

JACOB'S HEART CHILDREN'S CANCER  
SUPPORT SERVICES  
(A Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS  
December 31, 2017

JACOB'S HEART CHILDREN'S CANCER SUPPORT SERVICES  
(A Nonprofit Public Benefits Corporation)

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PATRICIA A. BECKWITH

CERTIFIED PUBLIC ACCOUNTANT



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
Jacob's Heart Children's Cancer  
Support Services

I have reviewed the accompanying statement of financial position of Jacob's Heart Children's Cancer Support Services (a non-profit benefits corporation) as of December 31, 2017 and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

*Accountant's Responsibility*

My responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for our conclusion.

*Accountant's Conclusion*

Based on my reviews, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Patricia Beckwith

Aptos, CA  
June 14, 2017

**JACOB'S HEART CHILDREN'S CANCER SUPPORT SERVICES**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 885,955	\$ 729,799
Grants receivable	3,000	6,000
Inventory	15,752	1,370
Prepaid expenses	5,358	2,531
Beneficial interest in assets held by Community Foundations	142,575	79,477
Property and equipment	<u>68,405</u>	<u>288,711</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,121,043</u></u>	<u><u>\$ 1,107,888</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 237	\$ 5,753
Credit cards	71	4,548
Payroll liabilities	<u>4,578</u>	<u>3,013</u>
<b>TOTAL LIABILITIES</b>	<u>4,886</u>	<u>13,314</u>
<b>NET ASSETS</b>		
Unrestricted	961,679	927,430
Temporarily restricted	75,000	87,667
Permanently restricted	<u>79,477</u>	<u>79,477</u>
<b>TOTAL NET ASSETS</b>	<u>1,116,156</u>	<u>1,094,574</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,121,043</u></u>	<u><u>\$ 1,107,888</u></u>

The notes are an integral part of these financial statements.

**JACOB'S HEART CHILDREN'S CANCER SUPPORT SERVICES**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016
<b>REVENUE AND SUPPORT</b>					
Grants and contributions	\$ 1,126,200	\$ 180,000	-	\$ 1,306,200	\$ 1,238,772
Fundraising events	23,365			23,365	26,512
Miscellaneous revenues	14,934			14,934	3,031
Interest income	2,583			2,583	25
Change in value of investments	13,050			13,050	4,477
Gain (loss) on sale of assets	(1,928)			(1,928)	
Net assets released from restrictions					
Restrictions satisfied by payments	192,667	(192,667)		-	-
<b>Total Revenue and Support</b>	<b>1,370,871</b>	<b>(12,667)</b>	<b>-</b>	<b>1,358,204</b>	<b>1,272,817</b>
<b>EXPENSES</b>					
<b>Program Services</b>					
Practical and Financial	450,790	-	-	450,790	398,021
Emotional & Psychosocial	508,844	-	-	508,844	251,264
Community Education	102,566	-	-	102,566	102,064
<b>Supporting Services</b>					
Management and General	143,325	-	-	143,325	80,550
Fundraising	131,097	-	-	131,097	97,121
<b>Total Expenses</b>	<b>1,336,622</b>	<b>-</b>	<b>-</b>	<b>1,336,622</b>	<b>929,020</b>
<b>CHANGE IN NET ASSETS</b>	<b>34,249</b>	<b>(12,667)</b>	<b>-</b>	<b>21,582</b>	<b>343,797</b>
<b>NET ASSETS, beginning of year</b>	<b>927,430</b>	<b>87,667</b>	<b>79,477</b>	<b>1,094,574</b>	<b>750,777</b>
<b>NET ASSETS, end of year</b>	<b>\$ 961,679</b>	<b>\$ 75,000</b>	<b>\$ 79,477</b>	<b>\$ 1,116,156</b>	<b>\$ 1,094,574</b>

The notes are an integral part of these financial statements.

**JACOB'S HEART CHILDREN'S CANCER SUPPORT SERVICES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended December 31, 2017**

	Program Services				Supporting Services			Total
	Practical & Financial	Emotional & Psychosocial	Community Education	Management and General	Fundraising			
Compensation and related expenses	\$ 139,742	\$ 211,068	\$ 55,332	\$ 36,817	\$ 54,725	\$	\$ 497,684	
Compensation	12,665	18,358	4,932	3,196	4,764		43,915	
Payroll Taxes	152,407	229,426	60,264	40,013	59,489		541,599	
Camp Heart and Hands	-	24,976	-	-	-		24,976	
Community education	-	-	2,565	-	-		2,565	
Computer, internet and website	1,219	1,892	807	406	4,116		8,440	
Depreciation	-	-	-	21,337	-		21,337	
Emotional support	126	28,646	-	-	-		28,772	
Event expenses	3,100	46,468	6,158	3,986	4,110		63,822	
Financial support	204,308	91,094	9,003	-	-		304,405	
Insurance	6,145	7,464	2,060	1,923	2,033		19,625	
Office expenses	6,607	11,385	4,302	8,918	5,020		36,232	
Occupancy								
Rent	16,311	21,796	5,437	5,437	109		49,090	
Repairs and maintenance	1,763	4,138	588	1,168	588		8,245	
Utilities	3,306	4,794	1,112	1,930	1,262		12,404	
Outside services	39,920	30,988	5,848	50,711	38,639		166,106	
Postage	671	865	269	4,468	1,889		8,162	
Printing	837	1,177	3,453	771	12,742		18,980	
Professional and staff development	1,763	2,163	598	637	646		5,807	
Travel/vehicle	12,307	1,572	102	1,620	454		16,055	
Total expenses, year ended							-	
December 31, 2017	\$ 450,790	\$ 508,844	\$ 102,566	\$ 143,325	\$ 131,097	\$	\$ 1,336,622	
	34%	37%	8%	11%	10%			

The notes are an integral part of these financial statements.

**JACOB'S HEART CHILDREN'S CANCER SUPPORT SERVICES**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 21,582	\$ 343,797
Adjustments to reconcile changes in net assets to to net cash used in operating activities:		
Gain (loss) on sale of assets	1,928	-
Depreciation	21,337	17,101
Change in value of investments	(13,050)	(4,477)
Noncash contributions	(1,031)	(200,000)
(Increase) Decrease in:		
Grants receivable	3,000	51,254
Inventory	(14,382)	3,521
Prepaid expenses	(2,827)	(1,707)
Beneficial assets held at Communiy Foundation	(50,047)	-
Increase (Decrease) in:		
Accounts payable	(5,516)	5,175
Credit cards	(4,477)	4,548
Payroll liabilities	1,565	3,013
Net Cash Provided (Used) by Operating Activities	<u>(41,916)</u>	<u>222,225</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of/Sales of Property and Equipment	<u>198,072</u>	<u>(28,598)</u>
Net Cash Provided (Used) by Investing Activities	<u>198,072</u>	<u>(28,598)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	156,156	193,627
CASH AND CASH EQUIVALENTS, beginning of year	<u>729,799</u>	<u>536,172</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 885,955</u>	<u>\$ 729,799</u>

The notes are an integral part of these financial statements.

JACOB'S HEART CHILDREN'S CANCER SUPPORT SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

Jacob's Heart Children's Cancer Support Services (Jacob's Heart) exists to improve the quality of life for children with cancer and support their families in the challenges they face. Since 1998, they have served more than 600 families who have heard the devastating words, "your child has cancer." Through the years Jacob's Heart has celebrated remission for hundreds of children, and have grieved with families at the loss of a precious child.

Through it all, they remain steadfast in their mission; their reason for existence, an unwavering dedication to providing support to parents and families of children with cancer in Monterey, Santa Cruz, San Benito and South Santa Clara Counties.

Basis of Accounting

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

Basis of Presentation

Jacob's Heart reports 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.

- Unrestricted net assets: Net assets that are not subject to donor-imposed restricted or for which Jacob's Heart has variance power. Restricted net assets are reclassified to this category when the restrictions are met.
- Temporarily restricted net assets: Net assets on which grantors or donors have placed restrictions regarding the use of the funds or the time period in which the funds can be used. When a time or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions:
- Permanently restricted net assets: Net assets, including contributions and any portion of investment income and appreciation that may not be spent pursuant to donor-imposed restrictions.



JACOB'S HEART CHILDREN'S CANCER SUPPORT SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, Jacob's Heart considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of the time spent on these functions by specific employees as estimated by management. Indirect expenses, include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Beneficial Interests in Assets Held by Community Foundations

The Jacob's Heart Board of Directors has opened a Stewardship Fund for the Future of Jacob's Heart at the Community Foundation for Monterey County and the Community Foundation of Santa Cruz County. The goal is to build a reserve equal to one year's operating budget over the next five years. This will ensure that services to families will remain uninterrupted during challenging economic times

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 are capitalized while expenditures for repairs and maintenance that do not improve or extend the useful lives of respective assets are expensed currently. Property and equipment are carried at cost and depreciated using the straight-line method over the estimated useful lives of the assets ranging from 3-7 years.

JACOB'S HEART CHILDREN'S CANCER SUPPORT SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income Taxes

Jacob's Heart is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization on its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three and four years respectively, after they are filed.

Subsequent Events

These financial statements considered subsequent events through June 14, 2017, the date the financial statements were available to be issued.

NOTE 2. CONCENTRATION OF CREDIT RISK FOR CASH

Jacob's Heart maintains cash balances at various banking institution where deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2017 \$35,359 in cash balances were held in excess of federally insured limits.

NOTE 3. GRANTS RECEIVABLE

Grants receivables at December 31, 2017 are deemed to be fully collectible by management and are comprised of the following:

Community Foundation of Santa Cruz County	<u>\$ 3,000</u>
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NOTE 4. FAIR VALUE

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes 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).

JACOB'S HEART CHILDREN'S CANCER SUPPORT SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 4. FAIR VALUE (Continued):

The three levels of the fair value hierarchy are briefly described below:

Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement are unobservable.

The asset's 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 measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents information about assets measured at fair value on a recurring basis at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by Community Foundations	<u>\$ --</u>	<u>\$ --</u>	<u>\$142,575</u>	<u>\$142,575</u>

NOTE 5. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

At December 31, 2017 Jacob's Heart had two stewardship accounts with the Santa Cruz County Community Foundation and Monterey Community Foundation that is permanently restricted. The Foundation holds and invests the funds on behalf of Jacob's Heart, with the long-term objectives of safeguarding principal, increasing the principal through long-term total return and generating income for charitable distributions.

The Foundation has no variance power over the funds. In the event the Foundation ceases to exist the Endowment Funds are required to be returned to Jacob's Heart. In the event Jacob's Heart ceases to exist the Funds will be used for charitable purposes as designated by the Foundation.

JACOB'S HEART CHILDREN'S CANCER SUPPORT SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION (Continued)

The following table provides a summary of changes in fair value of Jacob's Heart Level 3 financial assets for the year ended December 31, 2016:

Balance as of January 1, 2017	\$ 79,477
Unrealized gain (loss) in asset value	13,050
Earnings/fees	
Transfers from bank account	<u>50,000</u>
Balance as of December 31, 2016	<u>\$ 142,575</u>

NOTE 6. PROPERTY AND EQUIPMENT

As of December 31, 2017, property and equipment consists of:

Automobiles	\$ 60,027
Office furniture	22,900
Machinery & equipment	<u>30,762</u>
Less: Accumulated depreciation	<u>(45,284)</u>
	<u>\$ 68,405</u>

NOTE 7. IN KIND INCOME AND EXPENSES

Jacob's Heart was the beneficiary of donated rent space valued at \$48,000 for the year. The Organization also received donations of gift cards for gasoline and food, which is in turn, donated to clients for family support and financial assistance.

NOTE 8. DONATED SERVICES

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skill, are performed by people with those skills and would otherwise be purchased by the Organization.

Numerous volunteers have donated significant amount of time in addition to community donations of goods to the Organization's program services throughout the year that are not recognized as contributions. Although no amounts have been reflected in the financial statements, management estimates the fair value of those goods and services to be \$232,419 for the year ended December 31, 2017.

JACOB'S HEART CHILDREN'S CANCER SUPPORT SERVICES  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

As noted in Note 1. above, Jacob's Heart receives grants and donations that are donor restricted.

For the year ended December 31, 2017, activity in the temporarily restricted net assets was as follows:

	<u>12/31/16</u>	<u>Balance Additions</u>	<u>Satisfied</u>	<u>12/31/16</u>
Hospice Giving Fd.	\$ 40,000	\$ 60,000	\$ 70,000	\$ 30,000
Monterey Peninsula Fd.	16,667	40,000	36,667	20,000
Community Fd. Santa Cruz	6,000	30,000	21,000	15,000
Peggy & Jack Baskin Fd.	8,000	--	8,000	--
Safeway	2,000	--	2,000	--
NVIDIA	--	50,000	40,000	10,000
Cleo Foundation	<u>15,000</u>	<u>--</u>	<u>15,000</u>	<u>--</u>
	<u>\$ 87,667</u>	<u>\$ 180,000</u>	<u>\$ 192,667</u>	<u>\$ 75,000</u>