

ST. ANDREW'S CHILDREN'S CLINIC, INC.

Audited Financial Statements

For The Years Ended December 31, 2017 and 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Cash Flows	6-7
Statements of Functional Expenses	8-9
Notes to the Financial Statements	10-19
Supplementary Information	20



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
St. Andrew's Children's Clinic, Inc.

We have audited the accompanying financial statements of St. Andrew's Children's Clinic, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, 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 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 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 St. Andrew's Children's Clinic, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplemental Schedule of Operating Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bitner & Collings, PLLC

Tucson, Arizona
March 28, 2018

ST. ANDREW'S CHILDREN'S CLINIC, INC.

Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 144,293	\$ 157,391
Pledges receivable	5,000	-
Prepaid expenses	3,652	8,870
Total Current Assets	<u>152,945</u>	<u>166,261</u>
Property and Equipment		
Furniture and fixtures	12,435	9,715
Equipment	56,921	57,141
Vehicles	81,224	78,224
Property and Equipment	<u>150,580</u>	<u>145,080</u>
Less accumulated depreciation	<u>(108,527)</u>	<u>(97,113)</u>
Property and Equipment, Net	42,053	47,967
Investments and Other Assets		
Refundable lease deposit	1,583	1,583
Investments - restricted and board designated	127,976	257,311
Total Investments and Other Assets	<u>129,559</u>	<u>258,894</u>
Total Assets	<u>\$ 324,557</u>	<u>\$ 473,122</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 5,537	\$ 9,035
Accrued leave	5,851	15,111
Other accrued expenses	13,665	2,263
Total Current Liabilities	<u>25,053</u>	<u>26,409</u>
Net Assets		
Unrestricted net assets	280,584	404,773
Temporarily restricted net assets	18,920	41,940
Total Net Assets	<u>299,504</u>	<u>446,713</u>
Total Liabilities and Net Assets	<u>\$ 324,557</u>	<u>\$ 473,122</u>

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

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions - grants	\$ 157,641	\$ 11,109	\$ 168,750
Contributions - individuals	131,870	-	131,870
Contributions - bequests	14,539	-	14,539
Contributions - churches	27,212	-	27,212
Contributions - civic organizations	12,462	-	12,462
Contributions - businesses	10,224	-	10,224
Fundraising income	7,966	-	7,966
Interest and dividends	5,437	-	5,437
Net appreciation (depreciation) of investments	8,606	-	8,606
Other operating income	-	-	-
Contributions - in-kind	<u>4,019,066</u>	<u>-</u>	<u>4,019,066</u>
Total Support and Revenue	4,395,023	11,109	4,406,132
Net Assets Released from Restrictions	34,129	(34,129)	-
Expenses			
Patient Services			
Hospitals and laboratory	3,164,438	-	3,164,438
Physicians and other professionals	799,774	-	799,774
Medicine	2,617	-	2,617
Patient aids and other expenses	203,139	-	203,139
Transportation	35,253	-	35,253
Salaries and related expenses	180,200	-	180,200
Facilities expenses	28,973	-	28,973
Supplies and other expenses	6,843	-	6,843
Fundraising expenses	7,966	-	7,966
Operating expenses	112,724	-	112,724
Depreciation expense	<u>11,414</u>	<u>-</u>	<u>11,414</u>
Total Expenses	<u>4,553,341</u>	<u>-</u>	<u>4,553,341</u>
Performance Earnings (Loss)	(124,189)	(23,020)	(147,209)
Other Non-Operating Revenue and Expense	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Assets	(124,189)	(23,020)	(147,209)
Net Assets, Beginning of Year	<u>404,773</u>	<u>41,940</u>	<u>446,713</u>
Net Assets, End of Year	<u>\$ 280,584</u>	<u>\$ 18,920</u>	<u>\$ 299,504</u>

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

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions - grants	\$ 118,662	\$ 68,760	\$ 187,422
Contributions - individuals	140,680	-	140,680
Contributions - bequests	53,492	-	53,492
Contributions - churches	22,786	-	22,786
Contributions - civic organizations	9,264	-	9,264
Contributions - businesses	12,067	-	12,067
Fundraising income	10,060	-	10,060
Interest and dividends	4,353	-	4,353
Net appreciation (depreciation) of investments	4,084	-	4,084
Other operating income	4,191	-	4,191
Contributions - in-kind	<u>3,538,877</u>	<u>-</u>	<u>3,538,877</u>
Total Support and Revenue	3,918,516	68,760	3,987,276
Net Assets Released from Restrictions	119,897	(119,897)	-
Expenses			
Patient Services			
Hospitals and laboratory	2,730,530	-	2,730,530
Physicians and other professionals	743,981	-	743,981
Medicine	1,569	-	1,569
Patient aids and other expenses	208,687	-	208,687
Transportation	45,913	-	45,913
Salaries and related expenses	172,013	-	172,013
Facilities expenses	28,413	-	28,413
Supplies and other expenses	5,476	-	5,476
Fundraising expenses	9,727	-	9,727
Operating expenses	101,765	-	101,765
Depreciation expense	<u>11,599</u>	<u>-</u>	<u>11,599</u>
Total Expenses	<u>4,059,673</u>	<u>-</u>	<u>4,059,673</u>
Performance Earnings (Loss)	(21,260)	(51,137)	(72,397)
Other Non-Operating Revenue and Expense	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Net Assets	(21,260)	(51,137)	(72,397)
Net Assets, Beginning of Year	<u>426,033</u>	<u>93,077</u>	<u>519,110</u>
Net Assets, End of Year	<u>\$ 404,773</u>	<u>\$ 41,940</u>	<u>\$ 446,713</u>

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

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Cash received from grants	\$ 168,750	\$ 187,422
Cash received from other contributors	191,307	261,650
Cash received from fundraising events	7,966	10,060
Cash received from other income	-	4,191
Cash paid for fundraising events	(7,966)	(9,727)
Interest and dividends received	5,437	4,353
Cash paid to suppliers and employees	(516,533)	(522,374)
Interest paid	-	-
Income taxes paid	-	-
Net Cash Provided From (Used In) Operating Activities	(151,039)	(64,425)
 Cash Flows From Investing Activities		
Purchases of equipment	-	(19,012)
Transfers from cash to investments	-	(31,421)
Transfers from investments to cash	137,941	-
Net Cash Provided From (Used In) Investing Activities	137,941	(50,433)
 Cash Flows From Financing Activities		
Net Cash Provided From (Used In) Financing Activities	-	-
Increase (Decrease) in Cash	(13,098)	(114,858)
Cash, Beginning of Year	157,391	272,249
Cash, End of Year	\$ 144,293	\$ 157,391
<u>Non-Cash Transactions</u>		
Donations In-Kind Received and Expended	\$ 4,013,566	\$ 3,538,877
Donations In-Kind Capitalized	\$ 5,500	\$ -

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

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

RECONCILIATION OF CHANGE IN NET ASSETS TO NET
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES

	2017	2016
Increase (Decrease) In Net Assets	\$ (147,209)	\$ (72,397)
Adjustments to reconcile net increase in net assets to net cash provided from (used in) operating activities		
Depreciation expense	11,414	11,599
Loss on disposal of prior year assets	-	-
Donated assets capitalized	(5,500)	-
Net appreciation (depreciation) of investments	(8,606)	(4,084)
Change in operating assets and liabilities		
(Increase) decrease in pledges receivable	(5,000)	23,361
(Increase) decrease in prepaid and other assets	5,218	(6,384)
Increase (decrease) in accounts payable	(3,498)	(18,087)
Increase (decrease) in accrued leave	(9,260)	(56)
Increase (decrease) in accrued expenses	11,402	1,623
Net Cash Flows Provided From (Used In) Operating Activities	\$ (151,039)	\$ (64,425)

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

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Patient Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Patient Services				
Hospitals and laboratory	\$ 3,164,438	\$ -	\$ -	\$ 3,164,438
Physicians and other professionals	799,774	-	-	799,774
Medicine	2,617	-	-	2,617
Patient aids and other expenses	203,139	-	-	203,139
Transportation	35,253	-	-	35,253
Salaries and related expenses	135,968	31,595	12,637	180,200
Facilities expenses	22,714	3,756	2,503	28,973
Supplies and other expenses	4,145	1,685	1,013	6,843
Fundraising expenses	-	-	7,966	7,966
Operating expenses	58,811	34,583	19,330	112,724
Depreciation expense	7,990	2,283	1,141	11,414
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 4,434,849</u>	<u>\$ 73,902</u>	<u>\$ 44,590</u>	<u>\$ 4,553,341</u>

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

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Patient Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Patient Services				
Hospitals and laboratory	\$ 2,730,530	\$ -	\$ -	\$ 2,730,530
Physicians and other professionals	743,981	-	-	743,981
Medicine	1,569	-	-	1,569
Patient aids and other expenses	208,687	-	-	208,687
Transportation	45,913	-	-	45,913
Salaries and related expenses	130,181	29,880	11,952	172,013
Facilities expenses	22,695	3,431	2,287	28,413
Supplies and other expenses	3,833	1,095	548	5,476
Fundraising expenses	-	-	9,727	9,727
Operating expenses	54,975	32,396	14,394	101,765
Depreciation expense	8,119	2,320	1,160	11,599
	<u>8,119</u>	<u>2,320</u>	<u>1,160</u>	<u>11,599</u>
 Total Expenses	 <u>\$ 3,950,483</u>	 <u>\$ 69,122</u>	 <u>\$ 40,068</u>	 <u>\$ 4,059,673</u>

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

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 1 – Nature of Activities

The St. Andrew's Children's Clinic, Inc. ("St. Andrew's" or "the Clinic") was founded in 1973 by concerned individuals in Nogales, Arizona and Sonora, Mexico. St. Andrew's is a not-for-profit organization that provides free, specialized medical care to indigent children from Mexico. St. Andrew's operates from its clinic located in Nogales, Arizona and its administrative offices in Green Valley, Arizona.

Note 2 – Summary of Significant Accounting Policies

The summary of significant accounting policies is presented to assist in the understanding of the Clinic's financial statements. The financial statements and notes are representations of the Clinic's management, who is responsible for their integrity and objectivity. Except as otherwise noted, these accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements of St. Andrew's have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board of Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*. St. Andrew's is required under generally accepted accounting principles 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. St. Andrew's reports its contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Financial Statement Presentation

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation. Such reclassifications had no effect on the reported change in total net assets.

Cash and Cash Equivalents

The Clinic considers cash and highly-liquid debt instruments, which mature within three months or less, to be cash and cash equivalents.

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Support and Revenue Recognition

Contributions are recognized as income when received or pledged. Grant revenues are recognized when received and all significant grant terms have been performed. Funding agencies may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance with the terms of the grants. Bequests generally are accrued as revenue when the respective will has been admitted to probate, all appeal periods have expired, and the realizable amount is determinable.

Contributions and grants 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 restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment

All acquisitions of property and equipment with a value of \$1,500 or more and a useful life of one year or more are capitalized. All expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Promises to Give and Pledges Receivable

Unconditional promises to give are recognized as revenue in the period the documentary evidence of the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Based on management's assessment, the Clinic provides for estimated uncollectible amounts through a charge to earnings and a credit to valuation allowance. Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Uncollectible promises to give expected to be collected in future years are reported at the present value of the estimated future cash flows.

Pledges receivable as of December 31, 2017 and 2016 were \$5,000 and \$-0-, respectively. Management has assessed the collectability of pledges and has determined that all receivables are considered collectible and no allowance for doubtful accounts has been established.

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

St. Andrew's is a not-for-profit organization as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income tax. The Clinic may be subjected to income taxes on net income that is unrelated to their exempt purpose. Accordingly, there is no provision for income taxes.

Accounting for Interest and Penalties on Taxes

St. Andrew's accounts for any interest expense incurred with respect to taxes as interest expense in the period in which the Clinic is first assessed or becomes aware of the obligation. The Clinic accounts for any penalties incurred with respect to taxes as other expenses in the period in which the Clinic is first assessed or becomes aware of the obligation. During the years ended December 31, 2017 and 2016, the Clinic did not incur any interest and penalties.

In general, the Clinic's federal income tax returns have a three-year statute of limitations, and the state returns have a four-year statute of limitations (with few exceptions, the Clinic is no longer subject to audit by taxing authorities prior to 2014).

Statement of Cash Flows

For the purposes of the statement of cash flows, St. Andrew's considers all cash accounts and cash equivalent accounts with no restrictions or designations as to withdrawal or use to be cash.

Investments

Investments in marketable securities consists of certificates of deposits, corporate bonds, money market funds, and mutual funds and are carried at market values determined at the date of the statements of financial positions. The carrying amount of investments is adjusted each year for value increases and decreases within investment income.

Accrued Leave

Leave pay is accrued as a liability when employees earn a vested interest in this benefit. As of December 31, 2017 and 2016, the accrued leave liability was \$5,851 and \$15,111, respectively.

Advertising

Advertising costs are expensed as incurred and are reported in the Statement of Activities as an operating expense or as a fundraising expense. Total advertising costs incurred for the years ended December 31, 2017 and 2016 were \$3,690 (\$3,690 in fundraising) and \$7,412 (\$7,274 in fundraising), respectively.

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The Clinic's financial instruments are cash and cash equivalents, pledges receivable, investments, accounts payable, and other liabilities. The recorded values of cash and cash equivalents, accounts receivable, accounts payable, and other liabilities approximate their fair values based on their short-term nature. Fair values of investments are based on quoted market prices.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts of assets and liabilities, 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. Accordingly, actual results could differ from those estimates.

Donated Goods and Services

Donated goods are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although the Clinic utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements if they do not meet the above criteria for recognition under generally accepted accounting principles.

Functional Expenses

Functional expenses have been allocated between program services, supporting services, and fundraising based on an analysis of expenditures and personnel time for related activities.

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 3 – Designated Investments

Investments represent donor restricted contributions or Board designated amounts set aside in the current and prior years for the purpose of providing an income stream for future capital expenditures or annual operations. St. Andrew's investments at December 31, 2017 and 2016 are summarized by purpose as follows:

	<u>2017</u>	<u>2016</u>
Cleft Palate	214	23,209
Board Designated – Operations	<u>127,762</u>	<u>234,102</u>
Total Investments	<u>\$ 127,976</u>	<u>\$ 257,311</u>

Note 4 – Beneficial Interest in Assets Held by CFSA

The Community Foundation of Southern Arizona (CFSA) established a designated fund for the benefit of St. Andrew's Children's Clinic. These funds, of which only the "balance available to grant" (the annual income earned less a management fee), are available to be spent by St. Andrew's based upon a mutual decision of the two entities. As of December 31, 2017 and 2016, St. Andrew's received income from the designated fund of \$933 and \$922, respectively, which is included in the accompanying Statements of Activities and Changes in Net Assets.

The Clinic has an income only interest in the CFSA Designated Fund and the balance of the underlying assets are not included in the accompanying financial statements.

Note 5 – Non-Cash Contributions of Services and Supplies

The value of donated services and supplies included as contributions in the financial statements for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Physicians and professional volunteers	\$ 799,324	\$ 743,981
Hospital surgeries	3,106,873	2,644,923
Laboratory and testing	50,158	73,637
Laboratory and testing – Banner Medical	-0-	19,042
Patient transportation	414	-0-
Equipment and other	<u>19,397</u>	<u>23,194</u>
Total Patient Services and Supplies	3,976,166	3,504,777
Office Equipment	5,500	-0-
Professional services	<u>37,400</u>	<u>34,100</u>
Total Donated Services and Supplies	<u>\$ 4,019,066</u>	<u>\$ 3,538,877</u>

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 5 – Non-Cash Contributions of Services and Supplies (Continued)

A substantial number of additional unpaid volunteers have donated time and services to St. Andrew's; however, no amounts have been recognized in the financial statements relating to these volunteers because the criteria for recognition has not been satisfied (refer to Note 2). Total "non-professional" volunteer hours for 2017 were 5,229 and 6,127 in 2016.

Note 6 - Rental Expense

St. Andrew's conducts its operations from leased facilities at two separate locations. Information about the locations is as follows:

- Nogales, Arizona: St. Andrew's Episcopal Church – The Clinic operates its children's clinic out of this location one day a month. The Clinic does not have a formal lease agreement with the Church. The amounts paid for rent are informally determined based on the availability of funds and usage of the facilities. Generally, the Clinic paid \$100 to \$200 a month in 2017 plus reimbursement of costs incurred.
- Green Valley, Arizona: – The Clinic has its administrative office in Green Valley, Arizona. Effective April 1, 2017, the Clinic renewed its lease for an additional three years, with a base rent of \$1,208 per month. The amount does not include common area maintenance fees.
- The Clinic rents a storage unit from the Abrego Self Storage Company on a monthly basis for \$108 per month.
- The Clinic rents a storage unit from the Town & Country Mini Storage company on a monthly basis for \$103 per month.

Total rents paid during the years ended December 31, 2017 and 2016 were \$23,184 and \$22,231, respectively. Future contracted minimum lease payments as of December 31, 2017 are as follows:

2018	19,119
2019	19,119
2020	4,780
Thereafter	-0-
Total	\$ 43,018

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 7 – Special Events

Revenues and expenses related to fund raising activities are as follows:

	<u>2017</u>	<u>2016</u>
Fundraising Revenues (Special Events)	\$ 7,966	\$ 10,060
Fundraising Expenses (Direct)	<u>(7,966)</u>	<u>(9,727)</u>
Subtotal Fundraising Proceeds, net of expenses	<u>\$ -0-</u>	<u>\$ 333</u>
Cash contributed from special events	<u>\$ 11,200</u>	<u>\$ 2,958</u>
Total Fundraising Proceeds, net of expenses	<u>\$ 11,200</u>	<u>\$ 3,291</u>

Note 8 – Risks, Uncertainties, and Concentrations

St. Andrew's services are concentrated in Southern Arizona and are for the benefit of Northern Mexico; therefore, donations and grants may be affected by changes in economic or other conditions that affect these localities.

St. Andrew's services are provided to patients from Mexico. The Clinic's ability to continue to provide services to these patients is subject to various political, economic, and other risks and uncertainties inherent in Mexico. The Clinic is specifically subject to the risk of increased restrictions on international customs and exchange conditions which allow these patients to cross into the United States to receive the services. The Clinic has received continual support from U.S. Customs and Border Protection to ensure proper documentation of all the Clinic's patients and families.

St. Andrew's receives donated surgeries for their patients. One hospital group (two hospitals) performed and paid for approximately 61% and 60% percent of those surgeries in 2017 and 2016, respectively.

The Clinic maintains its cash and cash equivalents balance with one financial institution, which is insured by the Federal Deposit Insurance Corporation (FDIC). Deposits held at FDIC institutions are insured up to an amount of \$250,000, per insured depository institution for each account ownership category. From time to time, the Clinic's cash may exceed the insured limit amounts; however the Clinic has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash. Generally, these deposits may be redeemed upon demand.

The Securities Investor Protection Corporation (SIPC) insures investments with registered brokers up to \$500,000 for securities and cash (including a \$250,000 limit for cash only). As of December 31, 2017 and 2016, the Clinic's investments were not in excess of the SIPC insurance amount.

ST. ANDREW'S CHILDREN'S CLINIC, INC.

Notes to the Financial Statements

For the Years Ended December 31, 2017

Note 9 – Significant Accounting Estimate

The Clinic receives a large amount of in-kind contributions each month ranging from professional services, patient equipment, medical equipment, surgeries, vehicles, airline flights, and other miscellaneous items. The Clinic records in-kind contributions as they are received and logged in the monthly clinic sign-in sheets in the form of hours or quantities received. Management and the board of directors then use their best efforts in valuing these goods and services based on comparable sales and costs; however, these estimates may be adjusted in value from year to year as more current information becomes available, and any adjustment could be significant.

Note 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets include funds provided by special events with a program specific purpose and other contributions that had a donor restriction. Amounts included in temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Workshops	-0-	11,109
Cleft palate	-0-	14,323
Orthopedic	11,508	11,508
Visas	2,412	-0-
Shipley Grant	<u>5,000</u>	<u>5,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 18,920</u>	<u>\$ 41,940</u>

Note 11 - Fair Value Measurements

FASB codification 820-10, *Fair Value Measurements* defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements.

Fair value measurements are determined based on assumptions, referred to as inputs that market participants would use in pricing the asset. This standard establishes a fair value hierarchy that distinguishes between market participant assumptions and the Clinic's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are the Clinic's own assumptions about what market participants would assume based on the best information available in the circumstances.

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. The fair value of the Clinic's publicly traded securities are determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.

ST. ANDREW'S CHILDREN'S CLINIC, INC.

Notes to the Financial Statements

For the Years Ended December 31, 2017

Note 11 - Fair Value Measurements (Continued)

Level 2 Inputs – These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. Level two inputs include: (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in markets that are not active, (c) inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves observable at commonly quoted intervals, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. The Clinic did not maintain investments considered to be Level 2 inputs.

Level 3 Inputs – These inputs are unobservable and are used to measure fair value only when observable inputs are not available. The Clinic did not maintain investments considered to be Level 3 inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methods used for instruments measured at fair value, including the general classifications of such instruments pursuant to the valuation hierarchy.

Mutual Funds

The Clinic's mutual funds are valued at the net asset value (NAV) of shares held by the Clinic at year-end. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Clinic are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Clinic believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the financial instruments carried at fair value as of December 31, 2017, by the valuation hierarchy, as described above.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>119,342</u>	<u>-0-</u>	<u>-0-</u>	<u>119,342</u>
Total Assets at Fair Value	<u>\$ 119,342</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 119,342</u>

The following table presents the financial instruments carried at fair value as of December 31, 2016, by the valuation hierarchy, as described above.

ST. ANDREW'S CHILDREN'S CLINIC, INC.

Notes to the Financial Statements

For the Years Ended December 31, 2017

Note 11 - Fair Value Measurements (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>141,476</u>	<u>-0-</u>	<u>-0-</u>	<u>141,476</u>
Total Assets at Fair Value	<u>\$ 141,476</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 141,476</u>

Note 12 – Related Party Transactions

From time to time, Board members and the Executive Director will make purchases on behalf of the Clinic and will be reimbursed when cash is available. There were no outstanding balances due to Board members or the Executive Director for the years ended December 31, 2017 and 2016.

Note 13 – Pending Bequests

During 2015, the Clinic recorded a bequest receivable in the amount of \$23,361. This amount was received and deposited in 2016.

There were no pending bequests for the year ended December 31, 2017.

Note 14 – Subsequent Events

Subsequent events have been evaluated through March 28, 2018, which is the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ST. ANDREW'S CHILDREN'S CLINIC, INC.
Supplemental Information - Schedules of Operating Expenses
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Expenses		
Advertising	\$ -	\$ 139
Auto and travel expenses	15,618	11,990
Bank and investment fees	3,246	2,913
Dues and subscriptions	405	343
Insurance	9,966	9,904
Accounting and professional fees *	63,167	57,656
Repairs and maintenance	1,239	212
Minor equipment and software	5,314	5,025
Telephone and communications	10,709	9,813
Other office expenses	<u>3,060</u>	<u>3,770</u>
 Total Operating Expenses	 <u>\$ 112,724</u>	 <u>\$ 101,765</u>

* Includes in-kind accounting and professional fees of \$37,400 and \$34,100 as of December 31, 2017 and 2016, respectively.

See independent auditor's report.