



**FINANCIAL REPORT**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2018 AND 2017**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Transplants for Children

We have audited the accompanying financial statements of Transplants for Children, (a non-profit corporation) which comprise the statements of financial position as of December 31, 2018 and 2017, 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 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 consolidated 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 Transplants for Children as of December 31, 2018 and 2017, 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.

***Emphasis of Matter***

As discussed in Note B to the financial statements, in 2018 Transplants for Children adopted new accounting guidance from Financial Accounting Standards Board Update ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This did not require a restatement of prior year balances. Our opinion is not modified with respect to this matter.



Armstrong, Vaughan & Associates, P.C.

April 12, 2019

TRANSPLANTS FOR CHILDREN  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 138,157	\$ 228,114
Investments	191,696	230,732
Pledges Receivable	4,910	-
Prepaid Expenses and Other Deposits	6,410	6,119
<i>Total Current Assets</i>	<u>341,173</u>	<u>464,965</u>
 <i>Property and Equipment, Net</i>	 <u>2,154</u>	 <u>2,136</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 343,327</u></u>	 <u><u>\$ 467,101</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<i>Current Liabilities:</i>		
Accounts Payable	\$ 7,774	\$ 7,874
Salaries and Benefits Payable	3,209	3,784
Deferred/Unearned Revenues	-	66,706
<i>Total Current Liabilities</i>	<u>10,983</u>	<u>78,364</u>
 <i>Net Assets:</i>		
Net Assets without Donor Restrictions:		
General Operating	27,232	64,158
Board Designated - Endowment	176,264	230,732
Board Designated - Youth and Family Network	79,370	88,816
Board Designated - Crisis Assistance	15,432	-
<i>Total Net Assets without Donor Restrictions</i>	<u>298,298</u>	<u>383,706</u>
 Net Assets with Donor Restrictions	 <u>34,046</u>	 <u>5,031</u>
<i>Total Net Assets</i>	<u><u>332,344</u></u>	<u><u>388,737</u></u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 343,327</u></u>	 <u><u>\$ 467,101</u></u>

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

TRANSPLANTS FOR CHILDREN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	<b>Total</b>
<b>REVENUES, GAINS AND SUPPORT</b>			
<i>Contributions and Grant Revenues</i>			
Corporate and Foundation	\$ 202,296	\$ 30,000	<b>\$ 232,296</b>
Individuals	76,716	-	<b>76,716</b>
Charities of Choice	2,060	-	<b>2,060</b>
<i>Total Contributions and Grant Revenues</i>	<u>281,072</u>	<u>30,000</u>	<u><b>311,072</b></u>
<i>Special Events, Net</i>			
Gayla's Gala	35,158	-	<b>35,158</b>
Sporting Clays	23,895	-	<b>23,895</b>
Super Bowl Fun Run	12,129	-	<b>12,129</b>
<i>Total Special Events, Net</i>	<u>71,182</u>	<u>-</u>	<u><b>71,182</b></u>
<i>Investment Earnings</i>			
Interest and Dividends	5,630	-	<b>5,630</b>
Realized and Unrealized Gains (Losses)	(18,613)	-	<b>(18,613)</b>
<i>Total Investment Earnings</i>	<u>(12,983)</u>	<u>-</u>	<u><b>(12,983)</b></u>
Net Assets Released from Donor Restrictions	985	(985)	-
<b>TOTAL REVENUES, GAINS AND SUPPORT</b>	<u>340,256</u>	<u>29,015</u>	<u><b>369,271</b></u>
<b>EXPENSES</b>			
Program Services	299,602	-	<b>299,602</b>
Supporting Services			
Management and General	27,856	-	<b>27,856</b>
Fundraising	98,206	-	<b>98,206</b>
<b>TOTAL EXPENSES</b>	<u>425,664</u>	<u>-</u>	<u><b>425,664</b></u>
<b>CHANGE IN NET ASSETS</b>	(85,408)	29,015	<b>(56,393)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>383,706</u>	<u>5,031</u>	<u><b>388,737</b></u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 298,298</u>	<u>\$ 34,046</u>	<u><b>\$ 332,344</b></u>

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



TRANSPLANTS FOR CHILDREN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND SUPPORT</b>			
<i>Contributions and Grant Revenues</i>			
Corporate and Foundation	\$ 254,350	\$ -	<b>\$ 254,350</b>
Individuals	23,720	-	<b>23,720</b>
Charities of Choice	6,641	-	<b>6,641</b>
<i>Total Contributions and Grant Revenues</i>	<u>284,711</u>	<u>-</u>	<u><b>284,711</b></u>
<i>Special Events, Net</i>			
Gayla's Gala	60,819	-	<b>60,819</b>
RMDH Luncheon	9,342	-	<b>9,342</b>
Super Heroes Run	7,888	-	<b>7,888</b>
Super Bowl Fun Run	5,065	-	<b>5,065</b>
<i>Total Special Events, Net</i>	<u>83,114</u>	<u>-</u>	<u><b>83,114</b></u>
<i>Investment Earnings</i>			
Interest and Dividends	2,734	3,932	<b>6,666</b>
Realized and Unrealized Gains (Losses)	16,408	24,613	<b>41,021</b>
<i>Total Investment Earnings</i>	<u>19,142</u>	<u>28,545</u>	<u><b>47,687</b></u>
Net Assets Released from			
Donor Restrictions	198,358	(198,358)	-
<b>TOTAL REVENUES, GAINS AND SUPPORT</b>	<u>585,325</u>	<u>(169,813)</u>	<u><b>415,512</b></u>
<b>EXPENSES</b>			
Program Services	302,479	-	<b>302,479</b>
Supporting Services			
Management and General	47,631	-	<b>47,631</b>
Fundraising	57,695	-	<b>57,695</b>
<b>TOTAL EXPENSES</b>	<u>407,805</u>	<u>-</u>	<u><b>407,805</b></u>
<b>CHANGE IN NET ASSETS</b>	177,520	(169,813)	<b>7,707</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>206,186</u>	<u>174,844</u>	<u><b>381,030</b></u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 383,706</u>	<u>\$ 5,031</u>	<u><b>\$ 388,737</b></u>

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

TRANSPLANTS FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Direct	Youth and	Family and	Total	Supporting Services		<b>Total</b>
	Client Services	Family Network	Community Education	Program Services	Management & General	Fundraising Expenses	
<b>FUNCTIONAL EXPENSES</b>							
<i>Personnel Costs:</i>							
Salaries and Wages	\$ 59,499	\$ 71,016	\$ 13,962	\$ 144,477	\$ 13,869	\$ 71,318	<b>\$ 229,664</b>
Fringe Benefits and Taxes	9,088	18,021	4,135	31,244	1,518	7,974	<b>40,736</b>
<i>Total Personnel Costs</i>	<u>68,587</u>	<u>89,037</u>	<u>18,097</u>	<u>175,721</u>	<u>15,387</u>	<u>79,292</u>	<b>270,400</b>
Professional Fees	4,534	8,991	2,328	15,853	9,825	3,978	<b>29,656</b>
Specific Assistance	34,304	9,446	-	43,750	-	-	<b>43,750</b>
Occupancy	5,167	10,245	2,351	17,763	863	4,533	<b>23,159</b>
Meetings and Conferences	1,070	4,571	381	6,022	140	1,778	<b>7,940</b>
Other Expenses	2,253	4,468	1,025	7,746	376	1,977	<b>10,099</b>
Supplies	2,287	10,644	950	13,881	349	1,832	<b>16,062</b>
Equipment Maintenance	1,601	3,176	729	5,506	267	1,405	<b>7,178</b>
Insurance Expense	1,560	3,094	710	5,364	261	1,369	<b>6,994</b>
Depreciation	277	550	126	953	46	244	<b>1,243</b>
Telephone	1,383	2,742	629	4,754	231	1,214	<b>6,199</b>
Postage	666	1,320	303	2,289	111	584	<b>2,984</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 123,689</u>	<u>\$ 148,284</u>	<u>\$ 27,629</u>	<u>\$ 299,602</u>	<u>\$ 27,856</u>	<u>\$ 98,206</u>	<b><u>\$ 425,664</u></b>

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

TRANSPLANTS FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

<b>FUNCTIONAL EXPENSES</b>	<u>Direct Client Services</u>	<u>Youth and Family Network</u>	<u>Family and Community Education</u>	<u>Total Program Services</u>	<u>Supporting Services</u>		<b><u>Total</u></b>
					<u>Management &amp; General</u>	<u>Fundraising Expenses</u>	
<i>Personnel Costs:</i>							
Salaries and Wages	\$ 74,425	\$ 76,505	\$ 16,668	\$ 167,598	\$ 23,643	\$ 37,362	<b>\$ 228,603</b>
Fringe Benefits and Taxes	14,109	14,503	3,160	31,772	4,482	7,083	<b>43,337</b>
<i>Total Personnel Costs</i>	<u>88,534</u>	<u>91,008</u>	<u>19,828</u>	<u>199,370</u>	<u>28,125</u>	<u>44,445</u>	<b><u>271,940</u></b>
Professional Fees	5,135	6,633	1,349	13,117	9,869	3,528	<b>26,514</b>
Specific Assistance	20,626	7,232	-	27,858	-	-	<b>27,858</b>
Occupancy	5,353	7,316	1,606	14,275	1,249	2,320	<b>17,844</b>
Meetings and Conferences	1,993	9,812	229	12,034	1,794	2,716	<b>16,544</b>
Other Expenses	1,453	1,986	3,436	6,875	4,488	683	<b>12,046</b>
Supplies	2,274	5,532	502	8,308	391	726	<b>9,425</b>
Equipment Maintenance	2,929	4,003	879	7,811	683	1,269	<b>9,763</b>
Insurance Expense	2,056	2,810	617	5,483	480	891	<b>6,854</b>
Depreciation	528	722	158	1,408	123	229	<b>1,760</b>
Telephone	2,066	2,335	427	4,828	332	707	<b>5,867</b>
Postage	417	570	125	1,112	97	181	<b>1,390</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 133,364</u></b>	<b><u>\$ 139,959</u></b>	<b><u>\$ 29,156</u></b>	<b><u>\$ 302,479</u></b>	<b><u>\$ 47,631</u></b>	<b><u>\$ 57,695</u></b>	<b><u>\$ 407,805</u></b>

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

TRANSPLANTS FOR CHILDREN  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (56,393)	\$ 7,707
Adjustments		
Depreciation	1,243	1,760
Realized and Unrealized (Gain)/Loss on Investments	18,613	(41,021)
(Increase) Decrease in Current Assets:		
Pledges Receivable	(4,910)	-
Prepaid Expenses & Other Deposits	(291)	(1,018)
Increase (Decrease) in Liabilities:		
Accounts Payable	(100)	5,733
Salaries and Benefits Payable	(575)	(120)
Deferred Revenues	(66,706)	61,456
<b>NET CASH PROVIDED (REQUIRED) BY     OPERATING ACTIVITIES</b>	<u>(109,119)</u>	<u>34,497</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(1,262)	(899)
Proceeds from Securities	20,424	40,061
<b>NET CASH PROVIDED (REQUIRED) BY     INVESTING ACTIVITIES</b>	<u>19,162</u>	<u>39,162</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(89,957)	73,659
<b>CASH AND CASH EQUIVALENTS AT BEGINNING YEAR</b>	<u>228,114</u>	<u>154,455</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 138,157</u>	<u>\$ 228,114</u>

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

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE A -- ORDER AND PURPOSE

Transplants for Children (the Organization) is a nonprofit corporation organized in San Antonio in 1986 to serve families of young organ and tissue recipients who must confront the emotional, financial and social challenges associated with transplantation.

The specific programs and services that the Organization provides include:

Direct Client Services: This program is comprised of Social Services/Support and Family Crisis Assistance. The Social Services/Support provides intake and referral services, advocacy for community and medical services. The Family Crisis Assistance program offers emergency financial funds to families of children receiving organ and tissue transplants and includes funding toward travel expenses, certain medical expenses and other family expenses not covered by insurance or other assistance programs. Individual & Family Counseling Services provides one-to-one family and individual counseling. These services address the challenges associated with overwhelming stress, social isolation and associated depression, anxiety and often-times, feelings of hopelessness that impair healthy family functioning.

Youth and Family Network: A peer-to-peer network, this program provides the child, siblings and parents with family-centered empowerment activities focused on the particular challenges children and their families face as they learn to live a new life pre-and post-transplantation. The Youth and Family Network program uses a team- and strengths-based approach through mentoring and leadership development that fosters a transplant tribe for solidarity, support and convening and to develop practical tools to live more healthy, build a stable family life and thrive socially. The Youth and Family Network program works in partnership with a vast referral network of healthcare providers to reach out to transplantation families from the moment they are diagnosed. Transplant recipient children learn to become masters of their own health so they can maintain medical compliance and transition more fully into adult medical care reducing long term health complications and medical expenses.

Family and Community Education: Consists of seasoned parents who connect with new parents of children who will be or are going through the transplant process in the Helping Hands program. Community education also consists of participating in community events and outreach.

Transplants for Children is supported primarily by donations from foundations, corporations, individuals and special events.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Presentation*

The financial statements of Transplants for Children have been prepared using the accrual basis in accordance with the accounting principles generally accepted in the United States of America (GAAP) whereby revenues are recognized when earned and expenses are recognized when they are incurred.

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2018 AND 2017

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

1. *Basis of Presentation (Cont.)*

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Transplants for Children and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations. Assets restricted solely through actions of the Board of Directors are reported as unrestricted net assets.

*Net Asset with Donor Restrictions* – Net assets subject to donor-imposed stipulations. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

2. *Revenue Recognition*

Contributions are recognized as revenues when a gift or pledge that is unconditional is received. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 restrictions.

Grants and other contributions of cash and other assets are reported as permanently restricted support if they are received with donor stipulations that require in perpetuity that the principal be invested and only the income be used for specific purposes.

3. *Donated Services and In-Kind Support*

The Organization may receive services, equipment and material without payment or compensation. When the value of such services meets recognition criteria, it is reflected in the accompanying financial statements as revenues and expenditures in a like amount. In-kind contributions are measured and recorded at their fair value on the date of donation. Equipment and other non-cash donations are recorded as contributions at cost or estimated fair value determined at the date of the donations. In-kind services were excluded from the financial statements because they did not meet the recognition criteria.

4. *Income Taxes*

Transplants for Children is exempt from state and federal income taxes under Section 501(c)3 of the Internal Revenue Code. Additionally, Transplants for Children is further classified as an organization that is not a private foundation under section 509(a)(2) which allows the donors of property, services or money to take the maximum charitable deduction allowed by law.

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2018 AND 2017

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

4. *Income Taxes (Cont.)*

The most significant tax positions of the Organization is its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The Organization's tax years for 2015 through 2017 are open to examination by the Internal Revenue Service as of December 31, 2018.

5. *Investments*

Transplants for Children holds all endowment investments with the San Antonio Area Foundation. The Organization believes the best long-term performance will be achieved through a balanced portfolio consisting of equities, fixed income and cash. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as the board designated funds. This implies growing the corpus in real terms while at the same time protecting the assets from market volatility. The investment policy prohibits short selling, margin trading, securities lending, private placements, commodity trading, futures and options contracts, and derivatives of any type, and thinly traded marketable securities. Investments are reported at their fair values on the statement of financial position based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Unrealized gains and losses are included in the change in net assets.

6. *Prepaid Expenses and Other Deposits*

Prepaid Expenses are expenses paid in advance of the actual services received. The expense will be recognized in the period for which the services were paid has elapsed. As of December 31, 2017, the Organization had prepaid expenses of \$288, prepaid insurance of \$4,165 and a security deposit of \$1,666. As of December 31, 2018, the Organization had prepaid expenses of \$2,364, prepaid insurance of \$2,380 and a security deposit of \$1,666.

7. *Property and Equipment*

Property and equipment is recorded at cost if purchased, or at fair market value if donated. Transplants for Children capitalizes items with useful lives greater than three years and costing more than \$300.

8. *Functional Expense Allocations*

Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various methods.

TRANSPLANTS FOR CHILDREN  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2018 AND 2017

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

9. *Depreciation*

Depreciation on the property, furniture, and equipment owned by Transplants for Children is calculated using the straight-line method. Estimated useful lives for purposes of depreciation are as follows:

	Years
Furniture and Equipment	3 to 7
Vehicles	5

10. *Compensated Absences*

Employees of Transplants for Children are entitled to paid time off depending on length of service and range from 160 hours to 200 hours annually. Accrued but unused vacation may be accumulated at a maximum of 160 hours. Employees are allowed to carryover 80 hours at year end, all other hours over 80 are forfeited. The employee has the option to request a cash payout of 40 hours of paid time off annually.

11. *Use of Estimates*

The preparation of financial statements in accordance 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. Actual results could differ from those estimates.

12. *Subsequent Events*

Subsequent events were considered through April 12, 2019, which is the date the financial statements were available to be issued.

13. *New Accounting Pronouncement*

On August 18, 2016, the FASB issued Accounting Standards Update ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The update address the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted ASU 2016-147 and has adjusted the presentation of the financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

14. *Reclassifications*

Certain reclassifications have been made to prior periods to conform to the current year presentation. These reclassifications had no effect on changes in net assets.



TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2018 AND 2017

NOTE C -- FAIR VALUE MEASUREMENT

Transplants for Children's financial instruments consist primarily of checking, high yield savings, money market accounts and a pooled investment fund held at San Antonio Area Foundation. The carrying amount of the cash and cash equivalents approximate their fair market value due to the short-term nature of such instruments (Level 2).

Transplants for Children uses the following hierarchical disclosure framework:

*Level 1* – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

*Level 2* – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* - Measurement based on assumptions about hypothetical marketplace because observable market inputs are not available as of the reporting date.

Transplants for Children uses appropriate valuation techniques based on available inputs to measure the fair value of its assets and liabilities. When available, Transplants for Children measures fair market value using Level 1 inputs because they generally provided the most reliable evidence of fair value. Level 3 inputs have the lowest priority. All of Transplants for Children's investments are according to the fair value hierarchy at Level 2. The Organization holds Investments, which are valued based on the value of the underlying assets which consists of the investments in equity and bond mutual funds in pooled funds with the San Antonio Area Foundation. The Foundation will redeem the Organization's share of the pooled funds upon the Organization's request.

The table below summarized the investments held in the pooled funds for the year ended December 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gains (Losses)</u>
Equities	\$ 35,308	\$ 32,076	\$ (3,232)
Fixed Income	177,925	159,620	(18,305)
	<u>\$ 213,233</u>	<u>\$ 191,696</u>	<u>\$ (21,537)</u>

The table below summarized the investments held in the pooled funds for the year ended December 31, 2017:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gains (Losses)</u>
Equities	\$ 18,753	\$ 18,964	\$ 211
Fixed Income	204,792	211,768	6,976
	<u>\$ 223,545</u>	<u>\$ 230,732</u>	<u>\$ 7,187</u>

TRANSPLANTS FOR CHILDREN  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 DECEMBER 31, 2018 AND 2017

NOTE D -- CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of investments. The organization places all of its investment with the San Antonio Area Foundation.

The Organization maintains checking and money market accounts with a few banks. As of December 31, 2018, Transplants for Children did not have any accounts in excess of the insured limits of the Federal Deposit Insurance Corporation (FDIC).

NOTE E -- PROPERTY AND EQUIPMENT

Property and equipment for each year ended is comprised of the following:

	<u>2018</u>	<u>2017</u>
Office Furniture	\$ 8,188	\$ 8,188
Equipment	6,148	6,148
Computers	8,477	11,270
Software	2,020	2,020
Vehicles	<u>28,161</u>	<u>28,161</u>
Total Property and Equipment	52,994	55,787
Less: Accumulated Depreciation	<u>(50,840)</u>	<u>(53,651)</u>
Property and Equipment - Net	<u><u>\$ 2,154</u></u>	<u><u>\$ 2,136</u></u>

NOTE F -- DESIGNATED FUND BALANCE – YOUTH AND FAMILY NETWORK

This designated fund balance consists of scholarship awards through the STARS program. Each participant was given an opportunity to earn a scholarship award for secondary or higher education. Participants, ages 10 through 18, followed a specified program and those who completed the required steps of the program were eligible to accumulate scholarship funds through the end of the 2012/2013 school year. The scholarship award funds are transferred to a separate bank account and designated by the board. Each participant is allowed to begin withdrawing from the scholarship funds once they graduate high school and enroll into a secondary, vocational or higher education program. To receive scholarship funds, the participant must present an invoice from the school or evidence of qualified expenses for college. The Board of Directors designated \$79,370 of net assets without donor restrictions for the Youth and Family Network program as of December 31, 2018 and \$88,816 for the year ended December 31, 2017.

NOTE G -- CRISIS ASSISTANCE BOARD DESIGNATED INVESTMENT

*Crisis Assistance* - This designated fund balance consists of funds deposited to the San Antonio Area Foundation - Family Crisis Managed Investment account. The San Antonio Area Foundation disburses grants on behalf of Transplants for Children to families in crisis. The Board of Directors designated \$15,432 of net assets without donor restrictions for the Crisis Assistance program as of December 31, 2018 and \$0 for the year ended December 31, 2017.

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2018 AND 2017

NOTE G -- CRISIS ASSISTANCE BOARD DESIGNATED INVESTMENT (CONT.)

A reconciliation of the investment funds beginning and ending balances for the year ended December 31, 2018 is as follows:

	Without Donor Restriction
Beginning Balance	\$ -
Contributions	25,000
Interest and Dividends	86
Realized Gain/(Loss)	26
Unrealized Gain/(Loss)	(1,625)
Board Designations (Draws)	(6,344)
Investment Fees	(1,711)
	<u>\$ 15,432</u>

NOTE H -- NET ASSETS WITH DONOR RESTRICTIONS

During the year ended December 31, 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donor. All net assets released were a result of satisfaction of the required restrictions. The net assets with donor restrictions at the end of the year are as follows:

	2018	2017
PACT Program	\$ 30,000	\$ -
Client Medical Bracelets	2,957	3,157
McKenna Foundation	1,089	1,874
	<u>\$ 34,046</u>	<u>\$ 5,031</u>

The release of funds with donor restrictions for the years ending December 31, 2018 and 2017 are as follows:

	2018	2017
Client Medical Bracelets	\$ 200	\$ 252
Endowment Fund	-	196,894
Cassity Liver Transplant	-	376
McKenna Foundation	785	836
	<u>\$ 985</u>	<u>\$ 198,358</u>

NOTE I -- ENDOWMENT FUND

The Board of Directors has designated \$176,264 of net assets without donor restrictions as a general endowment fund to support the mission of the Organization. Since the amount designated by the Board resulted from an internal designation and is not donor restricted, it is classified and reported as net assets without donor restrictions. All investment expenses have been recorded as a reduction to Interest and Dividends on the Statement of Activities.

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2018 AND 2017

NOTE I -- ENDOWMENT FUND (CONT.)

It is the policy of the Board to preserve amounts designated for the Endowment. This is accomplished through non-invasion of the Endowment principal. The Board may designate a percentage of annual earnings to increase the amounts designated for the Endowment. Net assets designated for Endowment are invested using a "Total Return Concept."

A reconciliation of the endowment funds beginning and ending balances for the year ended December 31, 2018 is as follows:

	Without Donor Restriction
Beginning Balance	\$ 230,732
Interest and Dividends	4,652
Realized Gain/(Loss)	2,899
Unrealized Gain/(Loss)	(19,913)
Board Designations (Draws)	(40,666)
Investment Fees	(1,440)
	\$ 176,264

A reconciliation of the endowment funds beginning and ending balances for the year ended December 31, 2017 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Beginning Balance	\$ 61,423	\$ 168,349	\$ 229,772
Interest and Dividends	2,623	3,932	6,555
Net Appreciation (Realized and Unrealized)	16,408	24,613	41,021
Board Designations (Draws)	150,925	(195,925)	(45,000)
Investment Fees	(647)	(969)	(1,616)
	\$ 230,732	\$ -	\$ 230,732

*Return Objectives and Risk Parameters*

The Organization holds all endowment investments with the San Antonio Area Foundation. The San Antonio Area Foundation believes the best long-term performance will be achieved through a balanced portfolio consisting of equities, fixed income and cash. Endowment assets include those assets from board designated funds. The Investment Policy expressly prohibits: short selling, margin trading, securities lending, private placements, commodity trading, futures and option contracts, and derivatives of any type, thinly traded and non-marketable securities.

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2018 AND 2017

NOTE I -- ENDOWMENT FUND (CONT.)

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Foundation targets a diversified asset allocation strategy that places a greater emphasis on equity-based investments to achieve its long-term return objective within the guidelines of the Organization's investment policy.

NOTE J -- SPECIAL EVENTS

Special Event fundraisers are reported net of direct costs. The breakdown of each event follows for the year ended December 31, 2018:

	Gayla's Gala	Clay Shoot	Super Bowl Fun Run
Revenues	\$ 67,713	\$ 42,976	\$ 17,141
Expenses	(32,555)	(19,081)	(5,011)
	\$ 35,158	\$ 23,895	\$ 12,129

The breakdown of each event follows for the year ended December 31, 2017:

	Gayla's Gala	RMDH Luncheon	Super Heroes Run	Super Bowl Fun Run
Revenues	\$ 81,027	\$ 11,000	\$ 14,468	\$ 11,978
Expenses	(20,208)	(1,658)	(6,580)	(6,913)
	\$ 60,819	\$ 9,342	\$ 7,888	\$ 5,065

NOTE K -- OPERATING LEASES

The Organization leases office space in San Antonio, Texas under terms of a three year, non-cancelable operating lease. The monthly lease payment for office space is \$1,667 and will expire on June 30, 2020.

The Organization also has a lease for the copiers. The monthly payment for the copier lease is \$360 and will expire on October 2020.

Future minimum lease commitments required under these leases are as follows:

Fiscal Year Ending 12/31	Minimum Lease Payments
2019	\$ 24,320
2020	13,240
	\$ 37,560

TRANSPLANTS FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2018 AND 2017

NOTE L -- REVENUE CONCENTRATIONS

The Organization relies upon grants, contributions and other assistance to supplement a majority of its program fees. The reliance upon several large contributors creates a concentration of revenues.

Revenue concentrations as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Kronkosky Charitable Foundation	18.0%	40.1%
H-E-B Tournament of Champions Charitable Trust	13.5%	12.0%
Gloria Burns Trust	13.5%	0%

NOTE M -- LIQUIDITY

The Organization's working capital and cash flows have variations during the year attributable to the annual cash receipts for grants, donations and special events. Monthly operations as of December 31, 2018, are \$35,472 and they can currently fund 8.35 months.

The following reflects the Organization's financial assets as of December 31, 2018 and December 31, 2017, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations and current liabilities:

	<u>2018</u>	<u>2017</u>
Current assets, excluding nonfinancial assets	\$ 341,173	\$ 464,965
Less donor restricted for specific purposes	(34,046)	(5,031)
Less current liabilities	<u>(10,983)</u>	<u>(78,364)</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 296,144</u>	 <u>\$ 381,570</u>

NOTE N -- LITIGATION

Management is not aware of any threatened or pending litigation.