

***TRANSPLANTS FOR CHILDREN***  
***FINANCIAL REPORT***  
***FOR THE YEARS ENDED***  
***DECEMBER 31, 2017 AND 2016***



Transplants  
for Children

Helping families live life.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Transplants for Children

We have audited the accompanying financial statements of Transplants for Children, (a non-profit corporation) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our 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 consolidated 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 Transplants for Children 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.

Armstrong, Vaughan & Associates, P.C.

May 7, 2018



Transplants  
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TRANSPLANTS FOR CHILDREN  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 228,114	\$ 154,455
Investments	230,732	91,151
Prepaid Expenses and Other Deposits	6,119	5,101
<i>Total Current Assets</i>	<u>464,965</u>	<u>250,707</u>
 <i>Assets of Permanently Restricted Endowment Fund:</i>		
Investments	-	138,621
<i>Total Assets of Permanently Restricted Endowment Fund</i>	<u>-</u>	<u>138,621</u>
 <i>Property and Equipment, Net</i>		
	<u>2,136</u>	<u>2,997</u>
<b>TOTAL ASSETS</b>	<b>\$ 467,101</b>	<b>\$ 392,325</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 7,874	\$ 2,141
Salaries and Benefits Payable	3,784	3,904
Deferred/Unearned Revenues	66,706	5,250
<i>Total Current Liabilities</i>	<u>78,364</u>	<u>11,295</u>
 <i>Net Assets:</i>		
<i>Unrestricted:</i>		
General Operating	64,158	48,715
Board Designated - Endowment	230,732	61,423
Board Designated - Youth and Family Network	88,816	96,048
Temporarily Restricted	5,031	36,223
Permanently Restricted for Endowment	-	138,621
<i>Total Net Assets</i>	<u>388,737</u>	<u>381,030</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 467,101</b>	<b>\$ 392,325</b>

The accompanying notes are an integral part of these financial statements.

TRANSPLANTS FOR CHILDREN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted for Endowment	Total
<b>REVENUES, GAINS AND SUPPORT</b>				
<i>Contributions and Grant Revenues</i>				
Individuals	\$ 23,720	\$ -	\$ -	\$ 23,720
Corporate and Foundation	254,350	-	-	254,350
Charities of Choice	6,641	-	-	6,641
<i>Total Contributions and Grant Revenues</i>	<u>284,711</u>	<u>-</u>	<u>-</u>	<u>284,711</u>
<i>Special Events, Net</i>				
Gayla's Gala	60,819	-	-	60,819
RMDH Luncheon	9,342	-	-	9,342
Super Heroes Run	7,888	-	-	7,888
Super Bowl Fun Run	5,065	-	-	5,065
<i>Total Special Events, Net</i>	<u>83,114</u>	<u>-</u>	<u>-</u>	<u>83,114</u>
<i>Investment Earnings</i>				
Interest and Dividends	2,734	3,932	-	6,666
Realized and Unrealized Gains (Losses)	16,408	24,613	-	41,021
<i>Total Investment Earnings</i>	<u>19,142</u>	<u>28,545</u>	<u>-</u>	<u>47,687</u>
Net Assets Released from				
Donor Restrictions	198,358	(59,737)	(138,621)	-
<b>TOTAL REVENUES, GAINS AND SUPPORT</b>	<u>585,325</u>	<u>(31,192)</u>	<u>(138,621)</u>	<u>415,512</u>
<b>EXPENSES</b>				
Program Services	302,479	-	-	302,479
Supporting Services				
Management and General	47,631	-	-	47,631
Fundraising	57,695	-	-	57,695
<b>TOTAL EXPENSES</b>	<u>407,805</u>	<u>-</u>	<u>-</u>	<u>407,805</u>
<b>CHANGE IN NET ASSETS</b>	177,520	(31,192)	(138,621)	7,707
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>206,186</u>	<u>36,223</u>	<u>138,621</u>	<u>381,030</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 383,706</u>	<u>\$ 5,031</u>	<u>\$ -</u>	<u>\$ 388,737</u>

The accompanying notes are an integral part of these financial statements.



TRANSPLANTS FOR CHILDREN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted for Endowment</u>	<u>Total</u>
<b>REVENUES, GAINS AND SUPPORT</b>				
<i>Contributions and Grant Revenues</i>				
Individuals	\$ 37,686	\$ -	\$ -	\$ 37,686
Corporate and Foundation	204,204	-	-	204,204
SA Cocktail Conference	4,920	-	-	4,920
Charities of Choice	4,240	-	-	4,240
<i>Total Contributions and Grant Revenues</i>	<u>251,050</u>	<u>-</u>	<u>-</u>	<u>251,050</u>
<i>Special Events, Net</i>				
Gayla's Gala	44,673	-	-	44,673
Celebration of Life	11,530	-	-	11,530
Super Bowl Fun Run	2,506	-	-	2,506
<i>Total Special Events, Net</i>	<u>58,709</u>	<u>-</u>	<u>-</u>	<u>58,709</u>
<i>Investment Earnings</i>				
Interest and Dividends	2,088	1,857	-	3,945
Realized and Unrealized Gains (Losses)	8,685	8,142	-	16,827
<i>Total Investment Earnings</i>	<u>10,773</u>	<u>9,999</u>	<u>-</u>	<u>20,772</u>
Net Assets Released from				
Donor Restrictions	6,882	(6,882)	-	-
<b>TOTAL REVENUES, GAINS AND SUPPORT</b>	<u>327,414</u>	<u>3,117</u>	<u>-</u>	<u>330,531</u>
<b>EXPENSES</b>				
Program Services	310,226	-	-	310,226
Supporting Services				
Management and General	39,895	-	-	39,895
Fundraising	40,183	-	-	40,183
<b>TOTAL EXPENSES</b>	<u>390,304</u>	<u>-</u>	<u>-</u>	<u>390,304</u>
<b>CHANGE IN NET ASSETS</b>	(62,890)	3,117	-	(59,773)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>269,076</u>	<u>33,106</u>	<u>138,621</u>	<u>440,803</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 206,186</u>	<u>\$ 36,223</u>	<u>\$ 138,621</u>	<u>\$ 381,030</u>

The accompanying notes are an integral part of these financial statements.

TRANSPLANTS FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Direct	Youth and	Family and	Total	Supporting Services		<b>Total</b>
	Client Services	Family Network	Community Education	Program Services	Management & General	Fundraising Expenses	
<b>FUNCTIONAL EXPENSES</b>							
<i>Personnel Costs:</i>							
Salaries and Wages	\$ 74,425	\$ 76,505	\$ 16,668	\$ 167,598	\$ 23,643	\$ 37,362	<b>\$ 228,603</b>
Fringe Benefits and Taxes	14,109	14,503	3,160	31,772	4,482	7,083	<b>43,337</b>
<i>Total Personnel Costs</i>	<u>88,534</u>	<u>91,008</u>	<u>19,828</u>	<u>199,370</u>	<u>28,125</u>	<u>44,445</u>	<b><u>271,940</u></b>
Professional Fees	5,135	6,633	1,349	13,117	9,869	3,528	<b>26,514</b>
Specific Assistance	20,626	7,232	-	27,858	-	-	<b>27,858</b>
Occupancy	5,353	7,316	1,606	14,275	1,249	2,320	<b>17,844</b>
Meetings and Conferences	1,993	9,812	229	12,034	1,794	2,716	<b>16,544</b>
Other Expenses	1,453	1,986	3,436	6,875	4,488	683	<b>12,046</b>
Supplies	2,274	5,532	502	8,308	391	726	<b>9,425</b>
Equipment Maintenance	2,929	4,003	879	7,811	683	1,269	<b>9,763</b>
Insurance Expense	2,056	2,810	617	5,483	480	891	<b>6,854</b>
Depreciation	528	722	158	1,408	123	229	<b>1,760</b>
Telephone	2,066	2,335	427	4,828	332	707	<b>5,867</b>
Postage	417	570	125	1,112	97	181	<b>1,390</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 133,364</u>	<u>\$ 139,959</u>	<u>\$ 29,156</u>	<u>\$ 302,479</u>	<u>\$ 47,631</u>	<u>\$ 57,695</u>	<b><u>\$ 407,805</u></b>

The accompanying notes are an integral part of these financial statements.

TRANSPLANTS FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

<b>FUNCTIONAL EXPENSES</b>	<u>Direct Client Services</u>	<u>Youth and Family Network</u>	<u>Family and Community Education</u>	<u>Total Program Services</u>	<u>Supporting Services</u>		<b>Total</b>
					<u>Management &amp; General</u>	<u>Fundraising Expenses</u>	
<i>Personnel Costs:</i>							
Salaries and Wages	\$ 80,494	\$ 74,641	\$ 21,331	\$ 176,466	\$ 18,473	\$ 27,802	<b>\$ 222,741</b>
Fringe Benefits and Taxes	14,185	13,153	3,759	31,097	3,255	4,899	<b>39,251</b>
<i>Total Personnel Costs</i>	<u>94,679</u>	<u>87,794</u>	<u>25,090</u>	<u>207,563</u>	<u>21,728</u>	<u>32,701</u>	<b>261,992</b>
Professional Fees	7,038	5,894	752	13,684	10,640	1,504	<b>25,828</b>
Specific Assistance	32,878	11,982	-	44,860	-	-	<b>44,860</b>
Occupancy	3,722	3,531	573	7,826	573	1,145	<b>9,544</b>
Meetings and Conferences	254	7,938	-	8,192	729	659	<b>9,580</b>
Other Expenses	1,551	1,471	739	3,761	4,608	943	<b>9,312</b>
Supplies	1,154	2,976	147	4,277	147	295	<b>4,719</b>
Equipment Maintenance	2,948	2,796	453	6,197	453	907	<b>7,557</b>
Insurance Expense	2,769	2,626	426	5,821	426	852	<b>7,099</b>
Depreciation	1,147	1,088	176	2,411	178	353	<b>2,942</b>
Telephone	2,090	1,983	322	4,395	322	643	<b>5,360</b>
Postage	589	559	91	1,239	91	181	<b>1,511</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u><u>\$ 150,819</u></u>	<u><u>\$ 130,638</u></u>	<u><u>\$ 28,769</u></u>	<u><u>\$ 310,226</u></u>	<u><u>\$ 39,895</u></u>	<u><u>\$ 40,183</u></u>	<u><u>\$ 390,304</u></u>

The accompanying notes are an integral part of these financial statements.

TRANSPLANTS FOR CHILDREN  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<b>2017</b>	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 7,707	\$ (59,773)
Adjustments		
Depreciation	1,760	2,942
Realized and Unrealized (Gain)/Loss on Investments	(41,021)	(16,827)
(Increase) Decrease in Current Assets:		
Unconditional Promises to Give, Net	-	2,254
Prepaid Expenses & Other Deposits	(1,018)	(2,335)
Increase (Decrease) in Liabilities:		
Accounts Payable	5,733	(2,623)
Salaries and Benefits Payable	(120)	218
Deferred Revenues	61,456	5,250
<b>NET CASH PROVIDED (REQUIRED) BY     OPERATING ACTIVITIES</b>	<b>34,497</b>	<b>(70,894)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(899)	(2,170)
Proceeds from (Purchase of) Securities	40,061	73,537
<b>NET CASH PROVIDED (REQUIRED) BY     INVESTING ACTIVITIES</b>	<b>39,162</b>	<b>71,367</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>73,659</b>	<b>473</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING YEAR</b>	<b>154,455</b>	<b>153,982</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 228,114</b>	<b>\$ 154,455</b>

The accompanying notes are an integral part of these financial statements.

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE A -- ORDER AND PURPOSE

Transplants for Children (the Organization) is a nonprofit corporation organized in San Antonio in 1986 to serve families of young organ and tissue recipients who must confront the emotional, financial and social challenges associated with transplantation.

The specific programs and services that the Organization provides include:

Direct Client Services: This program is comprised of Social Services/Support and Family Crisis Assistance. The Social Services/Support provides intake and referral services, advocacy for community and medical services. The Family Crisis Assistance program offers emergency financial funds to families of children receiving organ and tissue transplants and includes funding toward travel expenses, certain medical expenses and other family expenses not covered by insurance or other assistance programs. Individual & Family Counseling Services provides one-to-one family and individual counseling. These services address the challenges associated with overwhelming stress, social isolation and associated depression, anxiety and often-times, feelings of hopelessness that impair healthy family functioning.

Youth and Family Network: A peer-to-peer network, this program provides the child, siblings and parents with family-centered empowerment activities focused on the particular challenges children and their families face as they learn to live a new life pre-and post-transplantation. The Youth and Family Network program uses a team- and strengths-based approach through mentoring and leadership development that fosters a transplant tribe for solidarity, support and convening and to develop practical tools to live more healthy, build a stable family life and thrive socially. The Youth and Family Network program works in partnership with a vast referral network of healthcare providers to reach out to transplantation families from the moment they are diagnosed. Transplant recipient children learn to become masters of their own health so they can maintain medical compliance and transition more fully into adult medical care reducing long term health complications and medical expenses.

Family and Community Education: Consists of seasoned parents who connect with new parents of children who will be or are going through the transplant process in the Helping Hands program. Community education also consists of participating in community events and outreach.

Transplants for Children is supported primarily by donations from foundations, corporations, individuals and special events.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Presentation*

The financial statements of Transplants for Children have been prepared using the accrual basis in accordance with the accounting principles generally accepted in the United States of America (GAAP) whereby revenues are recognized when earned and expenses are recognized when they are incurred.

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2017 AND 2016

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1. *Basis of Presentation (Cont.)*

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Transplants for Children and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations. Assets restricted solely through actions of the Board of Directors are reported as unrestricted net assets.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Transplants for Children and/or passage of time. Donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may be maintained permanently by Transplants for Children. Generally, the donors of these assets permit Transplants for Children to use all or part of the income earned on the related investments for a general or specific purpose.

2. *Revenue Recognition*

Contributions are recognized as revenues when a gift or pledge that is unconditional is received. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants and other contributions of cash and other assets are reported as permanently restricted support if they are received with donor stipulations that require in perpetuity that the principal be invested and only the income be used for specific purposes.

3. *Donated Services and In-Kind Support*

The Organization may receive services, equipment and material without payment or compensation. When the value of such services meets recognition criteria, it is reflected in the accompanying financial statements as revenues and expenditures in a like amount. In-kind contributions are measured and recorded at their fair value on the date of donation. Equipment and other non-cash donations are recorded as contributions at cost or estimated fair value determined at the date of the donations. In-kind services were excluded from the financial statements because they did not meet the recognition criteria.

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2017 AND 2016

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

4. *Income Taxes*

Transplants for Children is exempt from state and federal income taxes under Section 501(c)3 of the Internal Revenue Code. Additionally, Transplants for Children is further classified as an organization that is not a private foundation under section 509(a)(2) which allows the donors of property, services or money to take the maximum charitable deduction allowed by law.

The most significant tax positions of the Organization is its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The Organization's tax years for 2014 through 2016 are open to examination by the Internal Revenue Service as of December 31, 2017.

5. *Investments*

Transplants for Children holds all endowment investments with the San Antonio Area Foundation. The San Antonio Area Foundation believes the best long-term performance will be achieved through a balanced portfolio consisting of equities, fixed income and cash. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as the board designated funds. This implies growing the corpus in real terms while at the same time protecting the assets from market volatility. The investment policy prohibits short selling, margin trading, securities lending, private placements, commodity trading, futures and options contracts, and derivatives of any type, and thinly traded marketable securities. Investments are reported at their fair values on the statement of financial position based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Unrealized gains and losses are included in the change in net assets.

6. *Prepaid Expenses and Other Deposits*

Prepaid Expenses are expenses paid in advance of the actual services received. The expense will be recognized in the period for which the services were paid has elapsed. As of December 31, 2016, the Organization had prepaid expenses of \$1,133 and prepaid insurance of \$3,968. As of December 31, 2017, the Organization had prepaid expenses of \$288, prepaid insurance of \$4,164 and a security deposit of \$1,667.

7. *Property and Equipment*

Property and equipment is recorded at cost if purchased, or at fair market value if donated. Transplants for Children capitalizes items with useful lives greater than three years and costing more than \$300.

TRANSPLANTS FOR CHILDREN  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2017 AND 2016

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

8. *Reclassifications*

Certain reclassifications have been made to prior periods to conform to the current year presentation. These reclassifications had no effect on changes in net assets.

9. *Depreciation*

Depreciation on the property, furniture, and equipment owned by Transplants for Children is calculated using the straight-line method. Estimated useful lives for purposes of depreciation are as follows:

	<u>Years</u>
Furniture and Equipment	3 to 7
Vehicles	5

10. *Functional Expense Allocations*

Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various methods.

11. *Compensated Absences*

Employees of Transplants for Children are entitled to paid time off depending on length of service and range from 160 hours to 200 hours annually. Accrued but unused vacation may be accumulated at a maximum of 160 hours. Employees are allowed to carryover 80 hours at year end, all other hours over 80 are forfeited. The employee has the option to request a cash payout of 40 hours of paid time off annually.

12. *Deferred/Unearned Revenue*

Deferred/Unearned Revenue consists of revenue collected in advance for fiscal year 2018 operating expenses. The recognition of revenue will occur in 2018.

13. *Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

14. *Subsequent Events*

Subsequent events were considered through May 7, 2018, which is the date the financial statements were available to be issued.



TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2017 AND 2016

NOTE C -- FAIR VALUE MEASUREMENT

Transplants for Children’s financial instruments consist primarily of checking, high yield savings, money market accounts and a pooled investment fund held at San Antonio Area Foundation. The carrying amount of the cash and cash equivalents approximate their fair market value due to the short-term nature of such instruments (Level 1).

Transplants for Children uses the following hierarchical disclosure framework:

*Level 1* – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

*Level 2* – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* - Measurement based on assumptions about hypothetical marketplace because observable market inputs are not available as of the reporting date.

Transplants for Children uses appropriate valuation techniques based on available inputs to measure the fair value of its assets and liabilities. When available, Transplants for Children measures fair market value using Level 1 inputs because they generally provided the most reliable evidence of fair value. Level 3 inputs have the lowest priority. All of Transplants for Children’s investments are according to the fair value hierarchy at Level 2. The Organization holds Investments, which are valued based on the value of the underlying assets which consists of the investments in equity and bond mutual funds in pooled funds with the San Antonio Area Foundation. The Foundation will redeem the Organization’s share of the pooled funds upon the Organization’s request.

The table below summarized the investments held in the pooled funds for the year ended December 31, 2017:

	Cost	Fair Value	Cumulative Unrealized Gains (Losses)
Equities	\$ 18,753	\$ 18,964	\$ 211
Fixed Income	204,792	211,768	6,976
	<u>\$ 223,545</u>	<u>\$ 230,732</u>	<u>\$ 7,187</u>

TRANSPLANTS FOR CHILDREN  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2017 AND 2016

NOTE C -- FAIR VALUE MEASUREMENT (CONT.)

The table below summarized the investments held in the pooled funds for the year ended December 31, 2016:

	Cost	Fair Value	Cumulative Unrealized Gains (Losses)
Equities	\$ 15,171	\$ 16,437	\$ 1,266
Fixed Income	192,628	213,335	20,707
	<u>\$ 207,799</u>	<u>\$ 229,772</u>	<u>\$ 21,973</u>

NOTE D -- CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of investments. The organization places all of its investment with the San Antonio Area Foundation.

The Organization maintains checking and money market accounts with a few banks. As of December 31, 2017, Transplants for Children did not have any accounts in excess of the insured limits of the Federal Deposit Insurance Corporation (FDIC).

NOTE E -- PROPERTY AND EQUIPMENT

Property and equipment for each year ended is comprised of the following:

	2017	2016
Office Furniture	\$ 8,188	\$ 8,753
Equipment	6,148	6,769
Computers	11,270	10,370
Software	2,020	6,822
Vehicles	28,161	28,161
Total Property and Equipment	<u>55,787</u>	<u>60,875</u>
Less: Accumulated Depreciation	<u>(53,651)</u>	<u>(57,878)</u>
Property and Equipment - Net	<u>\$ 2,136</u>	<u>\$ 2,997</u>

TRANSPLANTS FOR CHILDREN  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2017 AND 2016

NOTE F -- DESIGNATED FUND BALANCE – YOUTH AND FAMILY NETWORK

The designated fund balance consists of scholarship awards through the STARS program. Each participant was given an opportunity to earn a scholarship award for secondary or higher education. Participants, ages 10 through 18, followed a specified program and those who completed the required steps of the program were eligible to accumulate scholarship funds through the end of the 2012/2013 school year. The scholarship award funds are transferred to a separate bank account and designated by the board. Each participant is allowed to begin withdrawing from the scholarship funds once they graduate high school and enroll into a secondary, vocational or higher education program. To receive scholarship funds, the participant must present an invoice from the school or evidence of qualified expenses for college. The Board of Directors designated \$88,816 of unrestricted net assets for the Youth and Family Network program as of December 31, 2017 and \$96,048 for the year ended December 31, 2016.

NOTE G -- TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

During the year ended December 31, 2017, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donor. All net assets released were a result of satisfaction of the required restrictions. The temporarily restricted net assets at the end of the year are as follows:

	2017	2016
Client Medical Bracelets	\$ 3,157	\$ 3,409
Earnings on Permanently Restricted Endowment Fund	-	29,729
McKenna Foundation	1,874	2,709
Cassity Liver Transplant	-	376
	\$ 5,031	\$ 36,223

The release of temporarily restricted funds for the years ending December 31, 2017 and 2016 are as follows:

	2017	2016
Client Medical Bracelets	\$ 252	\$ 12
Endowment Fund	58,273	1,149
McKenna Foundation	836	742
Cassity Liver Transplant	376	2,625
Parent Activity Committee	-	100
	-	2,254
	\$ 59,737	\$ 6,882

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the Organization. As of December 31, 2017, the Organization has no permanently restricted net assets.

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2017 AND 2016

NOTE H -- ENDOWMENT FUND

The original donor of the permanently restricted endowment funds met with management and clarified his original intent of the donation and removed the permanent restriction from the contribution. Therefore, as of December 31, 2017, the original contribution has been released from the permanently restricted donations. Additionally, the Board of Directors has designated \$230,732 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since the amount designated by the Board resulted from an internal designation and is not donor restricted, it is classified and reported as unrestricted net assets. All investment expenses have been recorded as a reduction to Interest and Dividends on the Statement of Activities.

It is the policy of the Board to preserve amounts designated for the Endowment. This is accomplished through non-invasion of the Endowment principal. The Board may designate a percentage of annual earnings to increase the amounts designated for the Endowment. Net assets designated for Endowment are invested using a "Total Return Concept."

Composition of and changes in the board designated endowment net assets for the year ended December 31, 2017 and 2016 are as follows:

	2017	2016
Beginning of the Year	\$ 61,423	\$ 126,983
Board Designations (Withdrawals)	150,925	(75,000)
Investment Income	2,623	1,981
Net Appreciation (Depreciation)	16,408	8,685
Investment Fees	(647)	(1,226)
End of Year	<u>\$ 230,732</u>	<u>\$ 61,423</u>

A reconciliation of the endowment funds beginning and ending balances for the year ended December 31, 2017 is as follows:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning Balance	\$ 61,423	\$ 29,728	\$ 138,621	\$ 229,772
Interest and Dividends	2,623	3,932	-	6,555
Net Appreciation (Realized and Unrealized)	16,408	24,613	-	41,021
Board Designations (Draws)	150,925	(57,304)	(138,621)	(45,000)
Investment Fees	(647)	(969)	-	(1,616)
	<u>\$ 230,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,732</u>

TRANSPLANTS FOR CHILDREN  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2017 AND 2016

NOTE H -- ENDOWMENT FUND (CONT.)

A reconciliation of the endowment funds beginning and ending balances for the year ended December 31, 2016 is as follows:

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Beginning Balance	\$ 126,983	\$ 20,878	\$ 138,621	\$ 286,482
Interest and Dividends	1,981	1,857	-	3,838
Net Appreciation (Realized and Unrealized)	8,685	8,142	-	16,827
Board Designations	(75,000)	-	-	(75,000)
Investment Fees	(1,226)	(1,149)	-	(2,375)
	<u>\$ 61,423</u>	<u>\$ 29,728</u>	<u>\$ 138,621</u>	<u>\$ 229,772</u>

*Return Objectives and Risk Parameters*

The Organization holds all endowment investments with the San Antonio Area Foundation. The San Antonio Area Foundation believes the best long-term performance will be achieved through a balanced portfolio consisting of equities, fixed income and cash. Endowment assets include those assets from board designated funds. The Investment Policy expressly prohibits: short selling, margin trading, securities lending, private placements, commodity trading, futures and option contracts, and derivatives of any type, thinly traded and non-marketable securities.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Foundation targets a diversified asset allocation strategy that places a greater emphasis on equity-based investments to achieve its long-term return objective within the guidelines of the Organization's investment policy.

NOTE I -- DEFERRED REVENUE

In the current year, the Organization received a grant in the amount of \$66,471 for operating expenses in the next fiscal year. The amount is reported as deferred revenue on the Statement of Financial Position.

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2017 AND 2016

NOTE J -- SPECIAL EVENTS

Special Event fundraisers are reported net of direct costs. The breakdown of each event follows for the year ended December 31, 2017:

	Gayla's Gala	RMDH Luncheon	Super Heroes Run	Super Bowl Fun Run
Revenues	\$ 81,027	\$ 11,000	\$ 14,468	\$ 11,978
Expenses	<u>(20,208)</u>	<u>(1,658)</u>	<u>(6,580)</u>	<u>(6,913)</u>
	<u>\$ 60,819</u>	<u>\$ 9,342</u>	<u>\$ 7,888</u>	<u>\$ 5,065</u>

The breakdown of each event follows for the year ended December 31, 2016:

	Gayla's Gala	Super Heroes Run	Celebration of Life
Revenues	\$ 62,225	\$ 18,610	\$ 10,200
Expenses	<u>(17,552)</u>	<u>(7,080)</u>	<u>(7,694)</u>
	<u>\$ 44,673</u>	<u>\$ 11,530</u>	<u>\$ 2,506</u>

NOTE K -- OPERATING LEASES

The Organization leases office space in San Antonio, Texas under terms of a three year, non-cancelable operating lease. The monthly lease payment for office space is \$1,667 and will expire on June 30, 2020.

The Organization also has a lease for the copiers. The monthly payment for the copier lease is \$360 and will expire on October 2020.

Future minimum lease commitments required under these leases are as follows:

Fiscal Year Ending 12/31	Minimum Lease Payments
2018	\$ 24,320
2019	24,320
2020	<u>13,240</u>
	<u>\$ 61,880</u>

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2017 AND 2016

NOTE L -- REVENUE CONCENTRATIONS

The Organization relies upon grants, contributions and other assistance to supplement a majority of its program fees. The reliance upon several large contributors creates a concentration of revenues.

Revenue concentrations as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Kronkosky Charitable Foundation	40.1%	12.2%
H-E-B Tournament of Champions Charitable Trust	12.0%	12.2%

NOTE M -- LITIGATION

Management is not aware of any threatened or pending litigation.



Transplants  
for Children

Helping families live life.