,261</u>

The Organization is leasing its building to Victory Ridge Academy, Inc. ("VRA"). Details on this lease can be found in Note 5. Depreciation expense was \$19,755 for June 30, 2018.

5 RELATED PARTY TRANSACTIONS

The Organization has entered into an agreement with VRA, a charter school affiliated through common Board members, whereby the Organization leases the building to VRA. Amounts received from VRA under this agreement in fiscal year 2018 total \$1. VRA is a 501(c)(3) not-for-profit organization as well as a charter school.

6 COMMITMENTS AND CONTINGENCIES

Legal matters

In the normal course of conducting its operations, the Organization occasionally becomes party to various legal actions and proceedings. Management believes the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Management of the Organization is not aware of any significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

VICTORY RIDGE CHARITABLE FUND, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

7 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 26, 2018 the date the financial statements were available to be issued. On July 25, 2018, Victory Ridge Academy, Inc. (as Borrower) and Victory Ridge Charitable Fund, Inc. (as Mortgagor and /or Guarantor) closed on a \$4,000,000 loan with Citizens Bank and Trust. The loan is secured by the Mortgage and Security Agreement and assignment of rents, leases, income and profits. The Mortgage encumbers the tracts or parcels of land and improvements owned by the Mortgagor. The Borrower intends to construct or renovate improvements on the land consistent with the terms of the loan agreement. For value received, the Borrower promises to pay monthly payments of interest only for the first 12 months beginning September 1, 2018. Beginning on September 1, 2019, Borrower shall make monthly payments of principal and interest. Interest rates are as follows: fixed rate years 1 through 5 at 4.75% and fixed rate years 6 through 10 at Treasury Rate plus 2.75%. The loan matures on August 1, 2028.