
**TU NIDITO CHILDREN AND
FAMILY SERVICES, INC.**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

DECEMBER 31, 2016 AND 2015

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.

TABLE OF CONTENTS

	<i>Page</i>
Independent Auditor’s Report.....	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities	5
Statement of Functional Expenses.....	7
Statements of Cash Flows	9
Notes to Financial Statements	10

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tu Nidito Children and Family Services, Inc.
Tucson, Arizona

We have audited the accompanying financial statements of Tu Nidito Children and Family Services, Inc. (the "Agency") (an Arizona nonprofit corporation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, 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.

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.

(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tu Nidito Children and Family Services, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Regier Cant & Monroe, L.L.P.

June 26, 2017
Tucson, Arizona

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 967,904	\$ 899,160
Certificates of deposit	123,845	123,370
Accounts receivable	19,694	1,990
Grants receivable	7,721	2,935
Special event receivables	1,287	147
Prepaid expenses and other assets	21,228	19,449
Total current assets	1,141,679	1,047,051
PROPERTY AND EQUIPMENT, NET	765,296	801,252
INVESTMENTS		
Securities	510,988	481,408
Beneficial interest in assets held by others	72,112	-
Investment in Olafson Gift, LLC	213,591	212,682
Total investments	796,691	694,090
Total assets	\$ 2,703,666	\$ 2,542,393

The Notes to Financial Statements are an integral part of these statement.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable	\$ 5,818	\$ 788
Deferred revenue	50,028	67,484
Accrued wages and vacation	16,239	22,915
Current portion of note payable	65,000	65,000
Total current liabilities	137,085	156,187
LONG-TERM LIABILITIES		
Long-term portion of note payable	65,000	130,000
Total liabilities	202,085	286,187
NET ASSETS		
Unrestricted		
Available for operations	1,791,758	1,649,954
Investment in property and equipment	635,296	606,252
Total unrestricted net assets	2,427,054	2,256,206
Temporarily restricted	712	-
Permanently restricted	73,815	-
Total net assets	2,501,581	2,256,206
Total liabilities and net assets	\$ 2,703,666	\$ 2,542,393

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2016

	2016			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
SUPPORT AND REVENUE				
Revenues and other support				
Special events including \$13,595 of in-kind revenues	\$ 501,237	\$ -	\$ -	\$ 501,237
Less: costs of direct donor benefits	(89,690)	-	-	(89,690)
Net special events revenue	411,547	-	-	411,547
Contributions	283,248	-	73,815	283,248
Debt forgiven	65,000	-	-	65,000
Government grants	35,839	-	-	35,839
Foundation and private grants	160,768	-	-	160,768
Donated materials and services	25,722	-	-	25,722
Total support and revenue	982,124	-	73,815	1,055,939
EXPENSES				
Program/activity expenses				
Program services	715,851	-	-	715,851
General and administrative	33,752	-	-	33,752
Fundraising	100,020	-	-	100,020
Total functional expenses	849,623	-	-	849,623
Other expense (income)				
Net realized and unrealized (gain) loss on investments	(17,524)	98	-	(17,426)
Interest and dividend income	(21,122)	(810)	-	(21,932)
Gain on equity investment	(909)	-	-	(909)
Loss on asset disposal	1,208	-	-	1,208
Total other income	(38,347)	(712)	-	(39,059)
Total expenses and losses, net	811,276	(712)	-	810,564
Increase in net assets	170,848	712	73,815	245,375
NET ASSETS, BEGINNING OF YEAR	2,256,206	-	-	2,256,206
NET ASSETS, END OF YEAR	\$ 2,427,054	\$ 712	\$ 73,815	\$ 2,501,581

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2015

	2015			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
SUPPORT AND REVENUE				
Revenues and other support				
Special events including \$25,818 of in-kind revenues	\$ 636,720	\$ -	\$ -	\$ 636,720
Less: costs of direct donor benefits	(131,151)	-	-	(131,151)
Net special events revenue	505,569	-	-	505,569
Contributions	221,500	-	-	221,500
Debt forgiven	65,000	-	-	65,000
Government grants	30,433	-	-	30,433
Foundation and private grants	152,796	-	-	152,796
Donated materials and services	20,062	-	-	20,062
Total support and revenue	995,360	-	-	995,360
EXPENSES				
Program/activity expenses				
Program services	858,641	-	-	858,641
General and administrative	30,649	-	-	30,649
Fundraising	107,308	-	-	107,308
Total functional expenses	996,598	-	-	996,598
Other expense (income)				
Net realized and unrealized loss on investments	12,593	-	-	12,593
Interest and dividend income	(11,597)	-	-	(11,597)
Gain on equity investment	(3,374)	-	-	(3,374)
Loss on asset disposal	2,195	-	-	2,195
Total other income	(183)	-	-	(183)
Total expenses and losses, net	996,415	-	-	996,415
(Decrease) increase in net assets	(1,055)	-	-	(1,055)
NET ASSETS, BEGINNING OF YEAR	2,257,261	-	-	2,257,261
NET ASSETS, END OF YEAR	\$ 2,256,206	\$ -	\$ -	\$ 2,256,206

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services										Total Programs	General and Administrative	Fundraising	Total Expenses	
	One on One	Family Ties	Young Adults	Community Impact	Children to Children	CPC	Camp Erin	Satellite	Other Services	Volunteer					
Personnel															
Salaries	\$ 142,286	\$ 6,745	\$ 4,692	\$ 22,142	\$ 60,609	\$ 11,242	\$ 26,493	\$ 13,051	\$ 78,108	\$ 60,707	\$426,075	\$ 20,089	\$ 42,622	\$ 488,786	
Payroll taxes	11,204	531	369	1,744	4,773	885	2,086	1,028	6,151	4,780	33,551	1,582	3,356	38,489	
Employee benefits	11,848	562	391	1,844	5,047	936	2,206	1,087	6,504	5,055	35,480	1,673	3,549	40,702	
Total personnel expense	165,338	7,838	5,452	25,730	70,429	13,063	30,785	15,166	90,763	70,542	495,106	23,344	49,527	567,977	
Professional services	7,619	361	251	1,186	3,245	602	1,419	699	4,183	3,251	22,816	1,076	2,282	26,174	
Client support services	13,445	638	444	2,092	5,727	1,062	2,503	1,233	7,381	5,737	40,262	1,898	4,028	46,188	
Communications	1,840	87	61	286	784	146	343	169	1,010	785	5,511	260	551	6,322	
Donated material and service	3,530	167	116	549	1,504	279	657	324	1,938	1,506	10,570	499	1,058	12,127	
Insurance	3,812	181	126	593	1,624	301	710	350	2,092	1,626	11,415	538	1,142	13,095	
Other expenses	21,636	1,026	714	3,367	9,216	1,709	4,029	1,984	11,877	9,231	64,789	3,055	6,481	74,325	
Occupancy	6,377	302	210	992	2,716	504	1,187	585	3,500	2,721	19,094	900	1,910	21,904	
Supplies	1,490	71	49	232	635	118	277	137	818	636	4,463	210	446	5,119	
Postage and printing	2,846	135	94	443	1,212	225	530	261	1,562	1,214	8,522	402	852	9,776	
Repairs and maintenance	1,006	48	33	157	429	80	187	92	552	429	3,013	142	301	3,456	
Special events	-	-	-	-	-	-	-	-	-	-	-	-	28,412	28,412	
Total before depreciation	228,939	10,854	7,550	35,627	97,521	18,089	42,627	21,000	125,676	97,678	685,561	32,324	96,990	814,875	
Depreciation	10,115	479	334	1,574	4,309	799	1,883	928	5,553	4,316	30,290	1,428	3,030	34,748	
Total	<u>\$ 239,054</u>	<u>\$ 11,333</u>	<u>\$ 7,884</u>	<u>\$ 37,201</u>	<u>\$101,830</u>	<u>\$ 18,888</u>	<u>\$ 44,510</u>	<u>\$ 21,928</u>	<u>\$ 131,229</u>	<u>\$101,994</u>	<u>\$715,851</u>	<u>\$ 33,752</u>	<u>\$ 100,020</u>	<u>\$ 849,623</u>	

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Program Services										Total Programs	General and Administrative	Fundraising	Total Expenses
	One on One	Family Ties	Young Adults	Community Impact	Children to Children	CPC	Camp Erin	Satellite	Other Services	Volunteer				
Personnel														
Salaries	\$ 149,024	\$ 610	\$ 2,381	\$ 35,043	\$ 47,925	\$ 8,730	\$ 20,330	\$ 28,938	\$ 212,700	\$ 48,474	\$554,155	\$ 19,780	\$ 36,569	\$ 610,504
Payroll taxes	11,930	49	191	2,805	3,837	699	1,627	2,317	17,027	3,881	44,363	1,583	2,927	48,873
Employee benefits	12,043	50	192	2,832	3,873	706	1,643	2,339	17,189	3,917	44,784	1,599	2,955	49,338
Total personnel expense	172,997	709	2,764	40,680	55,635	10,135	23,600	33,594	246,916	56,272	643,302	22,962	42,451	708,715
Professional services	6,872	28	110	1,616	2,210	403	938	1,335	9,809	2,235	25,556	912	1,686	28,154
Client support services	13,039	53	208	3,065	4,193	764	1,779	2,532	18,610	4,241	48,484	1,731	3,200	53,415
Communications	1,518	6	24	357	488	89	207	295	2,167	494	5,645	202	373	6,220
Donated material and service	1,773	7	28	417	570	104	242	344	2,530	577	6,592	235	435	7,262
Insurance	3,126	13	50	735	1,005	183	427	608	4,462	1,017	11,626	415	767	12,808
Other expenses	12,217	50	195	2,873	3,929	716	1,667	2,372	17,438	3,974	45,431	1,622	2,998	50,051
Occupancy	5,105	21	82	1,200	1,642	299	696	991	7,286	1,660	18,982	678	1,253	20,913
Supplies	1,907	8	30	448	614	113	260	370	2,722	620	7,092	253	468	7,813
Postage and printing	2,086	9	33	490	671	122	285	405	2,977	678	7,756	277	512	8,545
Repairs and maintenance	1,786	7	29	420	575	105	244	347	2,550	581	6,644	237	438	7,319
Special events	-	-	-	-	-	-	-	-	-	-	-	-	50,646	50,646
Total before depreciation	222,426	911	3,553	52,301	71,532	13,033	30,345	43,193	317,467	72,349	827,110	29,524	105,227	961,861
Depreciation	8,479	35	135	1,994	2,727	497	1,157	1,647	12,102	2,758	31,531	1,125	2,081	34,737
Total	\$ 230,905	\$ 946	\$ 3,688	\$ 54,295	\$ 74,259	\$ 13,530	\$ 31,502	\$ 44,840	\$ 329,569	\$ 75,107	\$858,641	\$ 30,649	\$ 107,308	\$ 996,598

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 245,375	\$ (1,055)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Debt forgiven	(65,000)	(65,000)
Depreciation	34,748	34,737
Donated assets	-	(13,500)
Net realized and unrealized (gain) loss on investments	(17,272)	12,593
Equity investment income	(909)	(3,374)
Loss on asset disposal	1,208	2,195
Interest and dividend income from investments	(2,261)	(7,333)
Interest from certificates of deposit	(475)	(431)
(Decrease) increase in assets		
Accounts and grants receivable	(23,630)	6,524
Prepaid expenses and other assets	(1,779)	5,978
Increase (decrease) in liabilities		
Accounts payable	5,030	(6,739)
Accrued expenses and deferred revenue	(24,132)	(4,286)
Net cash provided (used) by operating activities	150,903	(39,691)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(1,198)
Purchase of investments	(83,107)	(182,871)
Proceeds from sale of investments	72,348	309,921
Net cash (used) provided by investing activities	(10,759)	125,852
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfers of contributions restricted for long term investment	(71,400)	-
Net cash (used) by financing activities	(71,400)	-
Net increase in cash	68,744	86,161
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	899,160	812,999
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 967,904	\$ 899,160

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Tu Nidito Children and Family Services, Inc. (the “Agency”) is a nonprofit social service agency located in Tucson, Arizona. Tu Nidito’s primary funding comes from public contributions.

Included in the accompanying financial statements are programs and services that provide comfort, hope and support for children and families whose lives have been impacted by a serious medical condition or death. Through its array of support groups and individual services the Agency provides emotional, social, and educational tools to children and families and empowers them with strength and skills for the future. The Agency and its highly skilled staff and trained volunteers serve Southern Arizona’s most vulnerable children and their families. In 2016, 348 families were supported, encompassing 829 children, 31 young adults and 481 adults within one or more of the Agency’s non-competitive programs and services as follows:

Children to Children Grief Support Groups

Ongoing support groups for children, teenagers and families who are grieving the death of a loved one. The Agency provides a safe place where grieving children can share their loss experience in a caring, supportive environment. Families meet twice a month to take part in age-appropriate support and activities for children ages 3½ through 18 years of age. Groups and concurrent adult groups are facilitated by trained volunteers and coordinated by a staff member.

Grief Support Group for Young Adults

An ongoing grief support program specifically designed for young adults ages 18 through 29. The group meets twice a month on the University of Arizona campus and is facilitated by trained volunteers and coordinated by staff. The group provides young adults with a safe and supportive place where they can grieve the death of a loved one and meet others experiencing similar circumstances and issues.

One-on-One Support for Children with Serious Medical Conditions (Pathways)

Provision of intensive home, hospital and community based support for children diagnosed with a serious medical condition. Services are designed to assist each family member through the difficulty and stress of diagnosis, change in prognosis and course of treatment. Professional support specialists, and highly trained volunteers provide individualized support to the seriously ill child, their siblings and their caregivers.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group Support for Children with Serious Medical Conditions (Family Ties)

Ongoing support groups for families who have a child with a serious medical condition. The Agency provides a safe environment for children and families to come together and share their challenges, hopes, laughter and tears as they deal with diagnosis, changes in prognosis and course of treatment. Each evening consists of age specific children's groups for the seriously ill child and their siblings and concurrent adult groups. Groups meet monthly and are facilitated by trained volunteers and coordinated by a staff member.

Support for Families Experiencing the Death of Their Child (Angels By Your Side)

The Agency continues to stay with families in the event their child's serious medical condition progresses. The Agency's staff support specialists assist families in navigating the devastation of a failing prognosis, and when appropriate, offer age-specific support for the diagnosed child to work through the dying process. The Agency professionals remain present with the family into the most difficult time imaginable, including the death of their child, and continue to provide individualized one on one bereavement services to all interested family members for a minimum of 18 months.

Support Group for Children who Have a Parent with Cancer or Other Serious Medical Condition (CPC)

The Agency offers ongoing support groups for children and teenagers who have a parent diagnosed with cancer or other serious medical conditions. The Agency provides a safe place where children, teens and parents can share their experiences in a caring, supportive environment. Families meet twice a month to take part in age appropriate support and activities for children ages 3½ through 18 years of age. Concurrent support groups are offered for both the diagnosed parent and other parent or adult caregiver.

Satellite Location Grief Support Groups

The Agency provides closed-session bereavement support programs in outlying or underserved areas in and near Tucson. The program is offered through weekly support groups in 8-10 week sessions in many of the Boys and Girls Clubs of Tucson Clubhouse locations, various suburban locations, and at Casa de los Niños.

Camp Erin

The Agency is the Arizona provider for Camp Erin, a nationwide network of bereavement camps. The Agency provides a free weekend bereavement camp for children and teens ages 6 through 17 who have experienced the death of someone close to them. Campers participate in fun, traditional camp activities combined with grief education and emotional support led by expert bereavement professionals and trained volunteers. The provider contract runs through 2022.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PB & J with Love

The Agency provides monthly meal/food support to single parents who are diagnosed with a serious medical condition such as cancer. Battling a serious medical condition is physically and emotionally exhausting. For single parents, their challenges are compounded. Families enrolled in the PB & J with Love program receive eight family meals a month to ease some of their burden and to ensure that these parents going through chemotherapy and other treatments have nutritious meals for themselves and their children.

Memory Beads

Memory Beads is a community program to help individuals, families, schools, and others to process their grief journey through the facilitated process of making special bead necklaces on a case by case basis or through partnerships such as with the Girl Scouts.

Volunteer Program

Volunteers are the heart of the Agency. The Agency has more than 575 dedicated people who volunteer their time in different ways:

- Support group volunteers facilitate peer support groups for children, teens and adults whose lives have been impacted by serious illness or death. This group works with an assigned age group: “littles” ages 3½ through 7, “middles” ages 8 through 12, and “teens” ages 13 through 18 or adults to provide comfort and support through structured “talking circles” questions and activities.
- One-on-one volunteers assist Tu Nidito staff support specialists who are working with a family who has a child with a serious medical condition. A volunteer’s role can include various facets from respite and companionship to shopping and home assistance.
- Cabin Big Buddies are trained volunteers who assist with Camp Erin. Volunteers are assigned to accompany and supervise participating children, assist with the “Save Your Spot” event and other activities to ensure a safe and successful weekend camp experience for all campers.
- Special event volunteers assist with fundraising and community events. Individual requirements are dependent upon the assignment.
- Office volunteers assist in answering phones, managing the library, providing computer support, running errands, preparing materials and other duties associated with running an office. Office volunteers can choose any weekday for three to four hours per week. Individual requirements are dependent upon the assignment.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Tu Nidito is governed by a Board of Directors, entrusted with the authority to establish major policies and accountability for the Agency's actions, including fiscal responsibility. Membership on the Tu Nidito Board is an opportunity to contribute skills, experiences, knowledge and wisdom to an organization carrying out a vital service to children and their families as they deal with serious medical conditions and death. Each Board member is elected to a three-year term and is accountable for established duties and responsibilities. Each Board member may serve additional terms as stated in the by-laws.

General and Administrative

General and administrative expense includes the functions of general administration necessary to maintain and operate personnel, accounting and legal services and board administration.

Fundraising

Fundraising includes time, effort and supplies used to promote, encourage and secure financial support from donors, who include individuals, foundations and corporations. The Agency's primary source of funding is from corporate and individual donations, gifts and grants.

Basis of Accounting

The financial statements of the Agency have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

As required by the Classification of Net Assets of Not-for-Profit Entities topic of the FASB Accounting Standards Codification, the financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Temporarily restricted net assets carry donor-imposed restrictions that limit their use. At December 31, 2016, \$712 in temporarily restricted net assets was held at Jewish Community Foundation ("JCF" - see Note 3.) No temporarily restricted net assets existed at December 31, 2015.

Permanently restricted net assets possess donor-imposed restrictions which limit their use to investment in perpetuity to provide a permanent source of income for the Agency's operations. At December 31, 2016, JCF held \$71,400 in permanently restricted assets, and Tu Nidito had an additional \$2,415 of permanently restricted net assets as endowment transfers in transit; no permanently restricted net assets existed at December 31, 2015.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires within the reporting period in which the contribution is received. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Investments

Investments in marketable equity securities with readily determinable values and all investments in debt securities are stated at fair market value.

Investment in Real Estate Joint Venture

Non-controlling investments in real estate joint ventures are accounted for using the equity method of accounting. Accordingly, investments are recorded at acquisition costs plus the company's equity in the undistributed earnings or losses of the entity.

Investment Policy

The Agency invests in various instruments including insured certificates of deposits, savings accounts, other interest-bearing accounts, money market accounts, and certain debt and equity securities based on specific criteria prescribed in the Agency's Investment Policy. Deviation from the Investment Policy requires approval by the Board of Directors. In April 2011, the Agency's Board of Directors voted to accept a contribution of an investment in real estate.

Accounts and Grant Receivables

Accounts and grant receivables are stated at cost less an allowance for doubtful accounts. Management has reviewed the balances in accounts and grants receivable, and based on historical experience, management has determined that all accounts and grants receivable are collectible. Therefore, an allowance for doubtful accounts was not necessary at December 31, 2016 or 2015.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets or as decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The Agency capitalizes property and equipment with a cost in excess of \$500 and a useful life greater than one year.

Depreciation expense for the year ended December 31, 2016 was \$34,748, and \$34,737 for the year ended December 31, 2015.

Cash and Cash Equivalents

The Agency considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Such costs totaled approximately \$20,834 for the year ended December 31, 2016 and \$0 for the year ended December 31, 2015.

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates included in these financial statements are the fair value of investments and management's estimate of the useful lives of assets.

Donated Goods, Services and Facilities

Donated goods and services are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Although the Agency utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Functional Allocation of Expenses

The costs of providing the Agency's programs have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by other reasonable methods.

Income Tax Status and Uncertain Tax Positions

The Agency is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and has been determined to not be a private foundation under Sections 509(a)(1) and (3), respectively. The Agency is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Agency is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Agency has determined it is not subject to unrelated business income tax. The returns are subject to examination for three years (four years for Arizona).

The Agency believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Agency would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

- Leases

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Agency's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

- Non-Profit Organizations

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 948), which will change how not-for-profit organizations will report and present certain items in their financial statements. The new guidance will take effect for the year ending December 31, 2019. The significant changes are

- Simplification of net asset presentation – net assets will now be presented in two classes, “Net assets with donor restrictions,” and “Net assets without donor restrictions.”
- All not-for-profit organizations will be required to present expenses in their natural classification (advertising, payroll, rent, etc.) and by function (program, general and administrative and fund raising).
- Enhanced disclosure requirements related to presenting liquidity information and simplification of existing disclosure requirements related to investment returns and long lived assets purchased with donor-restricted funds.

The Agency currently presents a statement of functional expenses and has not yet determined the effect of applying the remaining requirements of the new standard on the financial statements.

(continued)

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 828,510	\$ 843,879
Land and improvements	155,740	155,740
Equipment	45,105	55,598
Furniture and fixtures	<u>26,368</u>	<u>42,428</u>
Total	1,055,723	1,097,645
Less accumulated depreciation	<u>290,427</u>	<u>296,393</u>
Total, net	<u>\$ 765,296</u>	<u>\$ 801,252</u>

3. INVESTMENTS

Investments consist of mutual funds, corporate bonds, other securities, and a beneficial interest in assets held by another and are presented in the financial statements at fair value. Fair values and unrealized appreciation (depreciation) at December 31, 2016 and 2015 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
December 31, 2016			
Mutual funds	\$ 199,075	\$ 199,331	\$ 256
Equities	167,468	185,361	17,893
Corporate and government bonds	127,495	126,296	(1,199)
Beneficial interest held by another	<u>72,456</u>	<u>72,112</u>	<u>(344)</u>
Total	<u>\$ 566,494</u>	<u>\$ 583,100</u>	<u>\$ 16,606</u>
December 31, 2015			
Mutual funds	\$ 199,075	\$ 196,123	\$ (2,952)
Equities	166,788	166,320	(468)
Corporate and government bonds	<u>120,245</u>	<u>118,965</u>	<u>(1,280)</u>
Total	<u>\$ 486,108</u>	<u>\$ 481,408</u>	<u>\$ (4,700)</u>

(continued)

3. INVESTMENTS (continued)

Endowment Investments Held and Managed by the Jewish Community Foundation

In 2016, the Agency entered into an agreement with the Jewish Community Foundation of Southern Arizona (the “JCF”) to establish an organization endowment fund (the “Fund”) in support of the Agency’s charitable operations. JCF, an Arizona nonprofit organization, holds and administers the Fund, including subsequent contributions and future earnings, for the benefit of the Agency. Principal and earnings of the Fund are restricted solely for the Agency’s charitable purposes. The organization endowment fund agreement provides that JCF shall have the power to modify any restrictions or condition on the distribution of assets for any specified charitable purpose or to specified organizations, if, in their sole judgment, such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or to the area served by JCF.

Fund distributions to charitable beneficiaries, including the Agency, shall be made from the net distributable income, consistent with the current spending policies, and at the reasonable discretion, of JCF. Distribution requests are initiated by the Agency’s Board of Directors, upon review of annual endowment activity. Through the organization endowment agreement, JCF is granted the power to carry out the purpose of the Fund, and to manage the investments contained therein.

The Agency has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) through their endowment policy as requiring the contributions received from donors for the endowment fund to be held and invested in perpetuity. The principal or corpus is preserved, and distributions may be made from the earnings thereon. Permanent endowment funds are classified as permanently restricted on the Agency’s financial statements, while earnings on the corpus are classified as temporarily restricted net assets until such time as they are distributed for their intended charitable purpose.

Activity as of December 31, 2016 in the Fund as administered by JCF:

	<u>2016</u>
Investment, at fair value, beginning of period	\$ -
Contributions to endowment	71,400
Dividends and interest	963
Realized gain (loss)	247
Unrealized gain (loss)	(344)
Investment expense	<u>(154)</u>
Investment, at fair value, end of period	<u>\$ 72,112</u>

(continued)

3. INVESTMENTS (continued)

The following summarizes the return on investments and classifications in the financial statements for the years ending December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Realized gain (loss) on sale of investments	\$ 666	\$ (7,893)
Gain from LLC - Note 5	909	3,374
Unrealized gain (loss) on investments	16,606	(4,700)
Interest and dividends	<u>22,086</u>	<u>11,597</u>
Net investment gain (loss)	<u>\$ 40,267</u>	<u>\$ 2,378</u>

The rate of return on the investments was approximately 5.8% for 2016 and .34% for 2015.

4. FAIR VALUE MEASUREMENTS

U.S. Generally Accepted Accounting Principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consists of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Agency uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Agency measures fair values using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements are based on quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the assets is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Fair Value Measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset.

Level 3 Fair Value Measurements are based on unobservable inputs for the asset. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the assets at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the (including assumption about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

(continued)

4. FAIR VALUE MEASUREMENTS (continued)

Fair value measurements were reported based on the following:

	<u>Fair Value</u>	Fair Value Measurements at Reporting Date Using		
		<u>Quoted Prices in Active Markets Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2016				
Mutual funds	\$ 199,331	\$ 199,331	\$ -	\$ -
Equities	185,361	185,361	-	-
Bonds	126,296	126,296	-	-
Beneficial interest	<u>72,112</u>	<u>-</u>	<u>72,112</u>	<u>-</u>
Total	<u>\$ 583,100</u>	<u>\$ 510,988</u>	<u>\$ 72,112</u>	<u>\$ -</u>

	<u>Fair Value</u>	Fair Value Measurements at Reporting Date Using		
		<u>Quoted Prices in Active Markets Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2015				
Mutual funds	\$ 196,123	\$ 196,123	\$ -	\$ -
Equities	166,320	166,320	-	-
Bonds	<u>118,965</u>	<u>118,965</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 481,408</u>	<u>\$ 481,408</u>	<u>\$ -</u>	<u>\$ -</u>

5. INVESTMENT IN OLAFSON GIFT, LLC (THE "LLC")

During 2011, the Agency received, through a distribution of a charitable remainder trust, a 50% ownership in three residential properties with an estimated fair value of \$412,000. In June 2011, the Agency transferred its interest in the properties plus \$10,000 to the Olafson Gift, LLC (the "LLC"), in return for 50% ownership in the LLC. Olafson Gift, LLC, was formed for the sole purpose of temporarily renting the properties with a goal of eventually selling the three properties.

(continued)

5. INVESTMENT IN OLAFSON GIFT, LLC (THE “LLC”) (continued)

The investment in Olafson Gift, LLC is accounted for using the equity method of accounting. Accordingly, investments are recorded at acquisition costs plus the Agency’s equity in the undistributed earnings or losses of the LLC, adjusted for impairment loss, if any.

The carrying value of the Agency’s investment for the years ended December 31, 2016 and 2015 approximates the Agency’s underlying equity in net assets of Olafson Gift, LLC. 50% of Olafson Gift, LLC’s equity totaled \$213,591 and \$212,682, respectively, as of December 31, 2016 and 2015. Olafson Gift, LLC’s net income for the years ended December 31, 2016 and 2015 was \$909 and \$3,374, respectively.

Management has evaluated the value of the investment and has not recognized an impairment. The Agency’s investment was appraised in 2011 and management has not identified any events or changes in circumstances that would have an adverse effect on that fair value.

6. ANGEL CHARITY NOTE PAYABLE

On July 21, 2006, the Agency entered into an agreement with the Angel Charity for Children, Inc. (the “Charity”) whereby the Charity would provide funding related to the construction of a new program facility.

During 2007, the Charity provided \$650,000 to the Agency in the form of a non-interest bearing promissory note which was executed in January 2008. The note is to be forgiven evenly over a period of 10 years, beginning January 2009, provided that the Agency continues to use the facility to operate its children and youth programs. Accordingly, the Agency has recognized \$65,000 as income in the accompanying statement of activities at December 31, 2016 (\$65,000 for 2015). The note is collateralized by a first deed of trust, security agreement and assignments of leases and rents on the property.

Long-term debt was as follows at December 31:	<u>2016</u>	<u>2015</u>
Notes payable	\$ 130,000	\$ 195,000
Current portion	<u>(65,000)</u>	<u>(65,000)</u>
Non-current portion	<u>\$ 65,000</u>	<u>\$ 130,000</u>

Future maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 65,000
2018	<u>65,000</u>
Total	<u>\$ 130,000</u>

(continued)

7. OPERATING LEASES

The Agency leases office equipment under operating leases with varying expiration dates through September 17, 2020.

The minimum lease payments required under the above operating leases as of December 31, 2016 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2017	\$ 2,029
2018	2,029
2019	2,029
2020	<u>1,522</u>
Total	<u>\$ 7,609</u>

Total rent expense (including taxes) for operating leases was \$3,097 for 2016 and \$4,690 for 2015.

8. CONCENTRATIONS OF CREDIT RISK

Cash in Banks

The Federal Deposit Insurance Corporation (FDIC) insures cash accounts held at banks up to \$250,000 per institution. Investments held at other institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC); however, SIPC does not protect against losses in market value. The Agency's investments are on deposit at a brokerage that provides additional insurance above SIPC limits. At December 31, 2016 the Agency had approximately \$82,000 of cash and investments in excess of FDIC and SIPC limits.

Revenues

During 2016, the Agency received approximately 50% of its gross revenues from fundraising and special events (51% for the year ended December 31, 2015). The two largest fundraising events accounted for 47% of the Agency's total gross revenues (45% for the year ended December 31, 2015).

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 26, 2017, the date the financial statements were available to be issued.