

EDMARC, INC.
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

EDMARC, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to the Financial Statements	6 - 11



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Edmarc, Inc.
Portsmouth, Virginia

We have audited the accompanying financial statements of Edmarc, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 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 risk 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 Edmarc, Inc. as of June 30, 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.

Barnes, Brock, Cornwell & Painter, PLC

January 29, 2018
Chesapeake, Virginia

EDMARC, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS		2017	2016
CURRENT ASSETS:			
Cash and cash equivalents		\$ 386,263	\$ 367,575
Pledges receivable, current		12,000	19,800
Prepaid expenses		10,968	3,436
Investments		<u>296,432</u>	<u>245,276</u>
Total current assets		<u>\$ 705,663</u>	<u>\$ 636,087</u>
PROPERTY AND EQUIPMENT, NET		<u>\$ 489,821</u>	<u>\$ 503,667</u>
OTHER ASSETS:			
Long-term pledges receivable		\$ 10,750	\$ 21,875
Endowments		<u>141,542</u>	<u>132,972</u>
Total other assets		<u>\$ 152,292</u>	<u>\$ 154,847</u>
Total assets		<u><u>\$ 1,347,776</u></u>	<u><u>\$ 1,294,601</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses		<u>\$ 21,856</u>	<u>\$ 48,954</u>
NET ASSETS:			
Unrestricted:			
Operating		\$ 214,178	\$ 253,532
Board designated		<u>76,507</u>	<u>76,350</u>
Total unrestricted net assets		<u>\$ 290,685</u>	<u>\$ 329,882</u>
Temporarily restricted		870,235	750,765
Permanently restricted		<u>165,000</u>	<u>165,000</u>
Total net assets		<u>\$ 1,325,920</u>	<u>\$ 1,245,647</u>
Total liabilities and net assets		<u><u>\$ 1,347,776</u></u>	<u><u>\$ 1,294,601</u></u>

See independent auditor's report and accompanying notes to the financial statements.

EDMARC, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	Comparative 2016 Total
REVENUE AND SUPPORT:					
Contributions	\$ 461,759	\$ 182,368	\$ -	\$ 644,127	\$ 504,177
United way	-	195,920	-	195,920	168,581
Program service revenue	106,735	-	-	106,735	127,940
Fundraising, net of expenses \$33,572 and \$51,180, respectively	172,784	-	-	172,784	162,223
In-kind donations	126,380	-	-	126,380	223,496
Interest income	10,996	6,226	-	17,222	9,282
Unrealized gain (loss) on investments	3,967	39,000	-	42,967	(12,423)
Net assets released from restrictions	304,044	(304,044)	-	-	-
Total revenue and support	\$ 1,186,665	\$ 119,470	\$ -	\$ 1,306,135	\$ 1,183,276
EXPENSES:					
Program services	\$ 1,128,084	\$ -	\$ -	\$ 1,128,084	\$ 1,175,088
Management and general	65,955	-	-	65,955	64,624
Fundraising	31,823	-	-	31,823	31,102
Total expenses	\$ 1,225,862	\$ -	\$ -	\$ 1,225,862	\$ 1,270,814
CHANGES IN NET ASSETS	\$ (39,197)	\$ 119,470	\$ -	\$ 80,273	\$ (87,538)
NET ASSETS, BEGINNING OF YEAR	329,882	750,765	165,000	1,245,647	1,333,185
NET ASSETS, END OF YEAR	\$ 290,685	\$ 870,235	\$ 165,000	\$ 1,325,920	\$ 1,245,647

See independent auditor's report and accompanying notes to the financial statements.

EDMARC, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Program Services	Management and General	Fund Raising	2017 Total	Comparative 2016 Total
Salaries and wages	\$ 685,635	\$ 37,262	\$ 22,358	\$ 745,255	\$ 721,635
Payroll taxes	51,915	2,822	1,693	56,430	54,081
Employee retirement benefits	1,104	60	36	1,200	5,841
Total salaries and related expenses	\$ 738,654	\$ 40,144	\$ 24,087	\$ 802,885	\$ 781,557
Accounting and legal	5,456	620	124	6,200	6,200
Appreciation items	8,283	952	286	9,521	9,979
Bank charges	5,289	608	182	6,079	5,696
Conference	978	-	-	978	4,318
Consulting	1,944	224	67	2,235	2,050
Depreciation	13,431	277	138	13,846	13,474
Dues and subscriptions	3,468	399	120	3,987	5,705
Food and beverage	1,937	223	67	2,227	3,106
Gifts bereaved/non-bereaved	16,688	-	-	16,688	7,445
In-kind donations	126,380	-	-	126,380	188,496
Insurance	82,940	9,533	2,860	95,333	79,783
Office expenses	26,166	3,008	902	30,076	42,663
Other supplies	7,871	905	271	9,047	7,621
Postage	13,703	1,575	473	15,751	15,146
Repairs and maintenance	12,599	1,448	434	14,481	16,834
Restricted expenses	9,762	-	-	9,762	22,762
Telephone	14,876	1,710	513	17,099	15,168
Travel	27,751	3,190	957	31,898	33,290
Utilities	9,908	1,139	342	11,389	9,521
Total expenses	\$ 1,128,084	\$ 65,955	\$ 31,823	\$ 1,225,862	\$ 1,270,814

See independent auditor's report and accompanying notes to the financial statements.

EDMARC, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 80,273	\$ (87,538)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	13,846	13,474
Donation of property and equipment	-	(35,000)
Unrealized (gain) loss on investments, net of investments fees	(58,319)	10,893
(Increase) decrease in assets:		
Pledges receivable	18,925	53,950
Prepaid expenses	(7,532)	(1,000)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(27,098)	15,331
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 20,095	\$ (29,890)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distribution received from endowments	\$ 4,630	\$ 4,605
Purchase of investments	(6,037)	(64,814)
Purchase of property and equipment	-	(2,648)
NET CASH USED BY INVESTING ACTIVITIES	\$ (1,407)	\$ (62,857)
NET CHANGES IN CASH AND CASH EQUIVALENTS	\$ 18,688	\$ (92,747)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	367,575	460,322
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 386,263	\$ 367,575

SUPPLEMENTAL DISCLOSURES OF NONCASH INFORMATION

Fair value of donated supplies and equipment	\$ 126,380	\$ 223,496
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See independent auditor's report and accompanying notes to the financial statements.

EDMARC, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - ORGANIZATION:

Edmarc, Inc. (Edmarc) is a non-profit organization dedicated to easing the trauma of a child's illness or death and to reducing the disabling effects of pediatric illness, loss and bereavement on families. Located in Hampton Roads, Virginia, Edmarc employs a variety of health professionals and other trained personnel to work in the homes of families who have a child who is seriously ill or disabled and with families who have experienced the death of a child.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, as such, recognize income when earned and expenses when incurred.

(b) Classification of Net Assets

The accompanying financial statements have been prepared in accordance with the recommendations of the Financial Accounting Standards Board. Edmarc reports information regarding its financial position and activities according to three classes of net assets, as follows:

- Unrestricted amounts are those currently available, at the discretion of the Board of Directors, for use in the operations and those resources invested in property and equipment.
- Temporarily restricted amounts are those that are stipulated by donors for specific purposes. 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 restriction.
- Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

(c) Cash and Cash Equivalents

For purposes of the statements of cash flows, Edmarc considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash equivalents amounted to \$111,232 and \$11,983 for the years ending June 30, 2017 and 2016, respectively.

(d) Recognition of Restrictions on Assets

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

(e) Donated Property

Edmarc recognizes in-kind contributions as revenue and expense in the period in which they are received. Donated materials are valued by donor at fair market value on the date of the gift. No amounts have been reflected in the accompanying financial statements for volunteer services since they are not susceptible to objective measurement or valuation; however, a number of volunteers donated significant amounts of their time performing services that would otherwise be performed by paid employees.

See independent auditor's report. Notes continued on next page.

EDMARC, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(f) Pledges Receivable and Allowance for Doubtful Accounts

Pledges receivable are stated at amounts pledged less an allowance for doubtful accounts. Receivables outstanding for more than 30 days are considered past due. Edmarc uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made. For the years ended June 30, 2017 and 2016, there was no allowance for doubtful accounts.

(g) Property and Equipment

Property and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. The gain or loss on items traded is applied to the asset account, and that on items otherwise disposed of is reflected in income.

Depreciation has been provided for using straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Building	40 years
Furniture and equipment	5 - 7 years
Vehicle	5 years

(h) Income Taxes

Edmarc, Inc., is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an unexempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently the Organization has no obligation for any unrelated business income tax. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in general administration. The Organization's federal return of Organization Exempt from Income Tax (Form 990) for fiscal years ending 2017, 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

(i) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(j) Charity Care

Edmarc provides care to patients who meet certain criteria under its charity policy. Because Edmarc does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Uncompensated care provided by Edmarc totaled \$201,385 and \$200,476 for the years ended June 30, 2017 and 2016, respectively.

(k) Functional Allocation of Expenses

The cost of providing Edmarc's various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs are allocated among the programs and supporting services benefited.

See independent auditor's report. Notes continued on next page.

EDMARC, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(l) Advertising

Edmarc expenses the cost of advertising when incurred. At June 30, 2017 and 2016, no advertising costs were incurred.

(m) Summarized Comparative 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

NOTE 3 - PLEDGES RECEIVABLE:

Pledges receivable at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Receivable in less than one year	\$ 12,000	\$ 19,800
Receivable in one to ten years	10,750	21,875
Less: allowance for uncollectible	-	-
	<u>\$ 22,750</u>	<u>\$ 41,675</u>

Reflected in the financial statements as follows:

	2017	2016
Pledges receivable, net, current	\$ 12,000	\$ 19,800
Long-term pledges receivable, net	10,750	21,875
	<u>\$ 22,750</u>	<u>\$ 41,675</u>

NOTE 4 - FAIR VALUE MEASUREMENTS:

Edmarc adopted the provisions of this statement for its financial assets and liabilities that are re-measured and reported at fair value each reporting period. The adoption of SFAS 157 did not have any impact on the statement of activities or balance sheet, but does require additional disclosures.

FASB Statement No. 157, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB statement No. 157 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Edmarc has the ability to access.

See independent auditor's report. Notes continued on next page.

EDMARC, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued):

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Mutual funds: Valued at the net asset value (NAV) of shares held by Edmarc at year end.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Edmarc 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 sets forth by level, within the fair value hierarchy, Edmarc's assets at fair value as of June 30, 2017 and 2016, respectively.

Assets at Fair Value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 14,904	\$ -	\$ -	\$ 14,904
Common stock	281,528	-	-	281,528
Total	<u>\$ 296,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,432</u>

Assets at Fair Value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 13,747	\$ -	\$ -	\$ 13,747
Common stock	231,529	-	-	231,529
Total	<u>\$ 245,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 245,276</u>

EDMARC, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Building	\$ 635,000	\$ 635,000
Furniture and fixtures	48,286	48,286
Vehicle	12,228	12,228
	\$ 695,514	\$ 695,514
Less accumulated depreciation	205,693	191,847
	\$ 489,821	\$ 503,667

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$13,846 and \$13,474, respectively.

In December 2004, Edmarc was deeded a house in Portsmouth, which is included in property in the above table. If the house is sold before 90 years the proceeds must go to The Southeast Virginia Community Foundation.

NOTE 6 - ENDOWMENTS:

At June 30, 2017 and 2016 endowments consisted of the following:

	2017 Fair Market	2016 Fair Market
Southeast Virginia Community Foundation	\$ 115,451	\$ 109,237
United Way Foundation	26,091	23,735
	\$ 141,542	\$ 132,972

During the years ended June 30, 2017 and 2016, Edmarc had an unrealized gain (loss) on the above investments of \$3,967 and \$(3,214), respectively. Income from the Southeast Virginia Community Foundation is restricted for property repairs and maintenance.

NOTE 7 - EMPLOYEE BENEFIT PLAN:

Edmarc has a defined contribution salary deferral plan covering substantially all employees. Under the plan, Edmarc contributes one percent of the annual salary for those employees who have been employed for the past twelve months at the fiscal year end. The annual contribution is at the board's discretion. Edmarc's expense related to this plan totaled \$1,200 and \$5,841 for the years ended June 30, 2017 and 2016, respectively.

NOTE 8 - LINE OF CREDIT:

Edmarc has a \$50,000 line of credit with Towne Bank. Principal is due upon demand and interest is payable monthly at 7.75%. The line is unsecured. At June 30, 2017 and 2016, Edmarc had \$50,000 available on this line. The line matures on April 25, 2018.

NOTE 9 - FUND RAISING COSTS:

Edmarc's allocated fund raising costs for United Way for the year ended June 30, 2017 and 2016 were \$11,945 and \$13,834, respectively.

See independent auditor's report. Notes continued on next page.

EDMARC, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 10 - CONCENTRATION OF CREDIT RISK:

Edmarc solicits contributions from individuals, businesses, and various agencies. Financial instruments that potentially subject Edmarc to credit risk include contributions. Contributions are not collateralized, and there is no legal recourse to collect unpaid contributions.

Financial instruments, which potentially subject Edmarc to concentration of credit risk, consist principally of cash.

Edmarc places its cash and cash equivalents on deposit with financial institutions in the United States. Beginning January 1, 2014, funds deposited in a noninterest-bearing transaction account no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). All of a depositor's accounts at an insured depository institution, including all non-interest bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of June 30, 2017 and 2016, Edmarc had demand deposits on hand in financial institutions which exceeded depositor's insurance provided by the applicable guaranty agency by \$56,038 and \$107,717, respectively.

Breakdowns of contributions and fundraising by significant type of donor for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Foundations and trusts	22%	26%
Fundraising	9%	23%
United Way	17%	18%
Individual donations	19%	14%
Organization donations	28%	15%
Other	5%	4%
	<u>100%</u>	<u>100%</u>

Breakdowns of program revenue from services by significant type of payer for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Tricare/Champus	51%	34%
Anthem	15%	30%
Optima	16%	19%
Medicaid	8%	9%
Other	10%	8%
	<u>100%</u>	<u>100%</u>

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the temporarily restricted purposes or by occurrence of other events specified by donor.

	<u>2017</u>	<u>2016</u>
Expenses from temporarily restricted funds:		
Children's hospice care & bereavement counseling	<u>\$ 304,044</u>	<u>\$ 466,882</u>

NOTE 12 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through January 29, 2018, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through January 29, 2018 that would require adjustment to, or disclosure in, the financial statements.

See independent auditor's report.