TU NIDITO CHILDREN AND FAMILY SERVICES, INC.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, Tu Nidito Children and Family Service, Inc. adopted new accounting guidance related to not-for-profit financial statement presentation. Our opinion is not modified with respect to this matter.

Regier Carr & Monroe, L.L.P.

May 28, 2019
Tucson, Arizona

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 1,056,993	$ 883,525
Certificates of deposit	827,527	527,225
Accounts receivable	31,202	36,168
Grants receivable	-	6,121
Prepaid expenses and other assets	16,302	22,987
Total current assets	1,932,024	1,476,026
PROPERTY AND EQUIPMENT, NET	751,403	782,612
INVESTMENTS		
Securities	537,481	558,241
Beneficial interest in assets held by others	201,857	174,199
Investment in Olafson Gift, LLC	-	150,749
Total investments	739,338	883,189
Total assets	$ 3,422,765	$ 3,141,827

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, 2018 and 2017

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 15,553	$ 7,325
Deferred revenue	49,615	63,000
Accrued wages and vacation	9,255	20,009
Current portion of note payable	-	65,000
Total current liabilities	74,423	155,334
Total liabilities	74,423	155,334
NET ASSETS		
Without donor restrictions		
Available for operations	2,371,726	2,064,979
Investment in property and equipment	751,403	717,612
Total net assets without donor restrictions	3,123,129	2,782,591
With donor restrictions	225,213	203,902
Total net assets	3,348,342	2,986,493
Total liabilities and net assets	$ 3,422,765	$ 3,141,827

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, 2018

	2018		
	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Revenues and other support			
Special events including $66,298 of in-kind revenues	$ 462,097	$ -	$ 462,097
Less: costs of direct donor benefits	(98,058)	-	(98,058)
Net special events revenue	364,039	-	364,039
Contributions	591,195	39,294	630,489
Debt forgiven	65,000	-	65,000
Government grants	-	-	-
Foundation and private grants	250,090	20,000	270,090
Donated materials and services	7,596	-	7,596
Net realized and unrealized gains/(losses) on investments	(58,723)	(14,897)	(73,620)
Interest and dividend income	49,551	4,414	53,965
Net assets released from restrictions	27,500	(27,500)	-
Total support and revenue	1,296,248	21,311	1,317,559
EXPENSES			
Program/activity expenses			
Program services	824,281	-	824,281
General and administrative	25,918	-	25,918
Fundraising	94,102	-	94,102
Total functional expenses	944,301	-	944,301
Other losses/(gains)			
Loss on equity investment	9,847	-	9,847
Loss on asset disposal	1,562	-	1,562
Total other losses/(gains)	11,409	-	11,409
Total expenses and losses, net	955,710	-	955,710
Increase in net assets	340,538	21,311	361,849
NET ASSETS, BEGINNING OF YEAR	2,782,591	203,902	2,986,493
NET ASSETS, END OF YEAR	$ 3,123,129	$ 225,213	$ 3,348,342

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		
	Without donor restrictions	With donor restrictions	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 gains/(losses) 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	129,375	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	129,375	484,912
NET ASSETS, BEGINNING OF YEAR	2,427,054	74,527	2,501,581
NET ASSETS, END OF YEAR	$ 2,782,591	$ 203,902	$ 2,986,493

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, 2018

	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	$ 96,142	$ 7,666	$ 2,715	$ 24,275	$ 58,665	$ 12,244	$ 22,039	$ 223,479	$ 53,927	$501,152	$ 15,758	$ 15,438	$ 532,348
Payroll taxes	7,156	571	202	1,807	4,366	911	1,640	16,633	4,014	37,300	1,173	1,149	39,622
Employee benefits	11,255	897	318	2,842	6,868	1,433	2,580	26,161	6,313	58,667	1,845	1,807	62,319
Total personnel expense	114,553	9,134	3,235	28,924	69,899	14,588	26,259	266,273	64,254	597,119	18,776	18,394	634,289
Professional services	6,677	532	189	1,686	4,074	850	1,531	15,521	3,745	34,805	1,094	1,072	36,971
Client support services	8,605	686	243	2,173	5,251	1,096	1,973	20,001	4,827	44,855	1,410	1,382	47,647
Communications	1,176	94	33	297	718	150	270	2,731	660	6,129	193	189	6,511
Donated material and services	1,372	109	39	346	837	175	314	3,190	769	7,151	225	220	7,596
Insurance	2,513	200	71	635	1,534	320	576	5,842	1,410	13,101	412	404	13,917
Other expenses	8,951	714	253	2,260	5,462	1,140	2,052	20,808	5,021	46,661	1,467	1,437	49,565
Occupancy	4,205	335	119	1,062	2,566	536	964	9,776	2,359	21,922	689	675	23,286
Supplies	1,229	98	35	310	750	157	282	2,858	690	6,409	201	197	6,807
Postage and printing	1,420	113	40	359	867	181	326	3,300	797	7,403	233	228	7,864
Repairs and maintenance	1,166	93	33	294	711	148	267	2,710	654	6,076	191	187	6,454
Special events	-	-	-	-	-	-	-	-	-	-	-	68,711	68,711
Total before depreciation	151,867	12,108	4,290	38,346	92,669	19,341	34,814	353,010	85,186	791,631	24,891	93,096	909,618
Depreciation	6,264	499	177	1,582	3,822	798	1,436	14,559	3,513	32,650	1,027	1,006	34,683
Total	$ 158,131	$ 12,607	$ 4,467	$ 39,928	$ 96,491	$ 20,139	$ 36,250	$ 367,569	$ 88,699	$824,281	$ 25,918	$ 94,102	$ 944,301

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.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase/(decrease) in net assets	$ 361,849	$ 484,912
Adjustments to reconcile increase/(decrease) in net assets to net cash provided (used) by operating activities		
Debt forgiven	(65,000)	(65,000)
Depreciation	34,683	37,049
Net realized and unrealized (gains)/losses on investments	63,773	(48,351)
Equity investment loss	9,847	1,905
Loss on asset disposal	1,562	783
Increase/(decrease) in assets		
Accounts and grants receivable	11,087	(13,587)
Prepaid expenses and other assets	6,685	(1,759)
Increase/(decrease) in liabilities		
Accounts payable	8,228	1,507
Accrued expenses and deferred revenue	(24,139)	16,742
Less transfers of contributions for long term investment	(39,969)	(88,503)
Net cash provided by operating activities	368,606	325,698
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(300,302)	(400,000)
Purchase of equipment	(5,036)	(55,148)
Purchase of investments	(144,454)	(168,229)
Proceeds from sale of investments	73,783	63,860
Net cash (used) by investing activities	(376,009)	(559,517)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions from equity investment	140,902	60,937
Transfers of contributions restricted for long term investment	39,969	88,503
Net cash provided by financing activities	180,871	149,440
Net increase/(decrease) in cash and cash equivalents	173,468	(84,379)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	883,525	967,904
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,056,993	$ 883,525

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, 2018 and 2017

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 2018, 335 families were directly supported, encompassing 786 children, 34 young adults and 432 adults, and an additional 1,091 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 3½ 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 was cancelled during 2018.

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)

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.

Volunteer Program

Volunteers are the heart of the Agency. The Agency has more than 213 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. Individual requirements are dependent upon the assignment.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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

The financial statements of the Agency have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Agency to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Agency's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

(continued)

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

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. During 2018, the remaining real estate properties were sold and the joint venture was liquidated.

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, 2018 or 2017.

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, 2018 was $34,683, and $37,049 for the year ended December 31, 2017.

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. There were no such costs for the year ended December 31, 2018 and $4,166 for the year ended December 31, 2017.

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 based on time and effort.

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 ("FASB") issued Accounting Standard Update ("ASU") No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements in Accounting Standards Codification ("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.

- Financial Statement Presentation

  On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Agency has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017 consists of the following:

	2018	2017
Building and improvements	$ 833,248	$ 830,648
Land and improvements	155,740	155,740
Equipment	74,914	78,626
Furniture and fixtures	36,280	36,943
Total	1,100,182	1,101,957
Less accumulated depreciation	348,779	319,345
Total, net	$ 751,403	$ 782,612

(continued)

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, 2018 and 2017 are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2018			
Mutual funds	$ 216,194	$ 208,712	$ (7,482)
Equities	169,509	186,820	17,311
Corporate and government bonds	142,715	141,949	(766)
Subtotal	528,418	537,481	9,063
Beneficial interest held by another	199,872	201,857	1,985
Total	$ 728,290	$ 739,338	$ 11,048

	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

(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 net assets with donor restrictions on the Agency's financial statements, while earnings on the corpus are classified as net assets with donor restrictions until such time as they are distributed for their intended charitable purpose.

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

	2018	2017
Investment, at fair value, beginning of period	$ 174,199	$ 72,112
Contributions to endowment	39,969	88,503
Dividends and interest	4,414	5,733
Realized gain (loss)	8,585	3,426
Unrealized gain (loss)	(23,481)	5,552
Investment expense	(1,829)	(1,127)
Investment, at fair value, end of period	$ 201,857	$ 174,199

(continued)

3. **INVESTMENTS** (continued)

The following summarizes the return on investments and classifications in the financial statements for the years ending December 31, 2018 and 2017:

	2018	2017
Unrealized gains/(losses) on investments	$ (86,473)	$ 40,661
Realized gain on sale of investments	12,853	7,690
Net realized/unrealized gains/(losses)	(73,620)	48,351
Interest and dividends	53,965	25,425
(Losses)/gains from LLC - Note 5	(9,847)	(1,905)
Net investment gains/(losses)	$ (29,502)	$ 71,871

The rate of return on the investments was approximately (4.05)% for 2018 and 8.17% for 2017.

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, 2018				
Mutual funds	$ 208,712	$ 208,712	$ -	$ -
Equities	186,820	186,820	-	-
Bonds	141,949	141,949	-	-
Subtotal	537,481	537,481	-	-
Beneficial interest	201,857	-	201,857	-
Total	$ 739,338	$ 537,481	$ 201,857	$ -

		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	$ -

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, 2018 and 2017 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 and during 2018, the Agency sold the remaining properties and liquidated the LLC. 50% of Olafson Gift, LLC’s equity totaled $-0- and $150,749, respectively, as of December 31, 2018 and 2017. Olafson Gift, LLC’s net income (loss) for the years ended December 31, 2018 and 2017 was $(9,847) and $(1,905), respectively.

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, 2018 ($65,000 for 2017). The note is collateralized by a first deed of trust, security agreement and assignments of leases and rents on the property. The note payable was fully amortized at the end of 2018.

Long-term debt was as follows at December 31:

	2018	2017
Notes payable	$ -	$ 65,000
Current portion	-	(65,000)
Non-current portion	$ -	$ -

(continued)

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, 2018 are as follows:

Year ending December 31,	
2019	$ 2,846
2020	2,846
2021	2,338
2022	748
Total	$ 8,778

Total rent expense (including taxes) for operating leases was $3,265 for 2018 and $3,067 for 2017.

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, 2018 the Agency had approximately $306,000 of cash and investments in excess of FDIC and SIPC limits.

Revenues

During 2018, the Agency received approximately 34% of its gross revenues from fundraising and special events (46% for the year ended December 31, 2017). The two largest fundraising events accounted for 26% of the Agency's total gross revenues for the year ended December 31, 2018 (38% for the year ended December 31, 2017).

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9. AVAILABILITY AND LIQUIDITY

The following represents the Agency's financial assets at December 31, 2018 and 2017:

	2018	2017
Financial assets at year end:		
Cash and cash equivalents	$ 1,056,993	$ 883,525
Certificates of deposit	827,527	527,225
Accounts receivable	31,202	42,289
Total financial assets	1,915,722	1,453,039
Less amounts not available to be used within one year:		
Net assets with donor restrictions	24,941	42,924
Less net assets with purpose restrictions to be met in less than one year	(24,941)	(42,924)
Perpetual endowment	200,272	160,978
	200,272	60,978
Financial assets available to meet general expenditures over the next twelve months	$ 1,715,450	$ 1,292,061

The Agency's operating reserve policy is generally to maintain financial assets to meet 9 to 12 months of operating expenses (approximately $683,000 to $909,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

10. NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Specific Purpose		
Capital improvements	$ 20,000	$ -
Child and family services	4,941	42,924
	24,941	42,924
Passage of Time		
In perpetuity endowment	200,272	160,978
Total	$ 225,213	$ 203,902

(continued)

11. EMPLOYEE BENEFIT PLAN

During 2018, the Agency adopted a SIMPLE IRA plan. Employees are generally eligible to participate in the plan if they received at least $5,000 in compensation during the plan year. Each year the Agency may elect to make a matching contribution up to 3% or non-elective contributions of 2% of employee compensation. During the year ended December 31, 2018 the Agency contributed $9,603 to the plan.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 28, 2019, the date the financial statements were available to be issued.