

Ryan House

Financial Statements  
and  
Independent Auditors' Report

Year Ended September 30, 2018  
(with comparative totals for 2017)

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## Independent Auditors' Report

To the Board of Directors of  
Ryan House  
Phoenix, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Ryan House (a nonprofit Organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Ryan House as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Ryan House's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Fester & Chapman, PLLC*

February 18, 2019

RYAN HOUSE  
STATEMENT OF FINANCIAL POSITION  
September 30, 2018  
(with comparative financial information as of September 30, 2017)

|                                       | 2018         | 2017         |
|---------------------------------------|--------------|--------------|
| ASSETS                                |              |              |
| Current assets:                       |              |              |
| Cash                                  | \$ 756,945   | \$ 247,448   |
| Pledges receivable, net               | 152,700      | 417,498      |
| Investments                           | 3,687,136    | 3,959,443    |
| Prepaid expenses                      | 18,198       | 43,506       |
| Total current assets                  | 4,614,979    | 4,667,895    |
| Property and equipment, net           | 156,931      | 155,758      |
| Pledges receivable                    | 30,000       | 40,000       |
| Total assets                          | \$ 4,801,910 | \$ 4,863,653 |
| LIABILITIES AND NET ASSETS            |              |              |
| Current liabilities:                  |              |              |
| Accounts payable and accrued expenses | \$ 32,251    | \$ 44,968    |
| Due to related party                  | 427,489      | 413,382      |
| Deferred revenue                      | 8,010        | -            |
| Total current liabilities             | 467,750      | 458,350      |
| Net assets:                           |              |              |
| Unrestricted                          | 3,592,274    | 3,598,644    |
| Board designated                      | 287,543      | 269,337      |
| Total unrestricted net assets         | 3,879,817    | 3,867,981    |
| Temporarily restricted                | 454,343      | 537,322      |
| Total net assets                      | 4,334,160    | 4,405,303    |
| Total liabilities and net assets      | \$ 4,801,910 | \$ 4,863,653 |

The accompanying notes are an integral part of these statements.

RYAN HOUSE  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2018  
(with comparative financial information for the year ended September 30, 2017)

|  | 2018                |                           |                     | 2017                |
|--|---------------------|---------------------------|---------------------|---------------------|
|  | Unrestricted        | Temporarily<br>Restricted | Totals              |                     |
| Support and revenue:                     |                     |                           |                     |                     |
| Contributions and grants                 | \$ 1,287,160        | \$ 476,650                | \$ 1,763,810        | \$ 1,784,683        |
| In-kind contributions                    | 591,595             | -                         | 591,595             | 518,004             |
| Government grants                        | 40,000              | -                         | 40,000              | 42,803              |
| Interest and dividends, net of fees      | 88,676              | -                         | 88,676              | 81,401              |
| Net gain on investments                  | 40,278              | -                         | 40,278              | 210,755             |
| Net assets released from restrictions    | <u>559,629</u>      | <u>(559,629)</u>          | <u>-</u>            | <u>-</u>            |
|  | <u>2,607,338</u>    | <u>(82,979)</u>           | <u>2,524,359</u>    | <u>2,637,646</u>    |
| Special event revenue                    | 533,485             | -                         | 533,485             | 637,183             |
| Less: Costs of direct benefits to donors | <u>(71,627)</u>     | <u>-</u>                  | <u>(71,627)</u>     | <u>(58,323)</u>     |
| Net revenues from special events         | <u>461,858</u>      | <u>-</u>                  | <u>461,858</u>      | <u>578,860</u>      |
| Total support and revenue                | <u>3,069,196</u>    | <u>(82,979)</u>           | <u>2,986,217</u>    | <u>3,216,506</u>    |
| Expenses:                                |                     |                           |                     |                     |
| Program services                         | 2,334,364           | -                         | 2,334,364           | 2,170,074           |
| Supporting services:                     |                     |                           |                     |                     |
| Management and general                   | 275,329             | -                         | 275,329             | 377,957             |
| Fundraising                              | <u>447,667</u>      | <u>-</u>                  | <u>447,667</u>      | <u>519,209</u>      |
| Total supporting services                | <u>722,996</u>      | <u>-</u>                  | <u>722,996</u>      | <u>897,166</u>      |
| Total expenses                           | <u>3,057,360</u>    | <u>-</u>                  | <u>3,057,360</u>    | <u>3,067,240</u>    |
| Change in net assets                     | 11,836              | (82,979)                  | (71,143)            | 149,266             |
| Net assets, beginning of year            | <u>3,867,981</u>    | <u>537,322</u>            | <u>4,405,303</u>    | <u>4,256,037</u>    |
| Net assets, end of year                  | <u>\$ 3,879,817</u> | <u>\$ 454,343</u>         | <u>\$ 4,334,160</u> | <u>\$ 4,405,303</u> |

The accompanying notes are an integral part of these statements.

RYAN HOUSE  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2018  
(with comparative financial information for the year ended September 30, 2017)

|   | 2018                |                           |                   |                                 |                     | 2017                |
|---|---------------------|---------------------------|-------------------|---------------------------------|---------------------|---------------------|
|   | Supporting Services |                           |                   | Total<br>Supporting<br>Services | Total               |                     |
|   | Program<br>Services | Management and<br>General | Fundraising       |                                 |                     |                     |
| Payroll and related                                 | \$ 1,293,676        | \$ 124,299                | \$ 186,797        | \$ 311,096                      | \$ 1,604,772        | \$ 1,723,643        |
| Office supplies and equipment                       | 10,368              | 3,445                     | 15,584            | 19,029                          | 29,397              | 39,217              |
| Technology  | 6,569               | 694                       | 17,349            | 18,043                          | 24,612              | 14,556              |
| Board expenses                                      | -                   | 1,547                     | -                 | 1,547                           | 1,547               | 10,177              |
| Insurance   | 8,061               | 4,134                     | 438               | 4,572                           | 12,633              | 10,843              |
| Banking and credit card fees                        | -                   | 1,578                     | 16,908            | 18,486                          | 18,486              | 19,147              |
| Consulting and contract labor                       | 39,000              | 22,296                    | 98,775            | 121,071                         | 160,071             | 106,665             |
| Accounting fees                                     | -                   | 41,491                    | -                 | 41,491                          | 41,491              | 39,812              |
| Legal fees  | -                   | 16,372                    | -                 | 16,372                          | 16,372              | 98,127              |
| Child care and life enhancement program             | 16,845              | -                         | -                 | -                               | 16,845              | 28,334              |
| Facility, utilities and maintenance                 | 106,795             | 3,732                     | 5,600             | 9,332                           | 116,127             | 120,289             |
| Hospice of the Valley - Facility in-kind            | 241,040             | 7,860                     | 13,100            | 20,960                          | 262,000             | 90,000              |
| Hospice of the Valley - Support services            | 72,573              | 13,315                    | 4,112             | 17,427                          | 90,000              | 90,000              |
| Hospice of the Valley - Support services<br>in-kind | 108,054             | 19,825                    | 6,121             | 25,946                          | 134,000             | 66,000              |
| Events  | 106,836             | -                         | 42,194            | 42,194                          | 149,030             | 147,339             |
| Events in-kind                                      | 124,500             | -                         | 6,958             | 6,958                           | 131,458             | 322,566             |
| Marketing and collateral                            | 33,079              | 1,373                     | 8,910             | 10,283                          | 43,362              | 8,702               |
| Donor cultivation                                   | 377                 | -                         | 1,661             | 1,661                           | 2,038               | 2,403               |
| Community relations                                 | 1,124               | 804                       | 2,326             | 3,130                           | 4,254               | 9,519               |
| Contributions to non-profit organizations           | 100,000             | 75                        | -                 | 75                              | 100,075             | 2,440               |
| Other in-kind                                       | 35,993              | 12,000                    | 4,903             | 16,903                          | 52,896              | 39,438              |
| Bad debt expense                                    | -                   | -                         | 7,722             | 7,722                           | 7,722               | 23,091              |
| Depreciation  | 29,474              | 489                       | 8,209             | 8,698                           | 38,172              | 54,932              |
|   | <u>\$ 2,334,364</u> | <u>\$ 275,329</u>         | <u>\$ 447,667</u> | <u>\$ 722,996</u>               | <u>\$ 3,057,360</u> | <u>\$ 3,067,240</u> |

The accompanying notes are an integral part of these statements.

RYAN HOUSE  
STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2018  
(with comparative financial information for the year ended September 30, 2017)

|   | 2018              | 2017              |
|---|-------------------|-------------------|
| Cash flows from operating activities:   |                   |                   |
| Change in net assets  | \$ (71,143)       | \$ 149,266        |
| Adjustments to reconcile change in net assets to<br>net cash provided (used) by operating activities: |                   |                   |
| Depreciation  | 38,172            | 54,932            |
| Realized gains on investments   | (89,463)          | (25,313)          |
| Unrealized loss (gain) on investments   | 49,185            | (185,442)         |
| (Increase) decrease in:   |                   |                   |
| Pledges receivable, net   | 274,798           | (296,298)         |
| Grants receivable   | -                 | 25,509            |
| Prepaid expenses  | 25,308            | (30,006)          |
| Increase (decrease) in:   |                   |                   |
| Accounts payable and accrued expenses   | (12,717)          | 9,251             |
| Due to related party  | 14,107            | 108,898           |
| Deferred revenue  | <u>8,010</u>      | <u>(5,000)</u>    |
| Net cash provided (used) by operating activities  | <u>236,257</u>    | <u>(194,203)</u>  |
| Cash flows from investing activities:   |                   |                   |
| Purchases of investments  | (771,161)         | (3,267,573)       |
| Proceeds from sales of investments  | 1,083,746         | 3,194,362         |
| Purchases of property and equipment   | <u>(39,345)</u>   | <u>(43,151)</u>   |
| Net cash provided (used) by investing activities  | <u>273,240</u>    | <u>(116,362)</u>  |
| Change in cash  | 509,497           | (310,565)         |
| Cash, beginning of year   | <u>247,448</u>    | <u>558,013</u>    |
| Cash, end of year   | <u>\$ 756,945</u> | <u>\$ 247,448</u> |

The accompanying notes are an integral part of these statements.

RYAN HOUSE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

(with comparative financial information as of and for the year ended September 30, 2017)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ryan House (the Organization) is a nonprofit 501(c)(3) organization incorporated in Arizona. The Organization's mission is to provide essential care in a home-like setting where families of children with life-limiting conditions come for respite and, as needed, end-of-life care. All services at Ryan House are guided by the principles of palliative care. This philosophy of comfort care addresses not only physical pain but also the emotional, spiritual and social needs of the child and family. This enlightened approach to care is of critical importance, beginning at diagnosis and continuing throughout the entire course of a child's life and beyond. The Organization is primarily supported by public contributions from individuals, corporations, foundations, and community organizations.

Ryan House operates the freestanding palliative care home facility to provide respite and pediatric hospice support and comfort care for children with life-limiting conditions and their families. The Organization serves as a source of comfort, ease, quiet, strength and courage. The facility is designed to be fully accessible, providing for all types of mobility and ability without the use of ramps and lifts. The Organization, in partnership with Hospice of the Valley (see Note 8), employs a team of nurses, therapists, and other highly skilled professional caregivers, led by medical doctors and professional health care providers. Each child is provided with a specialized program of care designed by his or her personal physician and parents.

Ryan House operates exclusively on fundraised revenue and in-kind support from Hospice of the Valley and other donors, and a small governmental contract. Ryan House does not charge families for services provided. Ryan House has made significant investments in building its fundraising capacity in order to sustain revenue and operations long-term. The Board of Directors is committed to this fundraising strategy that diversifies Ryan House's donor base and allows for programmatic improvements and growth over time.

The significant accounting policies of the Organization follow:

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this method of accounting, revenue and expenses are identified with specific periods of time and are recorded as earned and incurred, respectively, without regard to the date of receipt or payment.

Financial Statement Presentation: The financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - Net assets which are not subject to any donor imposed stipulations. Restricted net assets received and expended in the same year are classified as unrestricted.

RYAN HOUSE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

(with comparative financial information as of and for the year ended September 30, 2017)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
Continued

Revenues are reported as increases in unrestricted net assets unless use of the related assets are limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e. the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Board Designated Net Assets - The Board of Directors has designated certain funds to be set aside as board designated net assets for accumulation of reserve funds for future use and/or to accumulate funds to generate earnings to support the operations of the Organization. Earnings on these set aside funds are included in board designated net assets.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes. The Organization had no permanently restricted net assets at September 30, 2018 or 2017.

Use of Estimates: In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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: The Organization may at times maintain cash at financial institutions in excess of the maximum amount insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

RYAN HOUSE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

(with comparative financial information as of and for the year ended September 30, 2017)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
Continued

Pledges Receivable: Pledges receivable are stated at net present value of expected cash flows, less an allowance for doubtful accounts, as deemed necessary, and are recognized as contribution revenue in the year the unconditional promise to give is made. The Organization provides for losses on receivables using the allowance method. The allowance is based on experience, knowledge of the donor or grantor, the industry and other circumstances which may affect the ability of donors or grantors to meet their obligations. It is the Organization's policy to charge off uncollectible pledges receivable when management determines the receivable will not be collected.

Grants Receivable: The Organization recognizes grant revenue when eligible costs are incurred or the required services are performed. Grants receivable are recorded when grants and contract expenses are incurred or contract services have been provided, but reimbursement has not been received by the Organization.

Investments: The Organization holds certain operational funds in investments with readily determinable fair values. Investments in certificates of deposit, equity securities, and mutual funds are recorded at their estimated fair value based on quoted market prices in the Statement of Financial Position. See Note 3 regarding the fair value measurements of investments. The Organization holds certain cash and cash equivalents as part of its investment portfolio. Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

Property and Equipment: Property and equipment are stated at cost, or at their estimated fair value at the date of donation. Property and equipment costing \$1,000 or more is capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

|                          |  |
|--------------------------|--|
| Furniture and fixtures   | 7 years  |
| Computers and technology | 5 years  |
| Website                  | 3 years  |
| Leasehold improvements   | Lesser of the estimated useful life<br>or remaining lease term |

Property and equipment also includes the rights to a book, which the Organization sells to promote its mission. The book is stated at the cost of amounts paid to professional writers to develop it, and as the estimated useful life of the book is not determinable, the cost is not being amortized.

RYAN HOUSE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

(with comparative financial information as of and for the year ended September 30, 2017)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
Continued

In-kind Contributions/Expenses: Use of donated facilities, goods and services are recorded at their estimated fair value at the date of donation. Donated services are recognized in the financial statements at their estimated fair value if the following criteria are met:

- i) The services require specialized skills and the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated, or
- ii) The services enhance or create an asset.

The Organization also received numerous hours of donated services by volunteers committed to the Organization's mission. The fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under GAAP.

Income Taxes: The Organization is exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose of restriction is accomplished) in the reporting period in which the revenue is recognized.

Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities, and allocated among the programs and supporting services benefited in the Statement of Functional Expenses.

Organization Personnel: The Organization's personnel are employees of Hospice of the Valley and are subject to all rules and regulations of Hospice of the Valley. In addition, Hospice of the Valley provides all payroll administration and human resource functions for these employees. The Organization reimburses Hospice of the Valley for personnel costs associated with employees of the Organization.

Reclassifications: Certain amounts in the 2017 financial statements have been reclassified to conform to the presentation of the 2018 financial statements.

Prior Year Summarized Information: The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

RYAN HOUSE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

(with comparative financial information as of and for the year ended September 30, 2017)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
Continued

Subsequent Events: Subsequent events have been evaluated through February 18, 2019, which was the date the Organization's financial statements were issued. Management has concluded that no events have occurred since the year ended September 30, 2018 that would require an adjustment to, or disclosure in, the financial statements.

NOTE 2 - PLEDGES RECEIVABLE, NET

Unconditional promises to give are recorded as pledges receivable and revenue is recognized when the promise is made by the donor. The Organization's pledges receivable are due as follows at September 30:

|                                     | 2018       | 2017       |
|-------------------------------------|------------|------------|
| Receivable in less than one year    | \$ 152,700 | \$ 434,695 |
| Receivable in one to five years     | 30,000     | 40,000     |
|                                     | 182,700    | 474,695    |
| Less:                               |            |            |
| Allowance for uncollectible pledges | -          | (20,000)   |
|                                     | \$ 182,700 | \$ 454,695 |

At September 30, 2018, 90% of the Organization's pledges were due from two donors and at September 30, 2017, 54% of the Organization's pledges were due from two donors.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value measurements are determined based on assumptions that market participants would use in pricing assets and liabilities. GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions and the Organization's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources; while unobservable inputs are the Organization's own assumptions about what market participants would assume based on the best information available in the circumstance.

*Level 1 inputs* – A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value.

*Level 2 inputs* – These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1.

*Level 3 inputs* – These inputs are unobservable and are used to measure fair value only when observable inputs are not available. The Organization does not currently have any investments valued based on Level 3 inputs.

RYAN HOUSE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

(with comparative financial information as of and for the year ended September 30, 2017)

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

The Organization's investments and their fair value hierarchy consisted of the following at September 30:

|                                     | <u>2018</u>         | <u>2017</u>         |
|-------------------------------------|---------------------|---------------------|
| Level 1 inputs:                     |                     |                     |
| Cash equivalents                    | \$ 11,570           | \$ 97,154           |
| Fixed Income:                       |                     |                     |
| Corporate bonds                     | 309,873             | 304,284             |
| Municipal bonds                     | 1,568,143           | 1,666,428           |
| Mutual funds:                       |                     |                     |
| Domestic core equities              | 683,742             | 749,439             |
| Emerging market core equities       | 110,344             | 118,410             |
| Domestic real estate equities       | 141,080             | 147,170             |
| Global moderate allocation equities | 287,543             | 269,337             |
| International core equities         | <u>449,836</u>      | <u>482,081</u>      |
| Total Level 1 inputs                | <u>3,562,131</u>    | <u>3,834,303</u>    |
| Level 2 inputs:                     |                     |                     |
| Certificates of deposit             | <u>125,005</u>      | <u>125,140</u>      |
| Total Level 2 inputs                | <u>125,005</u>      | <u>125,140</u>      |
| Total investments                   | <u>\$ 3,687,136</u> | <u>\$ 3,959,443</u> |

The Organization's investments are covered in limited amounts by Securities Investor Protection Corporation (SIPC). The Organization has not experienced material losses in such accounts and management believes it is not exposed to significant credit risks. Although management is not aware of any factors that would significantly affect the estimated fair value amounts of the Organization's investments, current estimates of fair value may differ significantly from the amounts presented in these financial statements.

The Organization's interest and dividends are presented in the Statement of Activities net of investment fees of \$19,249 and \$18,946 for the years ended September 30, 2018 and 2017, respectively. The Organization's gains on investments included the following for the years ended September 30:

|                                | <u>2018</u>      | <u>2017</u>       |
|--------------------------------|------------------|-------------------|
| Realized gains                 | \$ 89,463        | \$ 25,313         |
| Unrealized (loss) gain         | <u>(49,185)</u>  | <u>185,442</u>    |
| Total net gains on investments | <u>\$ 40,278</u> | <u>\$ 210,755</u> |

RYAN HOUSE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

(with comparative financial information as of and for the year ended September 30, 2017)

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at September 30:

|                          | <u>2018</u>              | <u>2017</u>              |
|--------------------------|--------------------------|--------------------------|
| Furniture and fixtures   | \$ 449,525               | \$ 441,829               |
| Computers and technology | 78,142                   | 72,650                   |
| Website                  | 53,157                   | 27,000                   |
| Book                     | 34,203                   | 34,203                   |
| Leasehold improvements   | <u>124,494</u>           | <u>124,494</u>           |
|                          | 739,521                  | 700,176                  |
| Accumulated depreciation | <u>(582,590)</u>         | <u>(544,418)</u>         |
|                          | <u><u>\$ 156,931</u></u> | <u><u>\$ 155,758</u></u> |

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30:

|   | <u>2018</u>              | <u>2017</u>              |
|---|--------------------------|--------------------------|
| Time restricted                             | \$ 182,700               | \$ 344,696               |
| Electronic medical records (EMR) & outreach | -                        | 130,000                  |
| Treasured Memories project                  | 1,815                    | 28,721                   |
| Story of Me Room                            | 40,030                   | 33,905                   |
| Food for house                              | 2,298                    | -                        |
| Storage unit                                | 100,000                  | -                        |
| Living room remodel                         | 100,000                  | -                        |
| Aquatics program                            | <u>27,500</u>            | <u>-</u>                 |
|   | <u><u>\$ 454,343</u></u> | <u><u>\$ 537,322</u></u> |

NOTE 6 - RELEASED FROM RESTRICTIONS

Net assets were released from time and purpose restrictions as follows for the years ended September 30:

|  | <u>2018</u>              | <u>2017</u>              |
|--|--------------------------|--------------------------|
| Electronic medical records (EMR) & outreach                        | \$ 130,000               | \$ -                     |
| Treasured Memories project   | 59,406                   | 3,779                    |
| Story of Me Room   | 18,875                   | -                        |
| Food for house   | 3,702                    | -                        |
| Child Life Program   | -                        | 208,500                  |
| Release of time restrictions                                       | <u>347,646</u>           | <u>139,742</u>           |
| Total temporarily restricted net assets released from restrictions | <u><u>\$ 559,629</u></u> | <u><u>\$ 352,021</u></u> |

RYAN HOUSE  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

(with comparative financial information as of and for the year ended September 30, 2017)

NOTE 7 - IN-KIND CONTRIBUTIONS

The Organization receives donated goods and services from various sources. In-kind contributions consisted of the following for the years ended September 30:

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Facility - Hospice of the Valley        | \$ 262,000        | \$ 90,000         |
| General support - Hospice of the Valley | 134,000           | 66,000            |
| Storage space - Hospice of the Valley   | -                 | 16,200            |
| Professional services                   | 41,585            | 23,238            |
| Event related                           | 131,458           | 322,566           |
| Other                                   | <u>22,552</u>     | <u>-</u>          |
|   | <u>\$ 591,595</u> | <u>\$ 518,004</u> |

NOTE 8 - RELATED PARTY

As discussed in Note 1, Hospice of the Valley (HOV) administers the human resource and payroll functions of the Organization, providing clinical care oversight of respite, palliative, and hospice services. HOV invoices the Organization for these costs, as well as for a portion of the costs relating to the shared facility and equipment. HOV donates the value of unbilled facilities costs as in-kind contributions.

During the years ended September 30, 2018 and 2017, the Organization incurred expenses payable to HOV of \$1,867,848 and \$1,928,127, respectively. At September 30, 2018 and 2017, the Organization had accounts payable and accrued expenses due to HOV of \$427,489 and \$413,382, respectively.