JESSIE REES FOUNDATION

FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

with

INDEPENDENT AUDITORS' REPORT THEREON

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Jessie Rees Foundation
Irvine, California

We have audited the accompanying financial statements of Jessie Rees Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Wertz & Company, LLP

WERTZ & COMPANY, LLP

Irvine, California
April 24, 2017

JESSIE REES FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2016

ASSETS	
Current assets:	
Cash	$ 890,927
Cash restricted to program	12,174
Contributions receivable	16,541
Other current assets	54,000
Total current assets	973,642
Property and equipment, net	29,561
Total assets	$ 1,003,203
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	$ 8,820
Accrued expenses	26,205
Total current liabilities	35,025
Net assets:	
Without donor restrictions:	
Designated by the Board for strategic growth initiatives	62,713
Undesignated	886,500
With donor restrictions	18,965
Total net assets	968,178
Total liabilities and net assets	$ 1,003,203

JESSIE REES FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Contributions	$ 3,062,101	$ 45,000	$ 3,107,101
Interest income	3,895	-	3,895
Net assets released from restrictions	85,657	(85,657)	-
Total revenue and other support	3,151,653	(40,657)	3,110,996
Expenses:			
Program expenses	1,808,015	-	1,808,015
Management and general	407,290	-	407,290
Fundraising expenses	507,839	-	507,839
Total expenses	2,723,144	-	2,723,144
Increase (decrease) in net assets	428,509	(40,657)	387,852
Net assets at beginning of year	520,704	59,622	580,326
Net assets at end of year	$ 949,213	$ 18,965	$ 968,178

JESSIE REES FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services		Supporting Services			
	Encourage Kids/Families	Total Program Services	Management and General	Fundraising Expenses	Total Supporting Services	Total
Advertising and promotion	$ 18,342	$ 18,342	$ -	$ 3,095	$ 3,095	$ 21,437
Bank and merchant charges	17,283	17,283	30	13,991	14,021	31,304
Depreciation expense	-	-	11,789	-	11,789	11,789
Donor relations	-	-	-	26,472	26,472	26,472
Dues and subscriptions	-	-	835	75	910	910
Equipment rental	-	-	9,588	-	9,588	9,588
Gifts	11,300	11,300	-	-	-	11,300
Information technology	78,117	78,117	-	1,000	1,000	79,117
Insurance expense	31,516	31,516	11,827	11,612	23,439	54,955
Legal fees	19,127	19,127	185,698	-	185,698	204,825
Licenses and fees	750	750	553	75	628	1,378
Miscellaneous	-	-	-	2,602	2,602	2,602
Office expense	1,730	1,730	7,984	391	8,375	10,105
Postage and shipping	144,723	144,723	280	4,391	4,671	149,394
Printing and copying	23,659	23,659	-	-	-	23,659
Professional fees	29,968	29,968	69,073	30,900	99,973	129,941
Program supplies and expenses	865,013	865,013	-	-	-	865,013
Rent	76,734	76,734	32,886	-	32,886	109,620
Salaries and payroll taxes	415,541	415,541	69,210	152,338	221,548	637,089
Special event expenses	9,901	9,901	-	260,585	260,585	270,486
Telephone and internet	1,544	1,544	7,537	312	7,849	9,393
Travel	62,767	62,767	-	-	-	62,767
	$ 1,808,015	$ 1,808,015	$ 407,290	$ 507,839	$ 915,129	$ 2,723,144

JESSIE REES FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

Cash flows from operating activities:	
Change in net assets	$ 387,852
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,789
Changes in operating assets and liabilities:	
Cash restricted to program	31,070
Contributions receivable	(32)
Prepaid expenses	14,258
Other current assets	(51,613)
Account payable	2,092
Accrued expenses	(23,455)
Net cash provided by operating activities	371,961
Cash flows from investing activities:	
Purchases of property and equipment	(3,465)
Net cash used in investing activities	(3,465)
Net increase in cash	368,496
Cash at beginning of year	522,431
Cash at end of year	$ 890,927
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	$ -
Cash paid during the year for income taxes	$ -

NOTE 1 – GENERAL

Organization and Nature of Operations

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

- Net assets without donor restrictions represent funds available for operations that are not otherwise limited by donor-imposed restrictions.

- Net assets with donor restrictions represent funds subject to specific donor-imposed restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the donor restrictions are satisfied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Fair Value of Financial Instruments

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash Equivalents

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

Cash in Excess of Insured Limits

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

Contributions Receivable

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

Property and Equipment

The Organization capitalizes acquisitions of property and equipment over $500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 15 years.

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

Contributions

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In-Kind Contributions

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

Contributed Services

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

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

Functional Expense Allocation

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

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs for the year ended December 31, 2016 totaled $21,437.

Income Taxes

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

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2013.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Recently Issued Accounting Standards

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

Date of Management's Review

Management has evaluated subsequent events though April 24, 2017, which is the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY CONSIDERATIONS

The Organization has $837,964 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, consisting of cash of $828,214 and contributions receivable that will result in collections of cash of $9,750. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable are expected to be collected within one year. In addition, the Organization is subject to certain donor or board restrictions on cash of $74,887 but has placed this cash in separate bank accounts to be used only for its designated purpose. The Organization has a policy to structure its financial assets to be available to meet its general expenditures, liabilities, and other obligations as they come due.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31, 2016:

Receivable in less than one year	$ 16,541
Receivable in one to five years	-
Receivable in more than five years	-
Total contributions receivable	$ 16,541

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2016:

Furniture	$ 5,483
Equipment	22,845
Vehicles	28,500
Leasehold improvements	12,500
	69,328
Less accumulated depreciation	(39,767)
Net property and equipment	$ 29,561

Depreciation expense for the year ended December 31, 2016 was $11,789.

NOTE 6 – CONTRIBUTED SERVICES

The organization recognizes contribution revenue for certain services at the fair value of those services. Those services include the following at December 31, 2016:

Management and general:

Legal services	$ 199,825
Total contributed services	$ 199,825

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The organization leases a facility under an operating lease agreement on a month-to-month basis. The lease calls for monthly rent payments of $5,000. Additionally, the lessor contributes $5,000 a month to the Organization, effectively allowing for free use of the facilities by the organization. The total value of the use of the facilities for the year ended December 31, 2016 was $109,620, which is recorded as contributions revenue and rent expense in the statement of activities.