TU NIDITO CHILDREN AND FAMILY SERVICES, INC.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

RCM

REGIER CARR & MONROE, LLP, CPAs

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.

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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, 2017 and 2016, 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)

4801 E. BROADWAY BLVD. STE. 501 TUCSON, AZ 85711-3648 RCMTUCSON.COM P 520-624-8229 F 520-884-1102 REGIER CARR & MONROE LLP, CPAs TUCSON I TULSA/McALESTER I WICHITA

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, 2017 and 2016, 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 Carr & Monroe, L.L.P.

May 29, 2018
Tucson, Arizona

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 883,525	$ 967,904
Certificates of deposit	527,225	123,845
Accounts receivable	36,168	19,694
Grants receivable	6,121	7,721
Special event receivables	-	1,287
Prepaid expenses and other assets	22,987	21,228
Total current assets	1,476,026	1,141,679
PROPERTY AND EQUIPMENT, NET	782,612	765,296
INVESTMENTS		
Securities	558,241	510,988
Beneficial interest in assets held by others	174,199	72,112
Investment in Olafson Gift, LLC	150,749	213,591
Total investments	883,189	796,691
Total assets	$ 3,141,827	$ 2,703,666

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, 2017 and 2016

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable	$ 7,325	$ 5,818
Deferred revenue	63,000	50,028
Accrued wages and vacation	20,009	16,239
Current portion of note payable	65,000	65,000
Total current liabilities	155,334	137,085
LONG-TERM LIABILITIES		
Long-term portion of note payable	-	65,000
Total liabilities	155,334	202,085
NET ASSETS		
Unrestricted		
Available for operations	2,064,979	1,791,758
Investment in property and equipment	717,612	635,296
Total unrestricted net assets	2,782,591	2,427,054
Temporarily restricted	42,924	712
Permanently restricted	160,978	73,815
Total net assets	2,986,493	2,501,581
Total liabilities and net assets	$ 3,141,827	$ 2,703,666

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, 2017

	2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
SUPPORT AND REVENUE				
Revenues and other support				
Special events including $69,962 of in-kind revenues	$ 613,444	$ -	$ -	$ 613,444
Less: costs of direct donor benefits	(105,469)	-	-	(105,469)
Net special events revenue	507,975	-	-	507,975
Contributions	456,564	-	87,163	543,727
Debt forgiven	65,000	-	-	65,000
Government grants	35,441	-	-	35,441
Foundation and private grants	127,673	27,500	-	155,173
Donated materials and services	5,002	-	-	5,002
Net realized and unrealized gain (loss) on investments	39,372	8,979	-	48,351
Interest and dividend income	19,692	5,733	-	25,425
Total support and revenue	1,256,719	42,212	87,163	1,386,094
EXPENSES				
Program/activity expenses				
Program services	760,656	-	-	760,656
General and administrative	29,609	-	-	29,609
Fundraising	108,229	-	-	108,229
Total functional expenses	898,494	-	-	898,494
Other losses/(gains)				
Loss on equity investment	1,905	-	-	1,905
Loss on asset disposal	783	-	-	783
Total other losses/(gains)	2,688	-	-	2,688
Total expenses and losses, net	901,182	-	-	901,182
Increase in net assets	355,537	42,212	87,163	484,912
NET ASSETS, BEGINNING OF YEAR	2,427,054	712	73,815	2,501,581
NET ASSETS, END OF YEAR	$ 2,782,591	$ 42,924	$ 160,978	$ 2,986,493

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			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
SUPPORT AND REVENUE				
Revenues and other support				
Special events including $22,363 of in-kind revenues	$ 523,600	$ -	$ -	$ 523,600
Less: costs of direct donor benefits	(89,690)	-	-	(89,690)
Net special events revenue	433,910	-	-	433,910
Contributions	283,248	-	73,815	357,063
Debt forgiven	65,000	-	-	65,000
Government grants	35,839	-	-	35,839
Foundation and private grants	160,768	-	-	160,768
Donated materials and services	3,359	-	-	3,359
Net realized and unrealized gain (loss) on investments	17,524	(98)		17,426
Interest and dividend income	21,122	810	-	21,932
Total support and revenue	1,020,770	712	73,815	1,095,297
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 losses/(gains)				
Gain on equity investment	(909)	-	-	(909)
Loss on asset disposal	1,208	-	-	1,208
Total other losses/(gains)	299	-	-	299
Total expenses and losses, net	849,922	-	-	849,922
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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services												
	One on One	Family Ties	Young Adults	Community Impact	Children to Children	CPC	Camp Erin	Other Services	Volunteer	Total Programs	General and Administrative	Fundraising	Total Expenses
Personnel													
Salaries	$ 124,203	$ 9,062	$ 5,790	$ 31,315	$ 77,029	$ 16,413	$ 32,625	$ 96,966	$ 73,505	$466,908	$ 18,175	$ 18,376	$ 503,459
Payroll taxes	9,033	659	421	2,278	5,602	1,194	2,373	7,052	5,346	33,958	1,322	1,337	36,617
Employee benefits	10,532	768	491	2,655	6,531	1,392	2,766	8,222	6,233	39,590	1,541	1,558	42,689
Total personnel expense	143,768	10,489	6,702	36,248	89,162	18,999	37,764	112,240	85,084	540,456	21,038	21,271	582,765
Professional services	7,754	566	361	1,955	4,808	1,025	2,037	6,053	4,589	29,148	1,135	1,147	31,430
Client support services	9,864	720	460	2,487	6,117	1,303	2,591	7,701	5,838	37,081	1,443	1,459	39,983
Communications	1,716	125	80	433	1,065	227	451	1,340	1,016	6,453	251	254	6,958
Donated material and service	1,234	90	58	311	765	163	324	963	730	4,638	181	183	5,002
Insurance	3,332	243	155	840	2,067	440	875	2,602	1,972	12,526	488	493	13,507
Other expenses	12,693	926	592	3,200	7,872	1,677	3,335	9,909	7,512	47,716	1,857	1,878	51,451
Occupancy	5,202	379	242	1,311	3,226	687	1,366	4,061	3,078	19,552	761	770	21,083
Supplies	1,260	92	59	317	781	166	331	983	745	4,734	184	186	5,104
Postage and printing	2,132	156	99	538	1,322	282	560	1,664	1,262	8,015	312	315	8,642
Repairs and maintenance	4,250	310	198	1,072	2,636	562	1,116	3,318	2,515	15,977	622	629	17,228
Special events	-	-	-	-	-	-	-	-	-	-	-	78,292	78,292
Total before depreciation	193,205	14,096	9,006	48,712	119,821	25,531	50,750	150,834	114,341	726,296	28,272	106,877	861,445
Depreciation	9,140	668	426	2,304	5,668	1,208	2,401	7,136	5,409	34,360	1,337	1,352	37,049
Total	$ 202,345	$ 14,764	$ 9,432	$ 51,016	$125,489	$ 26,739	$ 53,151	$ 157,970	$119,750	$760,656	$ 29,609	$ 108,229	$ 898,494

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													
	One on One	Family Ties	Young Adults	Community Impact	Children to Children	CPC	Camp Erin	Satellite	Other Services	Volunteer	Total Programs	General and Administrative	Fundraising	Total Expenses
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	$ 239,054	$ 11,333	$ 7,884	$ 37,201	$101,830	$ 18,888	$ 44,510	$ 21,928	$ 131,229	$ 101,994	$715,851	$ 33,752	$ 100,020	$ 849,623

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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 484,912	$ 245,375
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Debt forgiven	(65,000)	(65,000)
Depreciation	37,049	34,748
Net realized and unrealized (gain) loss on investments	(48,351)	(17,426)
Equity investment income	1,905	(909)
Loss on asset disposal	783	1,208
Increase (decrease) in assets		
Accounts and grants receivable	(13,587)	(23,630)
Prepaid expenses and other assets	(1,759)	(1,779)
Increase (decrease) in liabilities		
Accounts payable	1,507	5,030
Accrued expenses and deferred revenue	16,742	(24,132)
Less transfers of contributions for long term investment	(88,503)	(71,400)
Net cash provided by operating activities	325,698	82,085
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(400,000)	-
Purchase of equipment	(55,148)	-
Purchase of investments	(168,229)	(154,507)
Proceeds from sale of investments	63,860	69,766
Net cash (used) by investing activities	(559,517)	(84,741)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions from equity investment	60,937	-
Transfers of contributions restricted for long term investment	88,503	71,400
Net cash (used) by financing activities	149,440	71,400
Net increase/(decrease) in cash	(84,379)	68,744
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	967,904	899,160
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 883,525	$ 967,904

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

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. The Agency'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 2017, 345 families were directly supported, encompassing 805 children, 27 young adults and 465 adults, and an additional 2,377 adults participated in grief education or intervention 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 3 through 18 years of age. Concurrent support groups are offered for both the diagnosed parent and other parent or adult caregiver.

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 staff and trained volunteers. The provider contract runs through 2022.

Community Impact/Education/Intervention

Recognizing that children and families coming to Tu Nidito may not get the same type of grief support from their communities, Tu Nidito trains teachers, counselors, and community agencies and individuals on children and grief and provides tools for ongoing support and understanding. Tu Nidito support specialists are also available to support our community's children in response to crisis situations including the death of a student or faculty member through an in-depth intervention program.

(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.

Volunteer Program

Volunteers are the heart of the Agency. The Agency has more than 487 dedicated people who volunteer their time in different ways:

- Tu Nidito is governed by a volunteer board of directors, entrusted with the authority to establish major policies and accountability for the Agency's actions, including fiscal responsibility. Additional volunteers include support group volunteers who facilitate peer support groups for children, teens, and adults whose lives have been impacted by serious illness or death. 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. Volunteers also assist with camp, special events, and community events as well as office and project work.

- 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 the Agency's 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)

- The Agency 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 Agency's 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, 2017, The Agency had $27,500 in temporarily restricted net assets, with an additional $15,424 in temporarily restricted net assets held at Jewish Community Foundation ("JCF" - see Note 3). At December 31, 2016, there were $712 in temporarily restricted net assets held at JCF.

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, 2017, JCF held $159,903 in permanently restricted assets, and the Agency had an additional $1,075 of permanently restricted net assets as endowment transfers in transit. At December 31, 2016, JCF held $71,400 in permanently restricted assets, and the Agency had an additional $2,415 of permanently restricted net assets as endowment transfers in transit.

(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 Agency's equity in the undistributed earnings or losses of the joint venture.

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. During 2017, the Agency sold one of the real estate properties held as an investment.

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, 2017 or 2016.

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, 2017 was $37,049, and $34,748 for the year ended December 31, 2016.

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 $4,166 for the year ended December 31, 2017 and $20,834 for the year ended December 31, 2016.

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)

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, 2017 and 2016 consists of the following:

	2017	2016
Building and improvements	$ 830,648	$ 828,510
Land and improvements	155,740	155,740
Equipment	78,626	45,105
Furniture and fixtures	36,943	26,368
Total	1,101,957	1,055,723
Less accumulated depreciation	319,345	290,427
Total, net	$ 782,612	$ 765,296

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, 2017 and 2016 are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2017			
Mutual funds	$ 206,126	$ 216,470	$ 10,344
Equities	163,727	206,659	42,932
Corporate and government bonds	135,443	135,112	(331)
Subtotal	505,296	558,241	52,945
Beneficial interest held by another	168,647	174,199	5,552
Total	$ 673,943	$ 732,440	$ 58,497

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
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)
Subtotal	494,038	510,988	16,950
Beneficial interest held by another	72,456	72,112	(344)
Total	$ 566,494	$ 583,100	$ 16,606

(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 in the Fund as administered by JCF:

	2017	2016
Investment, at fair value, beginning of period	$ 72,112	$ -
Contributions to endowment	88,503	71,400
Dividends and interest	5,733	963
Realized gain (loss)	3,426	247
Unrealized gain (loss)	5,552	(344)
Investment expense	(1,127)	(154)
Investment, at fair value, end of period	$ 174,199	$ 72,112

(continued)

3. INVESTMENTS (continued)

The following summarizes the return on investments and classifications in the financial statements for the years ending December 31, 2017 and 2016:

	2017	2016
Realized gain on sale of investments	$ 7,690	$ 574
(Loss) gain from LLC - Note 5	(1,905)	909
Unrealized gain on investments	40,661	16,852
Interest and dividends	25,425	21,932
Net investment gain (loss)	$ 71,871	$ 40,267

The rate of return on the investments was approximately 8.3% for 2017 and 5.2% for 2016.

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:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Mutual funds	$ 216,470	$ 216,470	$ -	$ -
Equities	206,659	206,659	-	-
Bonds	135,112	135,112	-	-
Subtotal	558,241	558,241	-	-
Beneficial interest	174,199	-	174,199	-
Total	$ 732,440	$ 558,241	$ 174,199	$ -

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

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.

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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, 2017 and 2016 approximates the Agency's underlying equity in net assets of Olafson Gift, LLC. During the year ended December 31, 2017, the Agency sold one of the residential properties. 50% of Olafson Gift, LLC's equity totaled $150,749 and $213,591, respectively, as of December 31, 2017 and 2016. Olafson Gift, LLC's net income (loss) for the years ended December 31, 2017 and 2016 was $(1,905) and $909, respectively.

Subsequent to December 31, 2017, the remaining two properties held by Olafson Gift, LLC were sold, and the Agency received its share of the proceeds from the sale of the properties.

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, 2017 ($65,000 for 2016). 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:	2017	2016
Notes payable	$ 65,000	$ 130,000
Current portion	(65,000)	(65,000)
Non-current portion	$ -	$ 65,000

Future maturities of long-term debt is as follows:

Year Ending December 31,	
2018	$ 65,000

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7. OPERATING LEASES

The Agency leases office equipment under operating leases with varying expiration dates through November 2022.

The minimum lease payments required under the above operating leases as of December 31, 2017 are as follows:

Year ending December 31,	
2018	$ 2,846
2019	2,846
2020	2,846
2021	2,338
2022	748
Total	$ 11,624

Total rent expense (including taxes) for operating leases was $3,067 for 2017 and $3,097 for 2016.

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, 2017 the Agency had approximately $243,000 of cash and investments in excess of FDIC and SIPC limits.

Revenues

During 2017, the Agency received approximately 40% of its gross revenues from fundraising and special events (50% for the year ended December 31, 2016). The two largest fundraising events accounted for 38% of the Agency's total gross revenues (47% for the year ended December 31, 2016).

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 29, 2018, the date the financial statements were available to be issued.