

THE SHADE TREE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2017



HOULDSWORTH, RUSSO & COMPANY

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THE SHADE TREE, INC.

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Shade Tree, Inc.

We have audited the accompanying financial statements of The Shade Tree, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Shade Tree, Inc. as of June 30, 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.

Holdsworth, Russo & Company, P.C.

Las Vegas, Nevada
January 9, 2018

Certified Public Accountants
20 YEARS & COUNTING

THE SHADE TREE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 185,945
Cash and cash equivalents, temporarily restricted	119,659
Investments, unrestricted	858,323
Grants receivable	197,884
Unconditional promises to give	25,000
Inventory	237,016
Prepaid expenses	28,812
Investments, temporarily restricted	<u>1,916,085</u>
	3,568,724
PROPERTY AND EQUIPMENT, NET	6,017,026
PROPERTY AND EQUIPMENT, PERMANENTLY RESTRICTED	<u>275,000</u>
	6,292,026
OTHER ASSETS	
Unconditional promises to give, net of current	75,000
Investments, permanently restricted	190,000
Land held for investment, board designated	<u>260,000</u>
	<u>\$ 10,385,750</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 53,886
Accrued expenses	52,865
Capital lease payable, current	<u>2,427</u>
	109,178
LONG-TERM LIABILITIES	
Capital lease payable	<u>3,717</u>
	112,895
NET ASSETS	
Unrestricted	7,672,111
Temporarily restricted	2,135,744
Permanently restricted	<u>465,000</u>
	<u>10,272,855</u>
	<u>\$ 10,385,750</u>

See notes to financial statements.

THE SHADE TREE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Contributions	\$ 1,789,008	\$ 212,296	\$ -	\$ 2,001,304
Grants	836,113	-	-	836,113
Special events	\$ 145,071			
Less: costs of direct benefits to donors	<u>(51,967)</u>			
Net revenues from special events	93,104	-	-	93,104
Interest and dividends	68,021	16,244	-	84,265
Realized and unrealized gains	66,019	7,602	-	73,621
Net assets released from restrictions	366,755	(366,755)	-	-
	<u>3,219,020</u>	<u>(130,613)</u>	<u>-</u>	<u>3,088,407</u>
Expenses and losses:				
Program services				
Noah's Animal House	219,939	-	-	219,939
Stallman Touro Clinic	177,623	-	-	177,623
Children's Activity Center	132,762	-	-	132,762
Shelter	2,220,006	-	-	2,220,006
Transitional Shelter	208,645	-	-	208,645
Total program services	<u>2,958,975</u>	<u>-</u>	<u>-</u>	<u>2,958,975</u>
Supporting services:				
Fundraising	245,952	-	-	245,952
Management and general	261,362	-	-	261,362
Total supporting services	<u>507,314</u>	<u>-</u>	<u>-</u>	<u>507,314</u>
Total expenses	<u>3,466,289</u>	<u>-</u>	<u>-</u>	<u>3,466,289</u>
Bad debt	17,734		-	17,734
	<u>3,484,023</u>	<u>-</u>	<u>-</u>	<u>3,484,023</u>
CHANGE IN NET ASSETS	(265,003)	(130,613)	-	(395,616)
NET ASSETS, BEGINNING OF YEAR	<u>7,937,114</u>	<u>2,266,357</u>	<u>465,000</u>	<u>10,668,471</u>
NET ASSETS, END OF YEAR	<u>\$ 7,672,111</u>	<u>\$ 2,135,744</u>	<u>\$ 465,000</u>	<u>\$ 10,272,855</u>

See notes to financial statements.

THE SHADE TREE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services				
	Noah's Animal House	Stallman Touro Clinic	Children's Activity Center	Shelter	Transitional Shelter
Compensation					
Salaries and wages	\$ 89,928	\$ 59,952	\$ 74,940	\$ 914,273	\$ 59,952
Payroll taxes and fees	10,519	7,013	8,766	106,943	7,013
Employee benefits	7,730	5,153	6,442	78,589	5,153
	<u>108,177</u>	<u>72,118</u>	<u>90,148</u>	<u>1,099,805</u>	<u>72,118</u>
Advertising	-	-	-	-	-
Advertising, donated	-	-	-	-	-
Bank and investment fees	-	-	-	-	-
Bus passes	-	-	-	7,750	-
Client supplies	16,335	56,290	3,547	42,449	857
Client supplies, donated	10,130	-	-	204,424	-
Depreciation	29,819	6,016	11,771	149,096	53,622
Donor gifts	-	-	-	-	-
Food and beverages	-	-	2,595	89,841	-
Food and beverages, donated	-	-	-	158,144	-
Insurance	6,289	2,091	3,258	40,581	9,308
Interest	-	-	-	-	-
Laundry services	-	-	-	1,693	-
Occupancy	17,143	3,459	6,767	85,715	30,827
Postage and office supplies	1,431	3,443	1,394	18,949	1,213
Postage and office supplies, donated	14	10	12	150	10
Professional fees	28	89	674	8,899	544
Professional services, donated	-	27,774	-	35,445	-
Rental assistance	-	-	-	71,580	1,570
Repairs and maintenance	6,975	59	1,805	65,724	-
Repairs and maintenance, donated	144	37	68	6,055	289
Security	20,075	4,050	7,924	100,374	36,100
Telephone	3,278	2,187	2,732	33,332	2,187
Travel	101	-	67	-	-
	<u>219,939</u>	<u>177,623</u>	<u>132,762</u>	<u>2,220,006</u>	<u>208,645</u>
Costs of direct benefit to donors	-	-	-	-	-
Total expenses and costs of direct benefits to donors	<u>\$ 219,939</u>	<u>\$ 177,623</u>	<u>\$ 132,762</u>	<u>\$ 2,220,006</u>	<u>\$ 208,645</u>

See notes to financial statements.

THE SHADE TREE, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	Total Program	Supporting Services		Total
		Fundraising	Management and General	
Compensation				
Salaries and wages	\$ 1,199,045	\$ 164,869	\$ 134,893	\$ 1,498,807
Payroll taxes and fees	140,254	19,285	15,778	175,317
Employee benefits	103,067	14,172	11,595	128,834
	<u>1,442,366</u>	<u>198,326</u>	<u>162,266</u>	<u>1,802,958</u>
Advertising	-	9,473	-	9,473
Advertising, donated	-	3,000	-	3,000
Bank and investment fees	-	-	20,133	20,133
Bus passes	7,750	-	-	7,750
Client supplies	119,478	-	-	119,478
Client supplies, donated	214,554	-	-	214,554
Depreciation	250,324	5,231	6,016	261,571
Donor gifts	-	7,328	-	7,328
Food and beverages	92,436	-	-	92,436
Food and beverages, donated	158,144	-	-	158,144
Insurance	61,527	4,035	3,564	69,126
Interest	-	-	1,422	1,422
Laundry services	1,693	-	-	1,693
Occupancy	143,911	3,008	3,459	150,378
Postage and office supplies	26,430	2,828	14,533	43,791
Postage and office supplies, donated	196	27	22	245
Professional fees	10,234	3,001	40,024	53,259
Professional services, donated	63,219	-	-	63,219
Rental assistance	73,150	-	-	73,150
Repairs and maintenance	74,563	-	-	74,563
Repairs and maintenance, donated	6,593	33	38	6,664
Security	168,523	3,522	4,050	176,095
Telephone	43,716	6,010	4,919	54,645
Travel	168	130	916	1,214
	<u>2,958,975</u>	<u>245,952</u>	<u>261,362</u>	<u>3,466,289</u>
Costs of direct benefit to donors	<u>-</u>	<u>51,967</u>	<u>-</u>	<u>51,967</u>
Total expenses and costs of direct benefits to donors	<u>\$ 2,958,975</u>	<u>\$ 297,919</u>	<u>\$ 261,362</u>	<u>\$ 3,518,256</u>

See notes to financial statements.

THE SHADE TREE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (395,616)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	261,571
Realized and unrealized gains on investments	(73,621)
Donated fixed assets	(3,000)
(Increase) decrease in operating assets:	
Grants receivable	(13,899)
Unconditional promises to give	(9,471)
Inventory	133,924
Prepaid expenses	(2,320)
Increase (decrease) in operating liabilities:	
Accounts payable	7,425
Accrued expenses	<u>(21,499)</u>
Net cash used in operating activities	<u>(116,506)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(110,755)
Purchase of investments	(11,429,703)
Sale of investments	<u>11,185,892</u>
Net cash used in investing activities	<u>(354,566)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment on capital lease	<u>(2,196)</u>
Net cash used in financing activities	<u>(2,196)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(473,268)
CASH, BEGINNING OF YEAR	<u>778,872</u>
CASH, END OF YEAR	<u><u>\$ 305,604</u></u>
SUMMARY OF CASH	
Cash and cash equivalents	\$ 185,945
Cash and cash equivalents, temporarily restricted	<u>119,659</u>
	<u><u>\$ 305,604</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest expense	<u><u>\$ 1,422</u></u>

See notes to financial statements.

THE SHADE TREE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Shade Tree, Inc. (Organization), a Nevada nonprofit corporation, provides temporary shelter for homeless and abused women and children in crisis and offers life-changing services promoting stability, dignity, and self reliance. The Organization is located in North Las Vegas and generally provides services to those in need from the surrounding community of the greater Las Vegas metropolitan area. The Organization also provides on-site shelter for the pets of the residents in a separate building specifically designed for their comfort and care. The Organization receives the majority of its revenue from individual and corporate donors in Southern Nevada and from funds received through government grants.

Programs and Services

The Organization provides all residents with life-changing opportunities through the following programs and services:

Noah's Animal House: Noah's Animal House (Noah's) is a nonprofit partner and is a pet sanctuary for shelter residents, which allows women to escape abusive situations without leaving behind their pets. In homes where there is violence, pets are often threatened or injured by the violent partner. It is not uncommon for an abuser to continue to control the relationship using the family pet. Noah's is the first full service facility of its kind located on the grounds of a women's shelter in the western region of the United States.

Stallman Touro Clinic: Volunteer physicians, nurses, and other medical professionals provide care for the women and children staying at the shelter. Most domestic violence victims would not leave the protection of the building to receive medical care and the families living in poverty are in need of well baby check-ups and women's health screenings to identify and prevent serious medical problems in the future.

Children's Activity Center (CAC): CAC is a specialized program addressing multiple issues faced by homeless and abused children. Programs include a literacy/reading program, homework assistance, art sessions, character development and other life skills activities. Annually more than 1,000 children participate in programs provided by this center. The average ages of the children are 7 years, but there are one day old babies that make this their first home and teenagers that graduate from high school while staying in the shelter.

Shelter: The emergency shelter is a 24 hours a day, seven days a week safe place for the homeless to stay (up to 90 days) and receive assistance with all basic needs as well as referrals to other community agencies. The average stay is 34 days and this program is full of families and single women nearly every day of the year.

Transitional Shelter: The Transitional Shelter program allows single clients and families additional time, up to one year, to access programs and to set and achieve goals. Program goals are designed to aid residents in finding employment that pays a living wage, securing stable housing, saving money and accessing needed services. Each working resident in the program is required to save at least 30% of her income each month.

THE SHADE TREE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization prepares financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205 and subsections. Under FASB ASC 958-205, the Organization is required to report 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.

Use of Estimates

Timely preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from management's estimates.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivable represent funds to be reimbursed to the Organization for incurring expenses considered allowable under the grant agreements. Based on prior collection history, the Organization expects to collect all grants receivables in full in less than one year; therefore, as of June 30, 2017, there is no allowance for uncollectible grants recorded in the financial statements.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and other investments in debt securities at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Promises to Give

Unconditional promises to give (pledges receivable) are recognized as contribution revenue in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received and are recorded at fair value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

THE SHADE TREE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets, Materials and Services

Donated assets and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. A substantial number of volunteers have made significant contributions of time to assist the Organization's services and programs.

The Organization has received donations in the form of materials and supplies to support its program activities. The Organization has recorded the fair value of these contributions as revenue in the accompanying statement of activities and as either an expense in the same statement or as an asset in the accompanying statement of financial position, depending on the nature of the contribution, in accordance with FASB ASC 958-605 and subsections. For the year ended June 30, 2017, donated services totaled \$63,219 and consisted of clinician and educational services.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000 and with a useful life of over one year. Property and equipment are stated at cost. Property and equipment acquired by donation are stated at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of 5 years for vehicles, 3 to 7 years for furniture and equipment and 40 years for buildings and improvements.

Inventory

Inventory is valued at the lower of first-in, first-out cost if purchased or market value if donated. The balance of inventory is the result of donated items from the community and purchased items that are stored on site and are intended to be utilized by the clients that participate and benefit from the programs offered by the Organization. During the year ended June 30, 2017, an adjustment was made to inventory to reduce the value by \$168,750. The Organization received donated shoes in the previous year and has revised the estimated value of the inventory.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Gifts of Long-Lived Assets

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

THE SHADE TREE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount in which the carrying amount of the assets exceeds the fair value of the assets.

Revenue Recognition

Contributions that are restricted by the donor are reported as increased in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increased in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a 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.

Endowment contributions and investments are permanently and temporarily restricted by the donor. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Expense Allocations

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

Advertising

Advertising costs are expensed as incurred. Total advertising costs for the year ended June 30, 2017 are \$12,473. The Organization paid for \$9,473 of advertising costs, and \$3,000 of advertising services were donated to the Organization.

Subsequent Events

Subsequent events have been evaluated through January 9, 2018, which is the date the financial statements were available to be issued.

THE SHADE TREE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 2. PROPERTY AND EQUIPMENT

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

Land	\$ 694,216
Building	8,663,170
Equipment and furniture	445,113
Vehicles	46,580
Artwork	<u>27,500</u>
	9,876,579
Less accumulated depreciation	<u>(3,584,553)</u>
	<u>\$ 6,292,026</u>

Depreciation expense was \$261,571 for the year ended June 30, 2017.

Land valued at \$275,000 and included in the land asset above is permanently restricted for expansion of the Organization's facilities.

Artwork consists of donated art recorded at estimated fair market value when donated and is not depreciated by the Organization.

NOTE 3. INVESTMENTS

Investments at June 30, 2017 consist of the following:

Equities	\$ 2,942,763
Bonds	3,512
Cash	<u>18,133</u>
	<u>\$ 2,964,408</u>

In accordance with FASB ASC 820-10 and subsections, the following are quantitative disclosures about the fair value measurements of assets. Fair value measurements are categorized on three levels:

Level 1 inputs are quoted market prices in active markets for identical assets.

Level 2 inputs are inputs other than quoted prices within Level 1; for example, quoted prices for similar assets.

Level 3 inputs are unobservable inputs for the assets.

THE SHADE TREE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 3. INVESTMENTS (CONTINUED)

The Organization's only assets valued at fair value are its investments. The Organization holds all of its investments in publicly traded equity or debt instruments and cash as follows:

	Quoted Prices in Active Market for Identical Assets (Level 1)
Trading securities	\$ 2,946,275
Cash	18,133
	\$ 2,964,408

Land Held for Investment

At June 30, 2017, the Organization also holds land for investment that is carried at the fair market value determined at the date of donation of \$260,000. The future proceeds from the sale of this land have been designated by the Organization's Board of Directors for the Hope Center.

NOTE 4. UNCONDITIONAL PROMISES TO GIVE

The Organization received a pledge of \$125,000 during the year to be paid over five years for operations. During the year-ended June 30, 2017, the Organization received the first payment of \$25,000.

The remaining expected collections of the unconditional promises to give are as follows:

Gross receivable due in less than one year	\$ 25,000
Gross receivable due in one to five years	75,000
	\$ 100,000

NOTE 5. RESTRICTED NET ASSETS

Temporarily restricted net assets are held in the following at June 30, 2017:

Cash	\$ 119,659
Pledges receivable	100,000
Investments	1,916,085
	\$ 2,135,744

THE SHADE TREE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5. RESTRICTED NET ASSETS (CONTINUED)

Temporarily restricted net assets are available for the following at June 30, 2017:

Hope Center building	\$ 1,017,239
Pledges receivable (time restricted)	100,000
Reynolds building operations	675,000
Reynolds building maintenance	223,846
Shelter grants	84,651
Noah Animal House grant	5,740
Children's Activity Center grants	<u>29,268</u>
	<u>\$ 2,135,744</u>

Permanently restricted net assets are held in the following at June 30, 2017:

Investments	\$ 190,000
Land	<u>275,000</u>
	<u>\$ 465,000</u>

Permanently restricted net assets are available for the following at June 30, 2017:

Noah's Animal House operations	\$ 190,000
Hope Center	<u>275,000</u>
	<u>\$ 465,000</u>

NOTE 6. ENDOWMENT FUNDS

As of June 30, 2017, the Organization had three endowment funds - the Reynolds building maintenance temporarily restricted endowment, the Reynolds operations term endowment, and the Noah's Animal House operations permanently restricted endowment. The Reynolds building maintenance fund was temporarily restricted for \$1,000,000; however, it has been amended twice by the grantor. In January 2013, the endowment was revised so the Organization can spend 5% of the corpus and earnings. It was further amended in August 2013, that the Organization can annually spend \$200,000 plus earnings toward renovations, upgrades and basic needs, but limited to the Donald W. Reynolds building. The Reynolds operations term endowment fund principal of \$1,000,000 may be used up to \$50,000 per year for 20 years, beginning in the year ending December 31, 2011, with permission from the donor. Interest and earnings on the fund balance may also be used for the Organization's operations with permission from the donor. Both Reynolds endowment funds are required to be maintained in investment accounts separate from all other cash and investment accounts. The Noah's Animal House operations permanently restricted fund is permanently restricted for \$190,000. Currently, Noah's Animal House operations endowment consists of a permanently restricted investment account and unrestricted cash. When the permanently restricted investment account reaches \$190,000, the interest and earnings can be used for the operations of the Noah's Animal House.

THE SHADE TREE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 6. ENDOWMENT FUNDS (CONTINUED)

The Organization's endowment funds consist of the following assets as of June 30, 2017:

Cash	\$ 18,133
Investments	<u>1,524,641</u>
	<u>\$ 1,542,774</u>

The endowment includes donor-restricted endowment funds and earnings and Board-designated endowment contributions. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Investment fees are deducted from investment income on the changes in endowment net asset schedule which total \$8,327 for the year-ended June 30, 2017.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Nevada state laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in accordance with the donors' wishes. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

THE SHADE TREE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 6. ENDOWMENT FUND (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowments	\$ -	\$ 898,846	\$ 190,000	\$ 1,088,846
Board designated endowments	<u>453,928</u>	<u>-</u>	<u>-</u>	<u>453,928</u>
	<u>\$ 453,928</u>	<u>\$ 898,846</u>	<u>\$ 190,000</u>	<u>\$ 1,542,774</u>

Changes in endowment net assets for the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 440,083	\$ 1,125,000	\$ 190,000	\$ 1,755,083
Investment return:				
Investment income	-	39,093	-	39,093
Net depreciation (realized and unrealized)	<u>-</u>	<u>28,727</u>	<u>-</u>	<u>28,727</u>
Total investment return	-	67,820	-	67,820
Appropriation of endowment assets for expenditure	(71,779)	(208,350)	-	(280,129)
Allocation to unrestricted	<u>85,624</u>	<u>(85,624)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 453,928</u>	<u>\$ 898,846</u>	<u>\$ 190,000</u>	<u>\$ 1,542,774</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies at June 30, 2017.

THE SHADE TREE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 6. ENDOWMENT FUND (CONTINUED)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. 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 Board designated funds. Under this policy, endowment assets are invested in a manner that is intended to produce results that exceed market while assuming a prudent level of investment risk at or below the volatility level of appropriate market and peer benchmarks indentified. The Organization targets a diversified asset allocation of equities, fixed income, and cash equivalents through mutual fund investments.

NOTE 7. SPECIAL EVENTS

Special events consist of fundraising events held by the Organization. Special events net revenue presented on the statement of activities consists of the following during the year ended June 30, 2016:

Special events gross revenue	\$ 145,071
Less: special events direct expenses	
Venue	43,662
Entertainment	1,800
Supplies	<u>6,505</u>
Total special event direct expenses	<u>51,967</u>
	<u>\$ 93,104</u>

NOTE 8. OPERATING LEASE AGREEMENTS

The Organization entered into a lease in May 2014 for copy machine equipment for a term of 63 months which expires in July 2019. The expense incurred under this lease during the year ended June 30, 2017 was \$18,513.

Future minimum payments under the operating lease are as follows:

2018	\$ 15,180
2019	15,180
2020	<u>1,265</u>
	<u>\$ 31,625</u>

THE SHADE TREE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 9. CAPITAL LEASE

The Organization purchased a washer and dryer under a capital lease obligation, in January 2015, for a term of 60 months for \$244 per month. The liability, representing the present value of the future minimum lease payments totaled \$11,549. The purchase value of \$11,549 was recorded as an asset and amortization of assets held under capital leases was included in depreciation expense. Amortization expense and accumulated amortization were \$2,310 and \$5,720, respectively, for the fiscal year ended June 30, 2017. Interest on the capital lease was \$943 for the fiscal year ended June 30, 2017.

Future minimum lease payments, including interest expense, under capital lease obligations are as follows:

2018		\$ 2,932
2019		2,932
2020		<u>1,058</u>
		6,922
Less amount representing interest		<u>(778)</u>
		<u>\$ 6,144</u>

NOTE 10. RISKS AND CONCENTRATIONS

The Organization maintains funds at several financial institutions located in Southern Nevada whose balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits, which is \$250,000 per depositor. The uninsured balance at June 30, 2017 was \$53,442.

NOTE 11. NOAH'S ANIMAL HOUSE

The Organization entered into an agreement effective January 1, 2015 with the founder of Noah's Animal House Foundation, a 501(c)(3) nonprofit organization (the Foundation) that the Organization will oversee the operations of Noah's Animal House during a lease term of five years. During the lease term, the Organization will provide qualified employees to manage and operate Noah's Animal House, and the Foundation will reimburse all expenses to the Organization. Beginning January 1, 2015, the Foundation began reimbursing the Organization expenses related to the operation of Noah's Animal House. No lease was signed during the year and the Organization controls all cash accounts related to Noah's Animal House; therefore, it remains as a program for the Organization as of June 30, 2017.

NOTE 12. SUBSEQUENT EVENT

Effective August 31, 2017, the Organization's Transitional Shelter program closed due to a decrease in funding for this program. The Organization transitioned their clients in this program from the facility into permanent housing.