

ADOPT-A-NATIVE ELDER

***AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH INDEPENDENT AUDITOR'S REPORT***



CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Adopt-A-Native Elder

We have audited the accompanying financial statements of Adopt-A-Native Elder (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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 of 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 Organization'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 of the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also involves 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adopt-A-Native Elder as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Niederhauser & Davis, LLC, has previously audited the Organization's 2016 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated September 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mountainside Accounting & Consulting

September 29, 2018
Eagle Mountain, Utah

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**ADOPT-A-NATIVE ELDER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 WITH SUMMARIZED
FINANCIAL INFORMATION AT DECEMBER 31, 2016**

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>2016 (Memo Only)</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 375,278	\$ -	\$ 375,278	\$ 225,125
Accounts receivable	43,388	-	43,388	4,369
Inventories	167,495	-	167,495	165,300
Prepaid expenses	<u>12,863</u>	<u>-</u>	<u>12,863</u>	<u>4,078</u>
 Total current assets	 <u>599,024</u>	 <u>-</u>	 <u>599,024</u>	 <u>398,872</u>
FIXED ASSETS				
Land	5,092		5,092	5,092
Furniture and equipment	22,903	-	22,903	22,903
Less: accumulated depreciation	<u>(20,500)</u>	<u>-</u>	<u>(20,500)</u>	<u>(19,634)</u>
 Total fixed assets	 <u>7,495</u>	 <u>-</u>	 <u>7,495</u>	 <u>8,361</u>
INTANGIBLE ASSETS				
Website development costs	30,600	-	30,600	30,600
Less: accumulated amortization	<u>(30,600)</u>	<u>-</u>	<u>(30,600)</u>	<u>(30,600)</u>
 Total intangible assets	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
OTHER ASSET				
Rug collection	<u>38,744</u>	<u>-</u>	<u>38,744</u>	<u>38,744</u>
 Total assets	 <u>\$ 645,263</u>	 <u>\$ -</u>	 <u>\$ 645,263</u>	 <u>\$ 445,977</u>

The accompanying notes are an integral part of these financial statements

**ADOPT-A-NATIVE ELDER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 WITH SUMMARIZED
FINANCIAL INFORMATION AT DECEMBER 31, 2016**

LIABILITIES AND NET ASSETS

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total 2017</u>	<u>2016 (Memo Only)</u>
CURRENT LIABILITIES				
Accounts payable	\$ 1,600	\$ -	\$ 1,600	\$ 3,760
Accrued expenses	5,363		5,363	-
Credit card payable	<u>13,937</u>	<u>-</u>	<u>13,937</u>	<u>10,362</u>
 Total current liabilities	 <u>20,900</u>	 <u>-</u>	 <u>20,900</u>	 <u>14,122</u>
 COMMITMENTS AND CONTINGENCIES				
NET ASSETS				
Unrestricted	624,363	-	624,363	431,855
Temporarily restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total net assets	 <u>624,363</u>	 <u>-</u>	 <u>624,363</u>	 <u>431,855</u>
 Total liabilities and net assets	 <u>\$ 645,263</u>	 <u>\$ -</u>	 <u>\$ 645,263</u>	 <u>\$ 445,977</u>

The accompanying notes are an integral part of these financial statements

**ADOPT-A-NATIVE ELDER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017 WITH SUMMARIZED
FINANCIAL INFORMATION AT DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016 (Memo Only)</u>
Support				
Contributions	\$ 1,184,657	\$ -	\$ 1,184,657	\$ 911,134
Donated goods and services	<u>96,139</u>	<u>-</u>	<u>96,139</u>	<u>64,004</u>
Total support	<u>1,280,796</u>	<u>-</u>	<u>1,280,796</u>	<u>975,138</u>
Revenue				
Sales of rugs and crafts	410,203	-	410,203	351,039
Less: cost of sales	<u>(315,340)</u>	<u>-</u>	<u>(315,340)</u>	<u>(290,979)</u>
Net revenue from sales	<u>94,863</u>	<u>-</u>	<u>94,863</u>	<u>60,060</u>
Investment income (loss)	7	-	7	6
Total support and revenue	<u>1,375,666</u>	<u>-</u>	<u>1,375,666</u>	<u>1,035,204</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses				
Program services				
Elder assistance	845,130	-	845,130	804,507
Rug and craft sales	105,782	-	105,782	110,512
Management and general	148,542	-	148,542	136,484
Fundraising	<u>83,704</u>	<u>-</u>	<u>83,704</u>	<u>90,726</u>
Total expenses	<u>1,183,158</u>	<u>-</u>	<u>1,183,158</u>	<u>1,142,229</u>
CHANGE IN NET ASSETS	192,508	-	192,508	(107,025)
NET ASSETS , beginning of year	<u>431,855</u>	<u>-</u>	<u>431,855</u>	<u>538,880</u>
NET ASSETS , end of year	<u>\$ 624,363</u>	<u>\$ -</u>	<u>\$ 624,363</u>	<u>\$ 431,855</u>

The accompanying notes are an integral part of these financial statements

**ADOPT-A-NATIVE ELDER
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2017 WITH SUMMARIZED
FINANCIAL INFORMATION AT DECEMBER 31, 2016**

	Program Services				Total 2017	Total 2016 (Memo Only)
	Elder Assistance	Rug and Craft Sales	Management and General	Fundraising		
Food and medicine	\$ 328,766	\$ -	\$ -	\$ -	\$ 328,766	\$ 334,796
Salaries and taxes	140,812	28,119	69,640	30,464	269,035	249,594
Other direct support	170,353	3,820	-	-	174,173	120,340
Supplies	17,252	-	9,738	4,502	31,492	36,519
Rug show expenses	-	54,353	-	-	54,353	55,067
Postage and printing	24,565	798	-	30,639	56,002	55,520
Occupancy expenses *	40,171	-	2,528	-	42,699	45,421
Yarn and fabric	31,219	-	-	-	31,219	35,091
Clothing and tools	54,295	-	-	-	54,295	61,541
Travel and meals	37,274	-	-	-	37,274	35,051
Advertising	-	15,513	-	10,685	26,198	36,773
Professional fees	423	1,721	44,185	148	46,477	42,183
Other expenses	-	1,458	8,847	3,049	13,354	14,376
Insurance	-	-	3,990	-	3,990	6,802
Telephone	-	-	5,037	-	5,037	6,105
Dues and subscriptions	-	-	3,701	-	3,701	2,663
Depreciation	-	-	876	-	876	1,151
Website and social media	-	-	-	4,217	4,217	3,236
Total	\$ 845,130	\$ 105,782	\$ 148,542	\$ 83,704	\$ 1,183,158	\$ 1,142,229

* Includes rent, utilities and repairs & maintenance

The accompanying notes are an integral part of these financial statements

**ADOPT-A-NATIVE ELDER
STATEMENT OF CASH FLOWS
DECEMBER 31, 2017 WITH SUMMARIZED
FINANCIAL INFORMATION AT DECEMBER 31, 2016**

	2017	2016 (Memo Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 192,508	\$ (107,025)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	867	1,151
Donation of parcel of land	-	-
Donation of marketable securities	-	-
Donation of rug collection items	-	-
Realized loss on return of rug collection items	-	-
(Increase) decrease in accounts receivable	(39,020)	6,701
(Increase) decrease in inventories	(2,195)	(12,628)
(Increase) decrease in prepaid expenses	(8,785)	7,057
Increase (decrease) in accounts payable and accruals	3,203	3,760
Increase (decrease) in credit card payable	3,575	9,904
 Net cash used in operating activities	 150,153	 (91,080)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	-
Sale of marketable securities	-	-
 Net cash provided by investing activities	 -	 -
 NET DECREASE IN CASH	 150,153	 (91,080)
 CASH, beginning of period	 225,125	 316,205
 CASH, end of period	 \$ 375,278	 \$ 225,125

The accompanying notes are an integral part of these financial statements

**ADOPT-A-NATIVE ELDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 WITH SUMMARIZED
FINANCIAL INFORMATION AT DECEMBER 31, 2016**

1. Organization

Adopt-A-Native Elder (the Program) is a private, nonprofit corporation established to provide relief to poor and distressed Native American elders and to promote preservation of their traditions and lifestyles. The Program primarily serves elders on the Navajo reservations in Southern Utah and Northern Arizona. Most of the Program's support comes from donor contributions and from sales of rugs and crafts made by the elders. Its current activities include:

Elder Assistance. The Program provides food, medical support, clothing, tools and other items to help the elders to continue to live in their traditional lifestyle. As the elders have become older, it has become more difficult for them to support themselves.

Rug and Craft Sales. Many of the elders weave traditional Native American rugs and make other traditional crafts. The Program facilitates the sale of these items to provide income to the elders, by buying the rugs and other craft items directly from the elder for resale or by accepting them on consignment. The Program organizes one major rug show and sale each year, participates in several smaller shows, and offers rugs for sale through a printed catalog and through its website with all proceeds going directly to the elders.

Adoption. The Program encourages and facilitates its donors and other interested individuals to adopt a native elder. Those who adopt an elder may order food, firewood, clothing, and other needed items through the Program. Most of the ordered items are taken to the reservation twice a year and delivered to the adopted elder by volunteers of the Program. Adoption is facilitated through the fundraising process, and no separate expenses are attributed to this activity.

2. Summary of Significant Accounting Policies

Basis of Accounting. The accompanying financial statements have been prepared using the accrual basis of accounting.

Basis of Presentation. The Program has adopted financial accounting standards where, under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Program and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Program and/or the passage of time. Although temporary restricted net assets are typically reported as support that increases restricted net assets, they are reported as unrestricted net assets if the restrictions are met in the same reporting period.

**ADOPT-A-NATIVE ELDER
NOTES TO FINANCIAL STATEMENTS
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Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Program. Generally, the donors of these assets permit the Program to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents. The Program maintains cash balances in the form of liquid cash and money market funds. The Program considers all highly liquid investments to be cash equivalents.

Accounts Receivable. Accounts receivable consist primarily of cash contributions from corporate and individual contributors. If accounts receivable are deemed uncollectible, the Program specifically writes off the receivables. Management feels that accounts receivable at December 31, 2017 are collectible and therefore, no allowance for doubtful accounts has been allowed for in the financial statements.

Investments. At times, the Program receives donations of marketable securities, which are recorded as investments at fair market value at the date of the donation and sold as soon as practical. If the marketable securities are held at year-end, they are stated at fair market value. Related gains and losses are recognized as changes in net assets in the period in which they occur and investment income is recognized as revenue in the period earned.

Inventories. Inventories, which consist of rugs and crafts made by the native elders, and food, clothing and other items donated or purchased for use by the elders, are stated at the lower of cost or market, or, if donated, at the fair value at the time of donation. Cost is determined on a specific identification basis. The Program also holds, and offers for sale, rugs on consignment from the elders. When these consigned rugs are sold the proceeds are remitted to the elder. Both the sales proceeds and the related payment to the elder for consigned rug sales are included in sales and cost of sales, respectively.

Furniture and Equipment. Furniture and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Depreciation is computed using double-declining balance and straight-line methods over the estimated useful lives of the assets, which are approximately 3 to 5 years. Depreciation expense for the years ended December 31, 2017 and 2016 was \$867 and \$1,151, respectively.

Collection. The Program holds certain rugs woven by native elders in its permanent collection for exhibition and educational purposes. These rugs are examples of weaving techniques and designs, or the final rug woven by an elder. When purchased, rugs for the collection are capitalized at cost, and when donated, they are capitalized at their fair value.

Fair Value Measurements. FASB ASC 820, Fair Value Measurements, requires disclosure of the fair value of financial assets and liabilities, including those financial assets and liabilities that are not measured and reported at fair value on a recurring or non-recurring basis. For all assets and liabilities of the Program, not measured at fair value, the fair value approximates the carrying values.

**ADOPT-A-NATIVE ELDER
NOTES TO FINANCIAL STATEMENTS
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The fair value of an asset is the price that would be received to sell that asset in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset. FASB ASC Topic 820, Fair Value Measurements, establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC Topic 820 are as follows:

Level 1 Fair Value Measurements

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

Level 2 Fair Value Measurements

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.

Level 3 Fair Value Measurements

Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

An asset'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 preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management 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.

Contributions of Non-cash Assets and Services. Contributions of non-cash assets are recorded at their fair values in the period received. Contributed equipment is recorded as unrestricted support, unless donors stipulate how long the assets must be used. The Program receives noncash contributions in support of the annual rug show including use of exhibit space and equipment, and lodging and food for the elders attending the show.

Contributions of services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated, are recorded at their fair values in the period received.

**ADOPT-A-NATIVE ELDER
NOTES TO FINANCIAL STATEMENTS
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The Program also receives a significant amount of donated services from unpaid volunteers who assist in the acquisition and distribution of food and other items for the native elders. No amounts have been recognized in the statement of activities for these volunteer services because the criteria described above have not been satisfied.

Advertising costs. Advertising costs are expensed as incurred. Advertising expense was \$26,199 and \$36,773 in 2017 and 2016, respectively.

Income Taxes. The Program is a nonprofit corporation and is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. During the years ended December 31, 2016 and 2015, the Program had no unrelated business income as defined by Section 512(a)(1) of the Code. Accordingly, a provision for income taxes has not been recorded. If taxing authorities were to determine that any tax, interest, or penalties were due, such amounts would be reported as general and administrative expenses in the year assessed. Generally, the Program is no longer subject to Federal tax examination for the tax years before 2014.

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

Functional Allocation of Expenses. The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior Year 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 Program's financial statements for the year ended December 31, 2016 from which the summarized information was derived.

Reclassifications. Reclassifications have been made in the basis of presenting certain corresponding items in the prior year comparative information on the statements of activities and changes in net assets and functional expenses. The reclassifications had no effect on the Program's changes in net assets for the year ended December 31, 2016.

3. Cash

The Program maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limit. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law which permanently increased deposit insurance with the Federal Deposit Insurance Corporation (the FDIC) to \$250,000.

**ADOPT-A-NATIVE ELDER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 WITH SUMMARIZED
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The Program maintains its cash and cash equivalents balance at a financial institution which at time may exceed the federally insured limit of \$250,000 set by the Federal Deposit Insurance Corporation. The Program has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk on these balances.

4. Investments and Investment Income

Investments consist of marketable securities donated to the Program and are considered to be Level 1 investments in the fair value measurements hierarchy. The board and management of the Program determine if the Program should hold the donated stock for long-term appreciation or sell for the cash proceeds. At December 31, 2017 and 2016, all donated marketable securities were sold by year-end.

For the years ended December 31, 2017 and 2016, investment income consists of interest income earned on cash deposits.

5. Lease Commitments

The Program leases storage and warehouse facilities under terms of an operating lease agreement that commenced April 1, 2008. During the year ended December 31, 2013, the lease was renewed for an additional 5 years, with rent of \$2,860 per month. Subsequent to year-end, the lease was renewed once again on April 1, 2018 for another five years, with rent of \$3,080 per month. Rent expense for the years ended December 31, 2017 and 2016 was \$29,485 and \$35,415, respectively.

Future minimum lease payments under the lease agreement are as follows:

<u>Year Ending</u>	<u>Amount</u>
2018	36,300
2019	36,960
2020	36,960
2021	36,960
Thereafter	<u>46,200</u>
Total	<u>\$ 193,380</u>

**ADOPT-A-NATIVE ELDER
NOTES TO FINANCIAL STATEMENTS
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6. Donated Goods

The Program recognized contribution support for certain goods received during the years ended December 31, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u> <u>(Memo Only)</u>
Rug show lodging, food and facilities	\$ 38,120	\$ 31,005
Food, clothing and other goods for elder assistance	16,819	13,149
Goods and services for rug show auction	41,200	19,850
Parcel of land	-	-
Other	<u>-</u>	<u>-</u>
Total donated goods	<u>\$ 96,139</u>	<u>\$ 64,004</u>

During the years ended December 31, 2017 and 2016, the Program also received \$0 and \$14,826, respectively, of donated marketable securities. Since the Program sold the securities as soon as practical, they were reported as contribution income on the financial statements.

7. Temporarily Restricted Net Assets

During the year ended December 31, 2016, the Program changed its policy over donations; whereby, all donations are acknowledged to be received without restrictions given the administrative complexities with tracking donations by program and period.

Net assets released from restrictions consist of amounts for which restrictions were met during the year and accordingly, could be reclassified to unrestricted net assets.

8. Subsequent Events

Subsequent events have been considered through September 29, 2018, the date the financial statements were available to be issued.