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Leonard C. Sonnenberg, CPA

# Burn Institute
# Audited Financial Statements
# December 31, 2018

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
**Burn Institute**

We have audited the accompanying financial statements of the Burn Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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.


Member: The American Institute of Certified Public Accountants and California Society of Certified Public Accountants

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Burn Institute as of December 31, 2018, 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.

**Other Matter**

We have previously audited the Burn Institute's December 31, 2017 financial statements, and our report dated May 3, 2018, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

May 14, 2019

Sonnenberg & Company, CPAs

**BURN INSTITUTE**
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH TOTALS FOR DECEMBER 31, 2017)

| | | 2018 | | 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents (Note 2 & 4) | $ | 311,542 | $ | 394,975 |
| Accounts receivable | | 825 | | 2,650 |
| Prepaid expenses and deposits | | 47,976 | | 11,977 |
| Fixed assets, net (Note 5) | | 24,284 | | 30,020 |
| Investments non-endowment (Note 6) | | 33,285 | | 24,955 |
| Board-designated investment (Note 7) | | 1,086,739 | | 1,064,555 |
| Beneficial interest in endowment (Note 8) | | 54,689 | | 60,718 |
| **TOTAL ASSETS** | $ | 1,559,340 | $ | 1,589,850 |
| **LIABILITIES AND NET ASSETS** | | | | |
| Liabilities | | | | |
| Accounts payable | $ | 21,863 | $ | 18,742 |
| Accrued expenses | | 34,372 | | 21,735 |
| Total Liabilities | | 56,235 | | 40,477 |
| Net Assets | | | | |
| Without donor restrictions | | | | |
| Undesignated | | 299,861 | | 363,627 |
| Designated by the Board - Davee fund (Note 7) | | 545,932 | | 577,122 |
| Designated by the Board - Burn Institute fund (Note 7) | | 540,807 | | 487,433 |
| Designated by the Board - Red Line of Courage (Note 6) | | 33,285 | | 24,955 |
| With donor restrictions (Note 2 & 9) | | 83,220 | | 96,236 |
| Total Net Assets | | 1,503,105 | | 1,549,373 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 1,559,340 | $ | 1,589,850 |

The accompanying notes are an integral part of these financial statements

**BURN INSTITUTE**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

| | Without Donor Restrictions | With Donor Restrictions | Totals 2018 | Totals 2017 |
|---|---|---|---|---|
| **REVENUE AND SUPPORT** | | | | |
| Contributions and donations | $ 797,117 | $ - | $ 797,117 | $ 824,835 |
| Grants and contracts | 422,439 | - | 422,439 | 556,814 |
| Support for campaigns | 73,400 | - | 73,400 | 42,416 |
| Special event | 44,884 | - | 44,884 | 42,495 |
| Less: direct expenses | (46,634) | - | (46,634) | (33,541) |
| Miscellaneous income | 6,557 | - | 6,557 | 204 |
| Investment income (loss), net | (69,646) | (3,544) | (73,190) | 104,572 |
| Net assets released from restrictions: | 9,472 | (9,472) | - | - |
| **TOTAL REVENUE AND SUPPORT** | 1,237,589 | (13,016) | 1,224,573 | 1,537,795 |
| **EXPENSES** | | | | |
| Program Services | 958,517 | | 958,517 | 1,184,254 |
| Supporting Services | | | | |
| Management and general | 163,115 | | 163,115 | 58,994 |
| Fundraising | 149,209 | | 149,209 | 44,065 |
| Total Supporting Services | 312,324 | | 312,324 | 103,059 |
| **TOTAL EXPENSES** | 1,270,841 | | 1,270,841 | 1,287,313 |
| **CHANGES IN NET ASSETS** | (33,252) | (13,016) | (46,268) | 250,482 |
| **NET ASSETS, BEGINNING OF YEAR** | 1,453,137 | 96,236 | 1,549,373 | 1,298,891 |
| **NET ASSETS, END OF YEAR** | $ 1,419,885 | $ 83,220 | $ 1,503,105 | $ 1,549,373 |

The accompanying notes are an integral part of these financial statements

**BURN INSTITUTE**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

| | Program Services | Management and General | Fundraising | Totals 2018 | Totals 2017 |
|---|---|---|---|---|---|
| **PERSONNEL AND RELATED** | | | | | |
| Staff Salaries | $ 342,353 | $ 97,485 | $ 94,423 | $ 534,261 | $ 467,837 |
| Payroll taxes and benefits | 81,273 | 22,858 | 22,223 | 126,354 | 108,304 |
| TOTAL PERSONNEL AND RELATED | 423,626 | 120,343 | 116,646 | 660,615 | 576,141 |
| **OPERATIONS** | | | | | |
| Burn care research and patient support | 185,701 | | | 185,701 | 231,929 |
| Community outreach | 181,678 | | | 181,678 | 199,484 |
| Depreciation | 7,429 | 2,014 | 1,460 | 10,903 | 14,451 |
| Educational | 15,375 | | | 15,375 | 39,952 |
| Insurance | 11,241 | 3,048 | 2,209 | 16,498 | 17,380 |
| Occupancy | 70,371 | 19,086 | 13,827 | 103,284 | 105,572 |
| Office supplies and expense | 13,350 | 3,754 | 3,754 | 20,858 | 16,261 |
| Postage | 583 | 179 | 134 | 896 | 3,071 |
| Printing, publications, visual aids | 6,613 | 1,860 | 1,861 | 10,334 | 14,060 |
| Professional Fees | 9,321 | 2,868 | 2,151 | 14,340 | 16,291 |
| Repairs and maintenance | 10,218 | 2,974 | 2,974 | 16,166 | 18,864 |
| Telephone | 5,189 | 1,024 | 680 | 6,893 | 6,085 |
| Travel | 12,608 | 4,569 | 2,498 | 19,675 | 20,872 |
| Utilities | 5,214 | 1,396 | 1,015 | 7,625 | 6,900 |
| TOTAL OPERATIONS | 534,891 | 42,772 | 32,563 | 610,226 | 711,172 |
| **TOTAL FUNCTIONAL EXPENSES** | $ 958,517 | $ 163,115 | $ 149,209 | $ 1,270,841 | $ 1,287,313 |

The accompanying notes are an integral part of these financial statements

**BURN INSTITUTE**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

(WITH TOTALS FOR DECEMBER 31, 2017)

| | 2018 | 2017 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ (46,268) | $ 250,482 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 10,903 | 14,451 |
| Realized and unrealized loss (gain) on investments | 73,190 | (104,572) |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | 1,825 | 225 |
| Prepaid expenses and deposits | (35,999) | 7,534 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 3,121 | (1,193) |
| Accrued expenses | 12,637 | - |
| **Net cash provided by operating activities** | 19,409 | 166,927 |
| **Cash flows from investing activities:** | | |
| Purchase of fixed assets | (5,167) | (12,546) |
| Purchase of investments | (10,160) | (10,279) |
| Purchase of Board-designated investments | (90,000) | (345,000) |
| Beneficial interest in endowment | 2,485 | 2,511 |
| **Net cash (used in) investing activities** | (102,842) | (365,314) |
| **Net change in cash and cash equivalents** | (83,433) | (198,387) |
| **Cash and cash equivalents, beginning of year** | 394,975 | 593,362 |
| **Cash and cash equivalents, end of year** | $ 311,542 | $ 394,975 |

The accompanying notes are an integral part of these financial statements

**BURN INSTITUTE**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

## 1. ORGANIZATION AND MISSION

The Burn Institute ("Organization") was incorporated in the State of California under the Non Profit Public Benefit Corporation Law on January 16, 1973. The Organization was originally incorporated under the name of Institute for Burn Medicine and amended its articles of incorporation on June 14, 1983, changing its name to the Burn Institute.

The mission of the Organization is to reduce the number of burn injuries and deaths in San Diego and Imperial Counties through burn prevention education, the funding of burn research and specialized equipment for the treatment of burn patients, and providing patient support services.

The following is a brief description of the Organization's programs:

*Public Education* - The Organization provides school-based and community-based fire and burn prevention education programs (in both English and Spanish) and distributes fire and burn prevention literature to child care centers, preschools, grade schools K-6, community health centers, community resource centers, libraries, at health fairs and senior centers in an effort to prevent fire and burn injuries and deaths. The Organization's wildfire prevention and preparation and senior fire and burn prevention programs all provide the public with services that save lives and property through education.

*Burn Care, Research and Patient Support* - The Organization grants funds for burn care and research projects to further advancements in burn care treatment. Patient support (burn survivor support) services include Camp Beyond the Scars for burn-injured children, a retreat for adult burn survivors, a family retreat for burn survivors and their immediate family, scholarship opportunities for adult burn survivors to attend World Burn Congress and teenagers to attend a young adult retreat in Georgia, and emergency housing and transportation for burn survivors and their families for burn care treatment and follow-up clinical visits.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Method of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

### *Financial Statement Presentation*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and specific programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Financial Statement Presentation, continued*

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statement of activities as net assets released from restrictions.

The Organization had net assets with donor restrictions of $83,220 at December 31, 2018.

*Summarized Comparative Information*

The accompanying 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 accounting principal generally accepted in the United States of America ("GAAP"). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

*Use of 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. Accordingly, actual results could differ from those estimates.

*Income Taxes*

The Organization is exempt from income taxes under Internal Revenue Code Section 50l(c)(3). It is, however, subject to income taxes from activities unrelated to its tax-exempt purpose. The Organization uses the same accounting methods for tax and financial reporting.

GAAP provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken 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 to four years after they are filed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Cash and Cash Equivalents*

Cash and cash equivalents are from time to time variously composed of cash on hand, cash in banks, and liquid investments with original maturities of three months or less.

*Allowance for Doubtful Accounts*

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all accounts receivable were fully collectible; therefore, no allowance for doubtful accounts receivable was recorded as of December 31, 2018.

*Fixed Assets*

Fixed assets are recorded at cost and depreciated under the straight-line method over their estimated useful lives of 5 to 7 years. Repair and maintenance costs, which do not extend the useful lives of the asset, are charged to expense. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the respective accounts, and any resulting gain or loss is included in earnings in the year of disposal. Management has elected to capitalize and depreciate all assets costing $5,000 or more; all other assets are charged to expense in the year incurred.

*Donated Property and Equipment*

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization did not receive any donated property and equipment during the year ending December 31, 2018.

*Donated Services*

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the year ended December 31, 2018 did not meet the requirements above, therefore no amounts were recognized in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Net Investment Income (Loss)*

Net investment income (loss) on the Statement of Activities represents the realized and unrealized gain/(loss), interest and dividends on investment and endowment funds, net of fees.

*Functional allocation of expenses*

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management.

*Reclassifications*

Certain accounts in the prior-year financial statements may have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

*Change in accounting principle*

During 2018, the Organization adopted the provisions of Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The Update addresses the complexity and understandability of net asset classifications, 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 adjusted the presentation of these financial statements accordingly. The ASU 2016-14 has been applied on a retrospective basis.

3. FAIR VALUE MEASUREMENTS

The Organization categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

> Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
>
> Level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the investment, either directly or indirectly.

3. FAIR VALUE MEASUREMENTS, CONTINUED

Level 3 inputs are unobservable inputs for the investment and may require a degree of professional judgement.

The following table summarizes the Organizations investments within the fair value hierarchy at December 31, 2018:

| | Level 1 | Level 2 | Level 3 | Balance at 12/31/18 |
|---|---|---|---|---|
| Rancho Santa Fe Foundation - | | | | |
| Jerry and Carolyn Davee Fund | $ - | $ 545,932 | $ - | $ 545,932 |
| The Burn Institute Fund | - | 540,807 | - | 540,807 |
| Red Line of Courage Fund | - | 33,285 | - | 33,285 |
| Beneficial interest in San Diego Foundation | - | - | 54,689 | 54,689 |
| Total Investments | $ - | $ 1,120,024 | $ 54,689 | $ 1,174,713 |

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2018.

The fair value of investments held by Rancho Santa Fe Foundation are considered Level 2 assets and are reported at fair value based on the Organization's investment allocation of the "investment pool" held by Rancho Santa Fe Foundation.

The fair values of beneficial interests in perpetual trusts are determined by the Organization using present value techniques and risk- adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. The fair value of the Organization's beneficial interest in assets held by the San Diego Foundation is based on the fair value of fund investments as reported by the San Diego Foundation. This is considered to be a Level 3 measurement.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2018 consisted of the following:

| | |
|---|---|
| Cash in banks: | |
| Checking | $ 138,767 |
| Money Market | 172,375 |
| Cash on hand: | |
| Petty cash | 400 |
| Total cash and cash equivalents | $ 311,542 |

4. CASH AND CASH EQUIVALENTS, CONTINUED

Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At December 31, 2018, the Organization had $61,542 in excess of FDIC insured limits.

5. FIXED ASSETS

Fixed assets at December 31, 2018 consisted of the following:

| | | |
|---|---|---|
| Equipment | $ | 98,850 |
| Automobiles | | 153,830 |
| Gross fixed assets | | 252,680 |
| Less: accumulated depreciation | | (228,396) |
| Total fixed assets, net depreciation | $ | 24,284 |

Depreciation expense for the year ended December 31, 2018 was $10,903.

6. INVESTMENTS – NON-ENDOWMENT

In 2016, the Organization established the Red Line of Courage Fund with the Rancho Santa Fe Foundation ("RSFF") to provide support services to local firefighters who sustain a burn injury while on duty. The fund is designated to supplement those services already in place for professional firefighters and make resources available for the more immediate and long-term needs that other programs do not offer. Distributions from this fund will follow the Organization's existing guidelines for Emergency Needs and Special Assistance Funds. The investment is carried at fair value and at December 31, 2018 totaled $33,285, as reported by RSFF.

| | | |
|---|---|---|
| Investment at December 31, 2017 | $ | 24,955 |
| Contributions | | 10,458 |
| Investment income (loss) | | (1,833) |
| Distributions | | - |
| Net investment before investment fees | | 33,580 |
| Investment fees | | (295) |
| Investment at December 31, 2018 | $ | 33,285 |

7. BOARD-DESIGNATED INVESTMENT FUNDS

As of December 31, 2018, the Board of Directors had designated $1,086,739 of net assets without donor restrictions. Of this amount, $545,932 is designated as the Davee fund and is to be used for Camp Beyond the Scars, Emergency Needs and Special Assistance for Burn Survivors, College Scholarships for Burn Surviving Children, and Burn Research and Equipment. The remaining $540,807 are designated as an operating reserve and, if needed, can be used for general expenses to support the mission of the Organization.

The funds are held by the Rancho Santa Fe Foundation. The funds may be released to the Organization with 30 days' notice. Variance power is granted to the Organization so long as the Organization is a qualifying tax-exempt entity under federal and California law. The funds are held in an investment pool structured for long-term total return consisting of index funds, fixed income funds, money market funds, emerging market funds and REITs. The Organization receives distributions of earnings on an annual basis. The distributions are used to further the Organization's mission.

Changes in Board-designated investment funds for the year ended December 31, 2018 were as follows:

| | | |
|---|---|---|
| Board-designated investment, December 31, 2017 | $ | 1,064,555 |
| Contributions | | 90,000 |
| Investment income (loss) | | (56,427) |
| Distributions | | - |
| Net investment before investment fees | | 1,098,128 |
| Investment fees | | (11,389) |
| Board-designated investment, December 31, 2018 | $ | 1,086,739 |

8. BENEFICIAL INTEREST IN ENDOWMENT

The Organization has a beneficial interest in an endowment fund held by the San Diego Foundation ("SDF"). The SDF funds are managed in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The investment objectives are to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require the Organization to retain as a fund of perpetual duration.

Net assets held by the SDF are comprised of:

1. The original value of gifts donated to the fund,
2. The original value of Organization funds transferred to the fund,
3. The original value of subsequent gifts donated to the fund,
4. Investment income and realized and unrealized gains and losses on investments, less
5. Distributions from the fund in accordance with spending policy.

## 8. BENEFICIAL INTEREST IN ENDOWMENT, CONTINUED

Changes in endowment net assets for the year ended December 31, 2018 were as follows:

| | | |
|---|---|---|
| Endowment net assets at December 31, 2017 | $ | 60,718 |
| Contributions | | - |
| Investment income (loss) | | (3,253) |
| Distributions | | (2,485) |
| Net investment before investment fees | | 54,980 |
| Investment fees | | (291) |
| Endowment net assets at December 31, 2018 | $ | 54,689 |

The endowment funds held in SDF are classified as net assets with donor restrictions as these investments must be maintained in perpetuity. The beneficial interest in SDF is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of domestic equities, international equities, alternative investments, fixed income and real estate investments. Variance power is granted to the SDF. SDF holds all fund contributions and monitors fund distributions. The Organization receives distributions of earnings on an annual basis. The distributions are used to further the Organization's mission in the San Diego and Imperial Counties. The beneficial interest is carried at fair value and at December 31, 2018 totaled $54,689, as reported by SDF.

SDF's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received. Given the recent market declines, many of the SDF's endowment funds distributions will be limited to income received, which is approximately 2.5% of the endowment principal.

## 9. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2018, net assets with donor restrictions are restricted for the following purposes or periods:

| | | |
|---|---|---|
| Subject to expenditure for specific purpose: | | |
| Burn survivor services - Varshock | $ | 5,989 |
| Burn survivor services - Thomas | | 22,542 |
| Endowments | | |
| Subject to SDF endowment spending policy and appropriation: | | |
| General use | | 54,689 |
| Total nets assets with donor restrictions | $ | 83,220 |

Net assets totaling $9,472 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the year ended December 31, 2018.

## 10. LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of December 31, 2018, reduced by the amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

| | | |
|---|---|---|
| Financial assets at year end: | | |
| Cash and cash equivalents | $ | 311,542 |
| Accounts receivable | | 825 |
| Investments | | 1,120,024 |
| Total financial assets | | 1,432,391 |
| Less amounts not available to be used within one year: | | |
| Restricted by donors for burn survivors | | (28,531) |
| Board designated - Davee fund | | (545,932) |
| Board designated - Red Line of Courage | | (33,285) |
| Financial assets available to meet general expenditures within one year | $ | 824,643 |

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, the Organization invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was $90,000 for the year ending December 31, 2018.

## 11. OPERATING LEASES

The Organization renewed the office space lease on March 1, 2018 for an additional 38-month period through April 30, 2021. Total lease expense for the year ending December 31, 2018 was $103,284. Future minimum lease payments are as follows:

| | | |
|---|---|---|
| For the year ending December 31, | | |
| 2019 | $ | 103,996 |
| 2020 | | 107,164 |
| 2021 | | 36,953 |
| Total future lease payments | $ | 248,113 |

## 12. RETIREMENT PLAN

The Organization began a 403(b) plan in December 2016. All employees are eligible to participate in the plan. The Organization will make matching contribution equal to 50% of the employee's contribution during the year that does not exceed 4% of the employee's compensation received during the year. During the year ending December 31, 2018, the Organization made contributions totaling $9,016 to the plan.

## 13. SUBSEQUENT EVENTS

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through May 14, 2019, which is the date the financial statements were available to be issued. Management is not aware of any subsequent events or transactions that would have a material impact on, or require disclosure in, the current year financial statements.