

SPECIAL LOVE, INC.

Winchester, Virginia

FINANCIAL REPORT

December 31, 2017

Financial Statements

SPECIAL LOVE, INC.

Years Ended December 31, 2017 and 2016

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
EXHIBITS:	
"A" Statements of Financial Position	3
"B" Statements of Activities	4
"C" Statements of Functional Expenses	5-6
"D" Statements of Cash Flows	7
NOTES TO FINANCIAL STATEMENTS	8-18



RUTHERFORD & JOHNSON, P.C.

Certified Public Accountants & Business Advisors

116 Medical Circle
Winchester, Virginia 22601

Independent Auditor's Report

To the Officers and Board of Directors
Special Love, Inc.
Winchester, Virginia 22601

We have audited the accompanying financial statements of Special Love, Inc. (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.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Love, 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.

A handwritten signature in cursive script that reads "Rutherford & Johnson, P.C.".

RUTHERFORD & JOHNSON, P.C.

Winchester, Virginia

July 9, 2018

A S S E T S		December 31,	
		2017	2016
CURRENT ASSETS:			
Cash		\$ 211 353	\$ 233 031
Accounts receivable		2 000	43 797
Prepaid expenses		33 086	19 134
	TOTAL CURRENT ASSETS	<u>246 439</u>	<u>295 962</u>
PROPERTY AND EQUIPMENT:			
Property and equipment, at cost, net of accumulated depreciation and amortization of \$117,610 and \$103,050		27 639	22 390
OTHER ASSETS:			
Other assets		7 198	7 198
Investments		2 242 936	1 975 306
	TOTAL OTHER ASSETS	<u>2 250 134</u>	<u>1 982 504</u>
	TOTAL ASSETS	<u>\$ 2 524 212</u>	<u>\$ 2 300 856</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable		\$ 20 823	\$ 14 381
Accrued wages and payroll liabilities		38	3 186
Deferred revenue		23 190	15 830
Current obligations under capital leases		1 589	-
	TOTAL CURRENT LIABILITIES	<u>45 640</u>	<u>33 397</u>
LONG-TERM LIABILITIES:			
Obligations under capital leases		3 878	-
	TOTAL LONG-TERM LIABILITIES	<u>3 878</u>	<u>-</u>
	TOTAL LIABILITIES	<u>49 518</u>	<u>33 397</u>
NET ASSETS:			
Unrestricted		2 238 691	2 068 584
Temporarily restricted		142 991	106 113
Permanently restricted		93 012	92 762
	TOTAL NET ASSETS	<u>2 474 694</u>	<u>2 267 459</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2 524 212</u>	<u>\$ 2 300 856</u>

(See accompanying Notes to Financial Statements.)

	December 31, 2017				December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
BRASS activity fees and donations	\$ 77 048	\$ 12 063	\$ -	\$ 89 111	\$ 66 498	\$ 19 989	\$ -	\$ 86 487
Camp Fantastic fees and donations	94 787	36 483	-	131 270	84 908	-	-	84 908
Contributed services, materials and stock	225 374	-	-	225 374	185 080	-	-	185 080
Donations - general	341 277	199	250	341 726	310 879	-	350	311 229
Contributions from special events, net of direct costs of \$101,472 and \$87,681	381 778	-	-	381 778	335 762	-	-	335 762
Investment return, net of investment expenses of \$6,268 and \$5,041	198 192	1 357	-	199 549	148 953	-	-	148 953
Weekend fees and donations	25 004	-	-	25 004	71 677	1 659	-	73 336
Other income	1 242	-	-	1 242	376	-	-	376
Net assets released from restrictions	13 224	(13 224)	-	-	290	(290)	-	-
TOTAL SUPPORT AND REVENUE	1 357 926	36 878	250	1 395 054	1 204 423	21 358	350	1 226 131
EXPENSES AND LOSSES:								
Program services	876 078	-	-	876 078	792 766	-	-	792 766
Administration	139 179	-	-	139 179	134 811	-	-	134 811
Fundraising	172 562	-	-	172 562	148 208	-	-	148 208
TOTAL EXPENSES AND LOSSES	1 187 819	-	-	1 187 819	1 075 785	-	-	1 075 785
CHANGES IN NET ASSETS	170 107	36 878	250	207 235	128 638	21 358	350	150 346
NET ASSETS BEGINNING OF YEAR	2 068 584	106 113	92 762	2 267 459	1 939 946	84 755	92 412	2 117 113
NET ASSETS END OF YEAR	\$ 2 238 691	\$ 142 991	\$ 93 012	\$ 2 474 694	\$ 2 068 584	\$ 106 113	\$ 92 762	\$ 2 267 459

(See accompanying Notes to Financial Statements.)

	Year Ended December 31, 2017							
	Camp Fantastic	BRASS Activities	Weekends	Other Activities	Total Program Services	Administration	Fundraising	Total
Salaries	\$ 29 554	\$ 15 894	\$ 48 876	\$ 37 511	\$ 131 835	\$ 58 324	\$ 102 025	\$ 292 184
Benefits	6 506	3 501	10 766	8 263	29 036	12 845	22 473	64 354
Payroll taxes	2 347	1 263	3 884	2 981	10 475	4 633	8 105	23 213
Total Salaries and Related Benefits	38 407	20 658	63 526	48 755	171 346	75 802	132 603	379 751
Accounting and legal fees	-	-	-	-	-	14 013	-	14 013
Advertising	-	-	-	-	-	22	-	22
Contributions	-	-	-	25 000	25 000	-	-	25 000
Depreciation and amortization	1 472	792	2 436	1 870	6 570	2 906	5 084	14 560
Emergency relief fund	-	-	-	20 917	20 917	-	-	20 917
Food and lodging	81 940	63 473	110 256	3 725	259 394	2 973	836	263 203
Insurance	4 078	3 784	5 804	556	14 222	3 826	-	18 048
Interest	-	-	-	-	-	229	-	229
Investment expenses	-	-	-	-	-	6 268	-	6 268
Medical staff	178 185	-	-	-	178 185	-	-	178 185
Office utilities and rent	3 924	2 484	8 215	3 350	17 973	8 617	8 038	34 628
Other	1 225	659	2 027	5 764	9 675	16 931	4 230	30 836
Postage and delivery	1 656	1 056	2 355	2 927	7 994	2 508	1 203	11 705
Printing and copying	378	1 149	9 185	11 109	21 821	464	10 056	32 341
Scholarships	-	-	-	47 326	47 326	-	-	47 326
Supplies	13 858	5 230	9 749	89	28 926	7 547	9 481	45 954
Tickets and special events	9 149	1 768	16 108	460	27 485	-	-	27 485
Transportation	13 811	11 173	14 140	120	39 244	3 341	1 031	43 616
Subtotal	309 676	91 568	180 275	123 213	704 732	69 645	39 959	814 336
Less: Expenses included with revenues	-	-	-	-	-	(6 268)	-	(6 268)
TOTAL FUNCTIONAL EXPENSES	\$ 348 083	\$ 112 226	\$ 243 801	\$ 171 968	\$ 876 078	\$ 139 179	\$ 172 562	\$ 1 187 819

(See accompanying Notes to Financial Statements.)

	Year Ended December 31, 2016							
	Camp Fantastic	BRASS Activities	Weekends	Other Activities	Total Program Services	Administration	Fundraising	Total
Salaries	\$ 22 930	\$ 21 962	\$ 49 937	\$ 29 985	\$ 124 814	\$ 62 740	\$ 87 171	\$ 274 725
Benefits	4 853	4 644	10 567	6 341	26 405	13 275	18 442	58 122
Payroll taxes	1 827	1 748	3 977	2 387	9 939	4 996	6 940	21 875
Total Salaries and Related Benefits	29 610	28 354	64 481	38 713	161 158	81 011	112 553	354 722
Accounting and legal fees	-	-	-	-	-	8 816	-	8 816
Advertising	-	-	-	-	-	-	675	675
Depreciation and amortization	1 768	754	2 814	1 641	6 977	2 501	4 532	14 010
Emergency relief fund	-	-	-	22 913	22 913	-	-	22 913
Food and lodging	72 350	65 766	122 763	3 600	264 479	582	868	265 929
Insurance	4 660	2 866	4 208	388	12 122	4 183	-	16 305
Investment expenses	-	-	-	-	-	5 041	-	5 041
Medical staff	138 556	-	-	-	138 556	-	-	138 556
Office utilities and rent	4 420	2 479	8 511	3 193	18 603	7 424	8 398	34 425
Other	1 047	446	1 667	2 012	5 172	11 115	2 685	18 972
Postage and delivery	2 198	1 520	1 741	3 617	9 076	3 739	5 038	17 853
Printing and copying	658	737	3 973	12 230	17 598	1 810	3 603	23 011
Scholarships	-	-	-	40 875	40 875	-	-	40 875
Supplies	14 291	5 566	6 725	-	26 582	11 333	9 023	46 938
Tickets and special events	10 364	1 954	18 677	430	31 425	-	-	31 425
Transportation	13 091	10 940	13 137	62	37 230	2 297	833	40 360
Subtotal	263 403	93 028	184 216	90 961	631 608	58 841	35 655	726 104
Less: Expenses included with revenues	-	-	-	-	-	(5 041)	-	(5 041)
TOTAL FUNCTIONAL EXPENSES	\$ 293 013	\$ 121 382	\$ 248 697	\$ 129 674	\$ 792 766	\$ 134 811	\$ 148 208	\$ 1 075 785

(See accompanying Notes to Financial Statements.)

SPECIAL LOVE, INC.
Winchester, Virginia

STATEMENTS OF CASH FLOWS

EXHIBIT "D"

	Year Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 207 235	\$ 150 346
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	14 560	14 010
Realized/unrealized gain on sale of investments	(151 356)	(107 063)
(Increase) decrease in assets:		
Accounts receivable	41 797	95
Prepaid expenses	(13 952)	1 646
Increase (decrease) in liabilities:		
Accounts payable	6 442	(669)
Accrued wages	(3 148)	(8 268)
Deferred revenue	7 360	4 820
	<u>108 938</u>	<u>54 917</u>
NET CASH FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(154 787)	(188 782)
Purchase of fixed assets	(13 201)	(612)
Payments on lease payable	(1 141)	-
Proceeds from sales of investments	38 513	120 785
	<u>(130 616)</u>	<u>(68 609)</u>
NET CASH FROM INVESTING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21 678)	(13 692)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>233 031</u>	<u>246 723</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 211 353</u>	<u>\$ 233 031</u>

(See accompanying Notes to Financial Statements.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of the Organization

The Organization enriches the lives of children with cancer by providing quality programs, such as Camp Fantastic and BRASS Camp, where patients and their families can enjoy normal camping activities and develop a network of support in their fight against cancer. The camping programs are open to anyone in the United States. Primarily, the participants come from Virginia, Maryland and the District of Columbia. The Organization also provides emergency financial relief to camp families, as well as scholarships toward post-secondary education for past and present young adult campers.

The accounting policies of the Organization are the principles of accounting and the methods of applying those principles which the Board feels are most appropriate in preparing their financial report. The policies adopted can significantly affect the Organization's reported results of operations. To facilitate an understanding of the data presented in the financial statements, the significant accounting policies are summarized below.

Basis of Accounting

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

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.

Cash and Cash Equivalents

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

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Financial Statement Presentations

The Organization reports information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Unrestricted Net Assets

Unrestricted net assets include unrestricted resources, which represent the portion of funds that are available for the operating objectives of the Organization. Board-designated net assets represent amounts the Organization has set aside for a specific purpose.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.” Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized.

Permanently Restricted Net Assets

Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

Fair Value Measurements

FASB ASC 820-10 regarding fair value measurements clarifies the definition of fair value for financial reporting and established three-tier hierarchy as a framework for measuring fair value, which requires an entity to give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when measuring fair value. The standard also requires additional disclosure about the use of fair value measurements.

Fair value is defined as the price to sell an asset or transfer a liability between market participants as of the measurement date. The three levels of the fair value hierarchy under this standard are as follows:

- Level 1 – Inputs are unadjusted quoted prices for identical instruments in active markets.
- Level 2 – Inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable, such as quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets.
- Level 3 – Inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from techniques in which one or more significant value drivers are observable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Functional Expenses

Expenses are charged to program, administration or fundraising in general categories based on specific identification. Indirect expenses have been allocated based on salary expenditure.

Property and Equipment

The Organization capitalizes equipment expenditures in excess of \$500. Property and equipment are stated at cost or fair value at the date of gift. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Donated Material, Equipment and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Organization receives the services of medical professionals which are recorded at their fair market value. The value of contributed services not meeting the requirement for recognition in the financial statements has not been recorded. A substantial number of volunteers donate significant amounts of their time in the Organization's program and supporting services.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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 as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Generally, the Organization's tax returns remain open for three years for federal income tax examinations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Advertising

The Organization expenses the cost of advertising as incurred.

2. CASH CONCENTRATIONS:

The Organization maintains its cash accounts at financial institutions in Virginia, which are insured by the FDIC up to \$250,000 per institution. At December 31, 2017 and 2016, the cash balances did not exceed FDIC coverage.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	2017	2016	Depreciable Lives
Vehicles	\$ 20 010	\$ 20 010	5 years
Office equipment	77 239	57 430	5-10 years
Promotional videos	48 000	48 000	5 years
	145 249	125 440	
Less: accumulated depreciation and amortization	<u>(117 610)</u>	<u>(103 050)</u>	
Net Property and Equipment	<u>\$ 27 639</u>	<u>\$ 22 390</u>	

Depreciation expense was \$14,560 and \$14,010 for the years ended December 31, 2017 and 2016, respectively.

4. INVESTMENTS:

Investments consist primarily of money market funds, mutual funds, bond funds and equity funds reported at fair value as follows:

	December 31, 2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash management fund	\$ 36 308	\$ 36 308	\$ -
Bond funds	1 091 904	1 092 244	340
Equity funds	767 763	1 114 384	346 621
	<u>\$ 1 895 975</u>	<u>\$ 2 242 936</u>	<u>\$ 346 961</u>

4. INVESTMENTS: (Continued)

	December 31, 2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash management fund	\$ 10 189	\$ 10 189	\$ -
Bond funds	1 010 207	1 007 802	(2 405)
Equity funds	750 159	957 315	207 156
	<u>\$ 1 770 555</u>	<u>\$ 1 975 306</u>	<u>\$ 204 751</u>

The fair value of all available for sale marketable securities has been measured on a recurring basis using Level 1 inputs.

Investments of \$2,134,755 and \$1,868,683 as of December 31, 2017 and 2016, respectively, represent board designated amounts set aside in prior years for the purpose of establishing a board designated general endowment fund to support the mission of the Organization. Investments of \$93,012 and \$92,762 as of December 31, 2017 and 2016, respectively, represent the Organization's permanently restricted donor designated endowment fund. The remainder of investments, which is \$15,218 and \$13,861 as of December 31, 2017 and 2016, respectively, is the temporarily restricted earnings of the donor designated endowment fund that have not yet been appropriated for expenditure by the board.

Investment return consists of the following:

	December 31, 2017		
	Unrestricted	Temporarily Restricted	Total
Dividend income	\$ 52 392	\$ 2 069	\$ 54 461
Fees	(5 945)	(323)	(6 268)
Investment Earnings	46 447	1 746	48 193
Net realized and unrealized gains	151 105	251	151 356
Investment Return before Appropriations	197 552	1 997	199 549
Appropriations	640	(640)	-
Total Investment Return	<u>\$ 198 192</u>	<u>\$ 1 357</u>	<u>\$ 199 549</u>

4. INVESTMENTS: (Continued)

	December 31, 2016		
	Unrestricted	Temporarily Restricted	Total
Dividend income	\$ 44 922	\$ 2 009	\$ 46 931
Fees	(4 718)	(323)	(5 041)
Investment Earnings	40 204	1 686	41 890
Net realized and unrealized gains	106 903	160	107 063
Total Investment Return	<u>\$ 147 107</u>	<u>\$ 1 846</u>	<u>\$ 148 953</u>

Expenses related to investment revenues, including custodial fees and investment advisory fees, are netted against investment revenues in the accompanying Statements of Activities. For the years ending December 31, 2017 and 2016, the fees were \$6,268 and \$5,041.

5. NET ASSETS:

Unrestricted Net Assets

A portion of the unrestricted net assets has been designated by the Board of Directors to be used as a general endowment. Designations are voluntary, board-approved segregations of unrestricted net assets for specific purposes and are used as an aid in planning future expenditures. Information regarding the components of unrestricted net assets is as follows:

	2017	2016
Board designated endowment fund	\$ 2 134 755	\$ 1 868 683
Unrestricted net assets	103 936	199 901
Total Unrestricted Net Assets	<u>\$ 2 238 691</u>	<u>\$ 2 068 584</u>

5. NET ASSETS: (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	December 31, 2017			
	Beginning Restricted	Total Contributions	Restrictions Satisfied	Ending Restricted
Camp Fantastic	\$ 19 034	\$ 130 270	\$ (93 787)	\$ 55 517
BRASS Camp	59 995	87 436	(75 373)	72 058
Weekends	13 224	3 310	(16 534)	-
Emergency Fund	-	1 500	(1 500)	-
Holiday Party	-	3 500	(3 500)	-
Circus Night	-	250	(51)	199
Scholarship Fund	-	18 494	(18 494)	-
Robinson A/C Project	-	14 622	(14 622)	-
Donor Designated Endowment	13 860	1 357	-	15 217
	<u>\$ 106 113</u>	<u>\$ 260 739</u>	<u>\$ (223 861)</u>	<u>\$ 142 991</u>

	December 31, 2016			
	Beginning Restricted	Total Contributions	Restrictions Satisfied	Ending Restricted
Camp Fantastic	\$ 20 640	\$ 83 758	\$ (85 364)	\$ 19 034
BRASS Camp	51 571	84 412	(75 988)	59 995
Weekends	-	54 222	(40 998)	13 224
Emergency Fund	-	1 235	(1 235)	-
Holiday Party	-	3 000	(3 000)	-
Circus Night	-	386	(386)	-
Scholarship Fund	-	900	(900)	-
Donor Designated Endowment	12 544	1 316	-	13 860
	<u>\$ 84 755</u>	<u>\$ 229 229</u>	<u>\$ (207 871)</u>	<u>\$ 106 113</u>

Permanently Restricted Net Assets:

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Organization's general activities. At December 31, 2017 and 2016, there was \$93,012 and \$92,762 of permanently restricted net assets, respectively.

6. ENDOWMENT FUNDS:

The Organization's endowment is to be held indefinitely, and the income from the assets can be used to support the Organization's general activities. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by that standard. In accordance with that standard, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Adoption of UPMIFA

The Commonwealth of Virginia enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors has determined that the majority of the Organization's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to preserve the real value of current and subsequently acquired assets and to provide flow of funds for operating expenses. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. The investment strategy for the endowment funds is balanced – stock/fixed income ratio of 60/40. This strategy allows for capital preservation while concurrently maximizing fund growth. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Actual returns in any given year may vary from this amount.

6. ENDOWMENT FUNDS: (Continued)

Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its endowment fund, if needed to sustain the operations of the Organization. If a distribution is not needed, the Organization does not draw on its endowment fund.

Endowment net asset composition by type of fund is as follows:

	December 31, 2017			Total Net Endowment Assets
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 15 218	\$ 93 012	\$ 108 230
Board-designated endowment funds	2 134 755	-	-	2 134 755
Total Funds	\$ 2 134 755	\$ 15 218	\$ 93 012	\$ 2 242 985

	December 31, 2016			Total Net Endowment Assets
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 13 861	\$ 92 762	\$ 106 623
Board-designated endowment funds	1 868 683	-	-	1 868 683
Total Funds	\$ 1 868 683	\$ 13 861	\$ 92 762	\$ 1 975 306

Changes in endowment net assets are as follows:

	December 31, 2017			Total Net Endowment Assets
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 1 868 683	\$ 13 861	\$ 92 762	\$ 1 975 306
Contributions	8 520	-	250	8 770
Investment income	52 392	2 069	-	54 461
Fees	(5 945)	(323)	-	(6 268)
Net appreciation (realized and unrealized)	151 105	251	-	151 356
Net transfers	60 000	(640)	-	59 360
Endowment Net Assets, End of Year	\$ 2 134 755	\$ 15 218	\$ 93 012	\$ 2 242 985

6. ENDOWMENT FUNDS: (Continued)

	December 31, 2016			Total Net Endowment Assets
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 1 695 290	\$ 12 544	\$ 92 412	\$ 1 800 246
Contributions	11 286	-	350	11 636
Investment income	44 922	2 009	-	46 931
Fees	(4 718)	(323)	-	(5 041)
Net appreciation (realized and unrealized)	106 903	160	-	107 063
Net transfers	15 000	(529)	-	14 471
Endowment Net Assets, End of Year	<u>\$ 1 868 683</u>	<u>\$ 13 861</u>	<u>\$ 92 762</u>	<u>\$ 1 975 306</u>

7. IN-KIND CONTRIBUTIONS:

The Organization recognized in-kind contributions summarized as follows:

	2017	2016
Medical staff at Camp Fantastic	\$ 153 066	\$ 110 162
Use of medical supplies and equipment at Camp Fantastic	25 119	28 394
Supplies, transportation, meals and other services provided at Organization events	42 189	46 524
Vehicle donation	5 000	-
	<u>\$ 225 374</u>	<u>\$ 185 080</u>

8. RETIREMENT BENEFITS:

The Organization maintains a contributory defined contribution pension plan which provides for retirement benefits. Employees are fully vested upon entering the plan.

Total retirement expense was \$9,187 and \$8,945 for the years ended December 31, 2017 and 2016, respectively.

9. LEASES:

Operating Lease

The Organization leases office space for its main office under a one-year operating lease that expires December 2018. The monthly rental was \$1,039 during the year ended December 31, 2017. The monthly rent remains at \$1,039 for the year ending December 2018. The future minimum lease payments for 2018 are \$12,470.

Capital Lease

The Organization entered into a capital lease agreement during April 2017 for the purchase of a copier. The lease calls for 48 monthly payments of \$152 per month for 48 months, at which time the copier can be purchased at a bargain purchase price.

The future minimum payments due under this lease are as follows:

2018	\$	1 589
2019		1 670
2020		1 756
2021		<u>452</u>
Total	\$	<u>5 467</u>

10. SUPPLEMENTAL CASH FLOWS:

Capital lease obligation incurred for purchase of equipment	\$	<u>6 808</u>
---	----	--------------

11. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through the date which the financial statements were available to be issued.