

**JESSIE REES FOUNDATION**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2017 and 2016**

*with*

**INDEPENDENT AUDITORS' REPORT THEREON**

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**JESSIE REES FOUNDATION**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Jessie Rees Foundation  
Irvine, California

We have audited the accompanying financial statements of Jessie Rees Foundation (a nonprofit organization), 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jessie Rees Foundation as of December 31, 2017 and 2016, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Wertz & Company, LLP*

WERTZ & COMPANY, LLP

Irvine, California

May 14, 2018

**JESSIE REES FOUNDATION****STATEMENTS OF FINANCIAL POSITION****December 31, 2017 and 2016**

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| <b>ASSETS</b>  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| Current assets:  |                     |                     |
| Cash   | \$ 880,161          | \$ 890,927          |
| Cash restricted to program                               | -                   | 12,174              |
| Contributions receivable                                 | 18,456              | 16,541              |
| Prepaid expenses   | 9,348               | -                   |
| Other current assets                                     | <u>9,421</u>        | <u>54,000</u>       |
| Total current assets                                     | 917,386             | 973,642             |
| Property and equipment, net                              | <u>238,110</u>      | <u>29,561</u>       |
| Total assets   | <u>\$ 1,155,496</u> | <u>\$ 1,003,203</u> |
| <b>LIABILITIES AND NET ASSETS</b>                        |                     |                     |
| Current liabilities:                                     |                     |                     |
| Accounts payable   | \$ 24,400           | \$ 8,820            |
| Accrued expenses   | <u>54,743</u>       | <u>26,205</u>       |
| Total current liabilities                                | 79,143              | 35,025              |
| Net assets:  |                     |                     |
| Without donor restrictions:                              |                     |                     |
| Designated by the Board for strategic growth initiatives | -                   | 62,713              |
| Undesignated   | 1,060,397           | 886,500             |
| With donor restrictions                                  | <u>15,956</u>       | <u>18,965</u>       |
| Total net assets   | <u>1,076,353</u>    | <u>968,178</u>      |
| Total liabilities and net assets                         | <u>\$ 1,155,496</u> | <u>\$ 1,003,203</u> |

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*See accompanying notes to financial statements*

**JESSIE REES FOUNDATION**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2017**

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|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|--|---------------------------------------|------------------------------------|---------------------|
| Revenues and other support:              |                                       |                                    |                     |
| Contributions                            | \$ 3,871,263                          | \$ 18,680                          | \$ 3,889,943        |
| Special events revenue                   | 376,955                               | -                                  | 376,955             |
| Less: costs of direct benefits to donors | (192,679)                             | -                                  | (192,679)           |
| Interest income                          | 5,464                                 | -                                  | 5,464               |
| Net assets released from restrictions    | <u>21,689</u>                         | <u>(21,689)</u>                    | <u>-</u>            |
| Total revenues and other support         | 4,082,692                             | (3,009)                            | 4,079,683           |
| Expenses:                                |                                       |                                    |                     |
| Program services                         | 2,889,475                             | -                                  | 2,889,475           |
| Management and general                   | 580,967                               | -                                  | 580,967             |
| Fundraising                              | <u>501,066</u>                        | <u>-</u>                           | <u>501,066</u>      |
| Total expenses                           | <u>3,971,508</u>                      | <u>-</u>                           | <u>3,971,508</u>    |
| Increase (decrease) in net assets        | 111,184                               | (3,009)                            | 108,175             |
| Net assets at beginning of year          | <u>949,213</u>                        | <u>18,965</u>                      | <u>968,178</u>      |
| Net assets at end of year                | <u>\$ 1,060,397</u>                   | <u>\$ 15,956</u>                   | <u>\$ 1,076,353</u> |

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*See accompanying notes to financial statements*

**JESSIE REES FOUNDATION**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2016**

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|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>      |
|--|---------------------------------------|------------------------------------|-------------------|
| Revenues and other support:              |                                       |                                    |                   |
| Contributions                            | \$ 2,864,213                          | \$ 45,000                          | \$ 2,909,213      |
| Special events revenue                   | 197,888                               | -                                  | 197,888           |
| Less: costs of direct benefits to donors | (123,854)                             | -                                  | (123,854)         |
| Interest income                          | 3,895                                 | -                                  | 3,895             |
| Net assets released from restrictions    | <u>85,657</u>                         | <u>(85,657)</u>                    | <u>-</u>          |
| Total revenues and other support         | 3,027,799                             | (40,657)                           | 2,987,142         |
| Expenses:                                |                                       |                                    |                   |
| Program services                         | 1,812,471                             | -                                  | 1,812,471         |
| Management and general                   | 402,834                               | -                                  | 402,834           |
| Fundraising                              | <u>383,985</u>                        | <u>-</u>                           | <u>383,985</u>    |
| Total expenses                           | <u>2,599,290</u>                      | <u>-</u>                           | <u>2,599,290</u>  |
| Increase (decrease) in net assets        | 428,509                               | (40,657)                           | 387,852           |
| Net assets at beginning of year          | <u>520,704</u>                        | <u>59,622</u>                      | <u>580,326</u>    |
| Net assets at end of year                | <u>\$ 949,213</u>                     | <u>\$ 18,965</u>                   | <u>\$ 968,178</u> |

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*See accompanying notes to financial statements*

**JESSIE REES FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2017**

|  | Program Services        |                        | Supporting Services    |                   | Total Supporting Services | Total Program and Supporting Services |
|--|-------------------------|------------------------|------------------------|-------------------|---------------------------|---------------------------------------|
|  | Encourage Kids/Families | Total Program Services | Management and General | Fundraising       |                           |                                       |
| Advertising and promotion              | \$ 108,947              | \$ 108,947             | \$ -                   | \$ -              | \$ -                      | \$ 108,947                            |
| Bad debt expense                       | -                       | -                      | 15,750                 | -                 | 15,750                    | 15,750                                |
| Bank and merchant charges              | 24,444                  | 24,444                 | 1,082                  | 17,734            | 18,816                    | 43,260                                |
| Conferences, conventions, and meetings | 585                     | 585                    | -                      | 182               | 182                       | 767                                   |
| Depreciation expense                   | 30,067                  | 30,067                 | 6,751                  | -                 | 6,751                     | 36,818                                |
| Donor relations                        | -                       | -                      | -                      | 37,787            | 37,787                    | 37,787                                |
| Dues and subscriptions                 | 915                     | 915                    | 1,444                  | -                 | 1,444                     | 2,359                                 |
| Equipment rental                       | 9,515                   | 9,515                  | -                      | -                 | -                         | 9,515                                 |
| Gifts                                  | 3,500                   | 3,500                  | -                      | -                 | -                         | 3,500                                 |
| Information technology                 | 98,527                  | 98,527                 | -                      | 500               | 500                       | 99,027                                |
| Insurance expense                      | 52,560                  | 52,560                 | 14,310                 | 10,581            | 24,891                    | 77,451                                |
| Legal fees                             | 27,553                  | 27,553                 | 322,819                | -                 | 322,819                   | 350,372                               |
| Licenses and fees                      | 325                     | 325                    | 554                    | 125               | 679                       | 1,004                                 |
| Miscellaneous                          | 10,000                  | 10,000                 | -                      | 2,459             | 2,459                     | 12,459                                |
| Office expense                         | 1,094                   | 1,094                  | 17,338                 | -                 | 17,338                    | 18,432                                |
| Postage and shipping                   | 219,681                 | 219,681                | 98                     | -                 | 98                        | 219,779                               |
| Printing and copying                   | 14,228                  | 14,228                 | -                      | 24,083            | 24,083                    | 38,311                                |
| Professional fees                      | 76,498                  | 76,498                 | 53,099                 | -                 | 53,099                    | 129,597                               |
| Program supplies and expenses          | 1,429,580               | 1,429,580              | -                      | -                 | -                         | 1,429,580                             |
| Rent                                   | 76,734                  | 76,734                 | 32,886                 | -                 | 32,886                    | 109,620                               |
| Repairs and maintenance                | -                       | -                      | 1,139                  | -                 | 1,139                     | 1,139                                 |
| Salaries and payroll taxes             | 561,054                 | 561,054                | 105,696                | 204,404           | 310,100                   | 871,154                               |
| Special event expenses                 | 28,177                  | 28,177                 | -                      | 203,211           | 203,211                   | 231,388                               |
| Telephone and internet                 | 3,988                   | 3,988                  | 8,001                  | -                 | 8,001                     | 11,989                                |
| Travel                                 | 111,503                 | 111,503                | -                      | -                 | -                         | 111,503                               |
|  | <u>\$ 2,889,475</u>     | <u>\$ 2,889,475</u>    | <u>\$ 580,967</u>      | <u>\$ 501,066</u> | <u>\$ 1,082,033</u>       | <u>\$ 3,971,508</u>                   |

*See accompanying notes to financial statements*



JESSIE REES FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

|                               | Program Services           |                           | Supporting Services       |                   | Total<br>Supporting<br>Services | Total Program<br>and Supporting<br>Services |
|-------------------------------|----------------------------|---------------------------|---------------------------|-------------------|---------------------------------|---|
|                               | Encourage<br>Kids/Families | Total Program<br>Services | Management<br>and General | Fundraising       |                                 |   |
| Advertising and promotion     | \$ 18,342                  | \$ 18,342                 | \$ -                      | \$ 3,095          | \$ 3,095                        | \$ 21,437                                   |
| Bank and merchant charges     | 17,283                     | 17,283                    | 30                        | 13,991            | 14,021                          | 31,304                                      |
| Depreciation expense          | -                          | -                         | 11,789                    | -                 | 11,789                          | 11,789                                      |
| Donor relations               | -                          | -                         | -                         | 26,472            | 26,472                          | 26,472                                      |
| Dues and subscriptions        | -                          | -                         | 835                       | 75                | 910                             | 910   |
| Equipment rental              | -                          | -                         | 9,588                     | -                 | 9,588                           | 9,588                                       |
| Gifts                         | 11,300                     | 11,300                    | -                         | -                 | -                               | 11,300                                      |
| Information technology        | 78,117                     | 78,117                    | -                         | 1,000             | 1,000                           | 79,117                                      |
| Insurance expense             | 35,972                     | 35,972                    | 7,371                     | 11,612            | 18,983                          | 54,955                                      |
| Legal fees                    | 19,127                     | 19,127                    | 185,698                   | -                 | 185,698                         | 204,825                                     |
| Licenses and fees             | 750                        | 750                       | 553                       | 75                | 628                             | 1,378                                       |
| Miscellaneous                 | -                          | -                         | -                         | 2,602             | 2,602                           | 2,602                                       |
| Office expense                | 1,730                      | 1,730                     | 7,984                     | 391               | 8,375                           | 10,105                                      |
| Postage and shipping          | 144,723                    | 144,723                   | 280                       | -                 | 280                             | 145,003                                     |
| Printing and copying          | 23,659                     | 23,659                    | -                         | 4,391             | 4,391                           | 28,050                                      |
| Professional fees             | 29,968                     | 29,968                    | 69,073                    | 30,900            | 99,973                          | 129,941                                     |
| Program supplies and expenses | 865,013                    | 865,013                   | -                         | -                 | -                               | 865,013                                     |
| Rent                          | 76,734                     | 76,734                    | 32,886                    | -                 | 32,886                          | 109,620                                     |
| Salaries and payroll taxes    | 415,541                    | 415,541                   | 69,210                    | 152,338           | 221,548                         | 637,089                                     |
| Special event expenses        | 9,901                      | 9,901                     | -                         | 136,731           | 136,731                         | 146,632                                     |
| Telephone and internet        | 1,544                      | 1,544                     | 7,537                     | 312               | 7,849                           | 9,393                                       |
| Travel                        | 62,767                     | 62,767                    | -                         | -                 | -                               | 62,767                                      |
|                               | <u>\$ 1,812,471</u>        | <u>\$ 1,812,471</u>       | <u>\$ 402,834</u>         | <u>\$ 383,985</u> | <u>\$ 786,819</u>               | <u>\$ 2,599,290</u>                         |

See accompanying notes to financial statements

**JESSIE REES FOUNDATION****STATEMENTS OF CASH FLOWS****For the Years Ended December 31, 2017 and 2016**

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|  | <u>2017</u>       | <u>2016</u>       |
|--|-------------------|-------------------|
| Cash flows from operating activities:  |                   |                   |
| Change in net assets   | \$ 108,175        | \$ 387,852        |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                   |                   |
| Depreciation   | 36,818            | 11,789            |
| Changes in operating assets and liabilities:   |                   |                   |
| Contributions receivable   | (1,915)           | (32)              |
| Prepaid expenses   | (9,348)           | 14,258            |
| Other current assets   | 44,579            | (51,613)          |
| Account payable  | 15,580            | 2,092             |
| Accrued expenses   | <u>28,538</u>     | <u>(23,455)</u>   |
| Net cash provided by operating activities  | 222,427           | 340,891           |
| Cash flows from investing activities:  |                   |                   |
| Purchases of property and equipment  | <u>(245,367)</u>  | <u>(3,465)</u>    |
| Net cash used in investing activities  | <u>(245,367)</u>  | <u>(3,465)</u>    |
| Net increase (decrease) in cash  | (22,940)          | 337,426           |
| Cash and restricted cash at beginning of year  | <u>903,101</u>    | <u>565,675</u>    |
| Cash and restricted cash at end of year  | <u>\$ 880,161</u> | <u>\$ 903,101</u> |
| Supplemental disclosures of cash flow information:   |                   |                   |
| Cash paid during the year for interest   | <u>\$ -</u>       | <u>\$ -</u>       |
| Cash paid during the year for income taxes   | <u>\$ -</u>       | <u>\$ -</u>       |

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*See accompanying notes to financial statements*

**NOTE 1 – GENERAL**

Organization and Nature of Operations

Jessie Rees Foundation (“Organization”) was incorporated in Colorado on April 20, 2011 for the purpose of ensuring every child and family impacted by childhood cancer has the support and encouragement to never ever give up. The Organization fulfills their mission by connecting with courageous families, bringing awareness to their stories, providing them helpful resources and sending them continuous doses of encouragement throughout their journey. The Organization is supported primarily through donor contributions. The Organization supports families in the United States and worldwide from their office in Irvine, California.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting whereby revenues are recognized when they are earned, not when cash is received, and expenses are recognized when incurred, not when cash is disbursed.

The Organization classifies its net assets, revenues, gains, expenses, and losses as without donor restrictions or with donor restrictions based on the following criteria:

- Net assets without donor restrictions represent funds available for operations that are not otherwise limited by donor-imposed restrictions.
- Net assets with donor restrictions represent funds subject to specific donor-imposed restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the donor restrictions are satisfied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 materially differ from those estimates.

Fair Value of Financial Instruments

The carrying value of current assets and liabilities approximates their fair value due to the short-term nature of these instruments.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all investments with a maturity of three months or less to be cash equivalents.

Cash in Excess of Insured Limits

At December 31, 2017 and 2016, the Organization had \$593,408 and \$621,443, respectively, held in a bank in excess of the Federal Deposit Insurance Corporation's (FDIC) insurance limit.

Contributions Receivable

Contributions receivable consist of unconditional promises to give and are stated at their estimated realizable value. Management monitors outstanding balances and writes off account balances that it considers uncollectible to an allowance account. The allowance for doubtful accounts was \$0 at both December 31, 2017 and 2016.

Property and Equipment

The Organization capitalizes acquisitions of property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 15 years.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals of a major nature are capitalized. Gains or losses are recognized upon sale or disposal of assets.

Contributions

Contributions are recognized when received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net asset with donor restrictions, depending on the nature of the restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

In-Kind Contributions

The Organization records the value of donated supplies when there is an objective basis available to measure their value. Donated supplies are reflected as contributions revenues in the accompanying statements at their estimated values at the date of receipt.

Contributed Services

The organization recognizes the contribution of services when the services received either create or enhance a nonfinancial asset, or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such contributed services are recorded at fair value at the date of donation.

In addition, the Organization utilizes the services of many volunteers throughout the year, but these services do not meet the criteria for recognition of contributed services. The organization received approximately 26,000 and 10,000 volunteer hours during the years ended December 31, 2017 and 2016, respectively.

Functional Expense Allocation

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are allocated include rent, which is allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2017 and 2016 totaled \$108,947 and \$21,437, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income taxes under Section 23701(d) of the California Bank and Corporation Tax Law. The Organization is not a private foundation.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2014.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Recently Issued Accounting Standards

In 2016, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update 2016-14 (ASU 2016-14), Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update change presentation and disclosure requirements for not-for-profit entities, including qualitative and quantitative requirements in the areas of net asset classes, investment return, expenses, and liquidity and availability of resources. There was no material impact on the Organization’s results of operations or financial condition upon adoption of the new standard.

In 2017, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update 2016-18 (ASU 2016-18), Statement of Cash Flows. The amendments in this update change presentation requirements for the statement of cash flows for not-for-profit entities, including changes in restricted cash as part of the standard statement. There was no material impact on the Organization’s results of operations or financial condition upon adoption of the new standard.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

**NOTE 3 – LIQUIDITY CONSIDERATIONS**

The Organization has \$890,161 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, consisting of cash of \$880,161 and contributions receivable that will result in collections of cash of \$10,000. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable are expected to be collected within one year. The Organization has a policy to structure its financial assets to be available to meet its general expenditures, liabilities, and other obligations as they come due.

**NOTE 4 – CASH**

On occasion, the Organization receives donations restricted for program use. These restricted monies are held in an account separate from the Organization’s other cash accounts. The following is a reconciliation of cash and restricted cash as of December 31, 2017:

|                                | <u>2017</u>       | <u>2016</u>       |
|--------------------------------|-------------------|-------------------|
| Cash                           | \$ 880,161        | \$ 890,927        |
| Restricted cash                | <u>-</u>          | <u>12,174</u>     |
| Total cash and restricted cash | <u>\$ 880,161</u> | <u>\$ 903,101</u> |

**JESSIE REES FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable are as follows at December 31, 2017:

|                                    | <u>2017</u>      | <u>2016</u>      |
|------------------------------------|------------------|------------------|
| Receivable in less than one year   | \$ 11,840        | \$ 16,541        |
| Receivable in one to five years    | 6,616            | -                |
| Receivable in more than five years | <u>-</u>         | <u>-</u>         |
| Total contributions receivable     | <u>\$ 18,456</u> | <u>\$ 16,541</u> |

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

|                               | <u>2017</u>       | <u>2016</u>      |
|-------------------------------|-------------------|------------------|
| Furniture                     | \$ 5,483          | \$ 5,483         |
| Equipment                     | 28,704            | 22,845           |
| Vehicles                      | 65,228            | 28,500           |
| Leasehold improvements        | 12,500            | 12,500           |
| Software                      | <u>202,780</u>    | <u>-</u>         |
|                               | 314,695           | 69,328           |
| Less accumulated depreciation | <u>(76,585)</u>   | <u>(39,767)</u>  |
| Net property and equipment    | <u>\$ 238,110</u> | <u>\$ 29,561</u> |

Depreciation expense for the years ended December 31, 2017 and 2016 was \$36,818 and \$11,789, respectively.

**NOTE 7 – CONTRIBUTED SERVICES**

The organization recognizes contribution revenue for certain services at the fair value of those services. Those services include the following at December 31:

|                            | <u>2017</u>       | <u>2016</u>       |
|----------------------------|-------------------|-------------------|
| Program services:          |                   |                   |
| Legal services             | \$ 23,553         | \$ -              |
| Advertising                | 76,600            | -                 |
| Management and general     |                   |                   |
| Legal services             | <u>312,169</u>    | <u>199,825</u>    |
| Total contributed services | <u>\$ 412,322</u> | <u>\$ 199,825</u> |

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**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Organization leases a facility under an operating lease agreement on a month-to-month basis. The lease calls for monthly rent payments of \$5,000. Additionally, the lessor contributes \$5,000 a month to the Organization, effectively allowing for free use of the facilities by the organization. The total fair value of the use of the facilities for the year ended December 31, 2017 was \$109,620, which is recorded as contribution revenue and rent expense in the statement of activities. The lease terminated in January 2018.

In 2017, the Organization entered into a non-cancelable facility lease commencing in February 2018 and expiring in January 2021. The lease contains provisions for future rent increases.

Estimated future minimum lease payments over the terms of the aforementioned lease is as follows for the years ending December 31:

|      |                   |
|------|-------------------|
| 2018 | \$ 95,000         |
| 2019 | 108,000           |
| 2020 | 113,000           |
| 2021 | <u>9,000</u>      |
|      | <u>\$ 325,000</u> |

**NOTE 9 – SUBSEQUENT EVENTS**

In 2018, the Organization adopted a defined contribution 403(b) benefit plan (the "Plan") for all eligible employees. The Plan permits participants to make contributions up to amounts allowed under federal law. The Plan provides a matching provision at the employer's discretion. Employer contributions vest at the rate of 25% per year after the completion of one year of service and 25% annually thereafter.

Management has evaluated subsequent events through May 14, 2018, which is the date the financial statements were available to be issued.