OKIZU FOUNDATION

FINANCIAL STATEMENTS

For the Years Ended
December 31, 2012 and 2011

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Bregante + Company LLP
CERTIFIED PUBLIC ACCOUNTANTS
Building Service Partnerships Since 1976

Independent Auditors' Report

Board of Directors
Okizu Foundation

We have audited the accompanying financial statements of Okizu Foundation, which comprise the statements of financial position as of December 31, 2012 and 2011, 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.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, an all material respects, the financial position of Okizu Foundation as of December 31, 2012 and 2011, 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.

Bregante + Company LLP

Novato, California

July 25, 2013

OKIZU FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

	2012	2011
ASSETS		
Assets:		
Cash	$ 164,394	$ 106,497
Pledges and grants receivable, net	401,908	726,449
Investments	38,440	34,596
Prepaid expenses	28,261	18,950
Inventory	5,856	3,158
Property and equipment, net	7,328,966	7,571,475
Loan fees, net of accumulated amortization of $24,164 and $19,851	35,712	40,025
Security deposit	3,500	3,500
Total assets	$ 8,007,037	$ 8,504,650
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 1,157	$ 3,258
Accrued payroll	8,230	4,499
Accrued interest	4,203	4,443
Notes payable	2,323,827	2,732,912
Total liabilities	2,337,417	2,745,112
Net assets:		
Unrestricted:		
Designated	5,005,139	4,838,563
Undesignated	314,011	305,258
Total unrestricted net assets	5,319,150	5,143,821
Temporarily restricted	350,470	615,717
Total net assets	5,669,620	5,759,538
Total liabilities and net assets	$ 8,007,037	$ 8,504,650

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Special events revenue	$ 828,943	$ -	$ 828,943	$ 721,554	$ -	$ 721,554
Direct benefits to donors	(367,605)	-	(367,605)	(295,597)	-	(295,597)
Special events, net	461,338	-	461,338	425,957	-	425,957
Contributions	894,412	110,658	1,005,070	973,632	251,000	1,224,632
Contributed goods and services	98,337	-	98,337	108,752	-	108,752
Investment income	135	1,841	1,976	151	2,785	2,936
Other income	4,407	-	4,407	62,285	-	62,285
Net asset released from restrictions	377,746	(377,746)	-	125,396	(125,396)	-
Total revenue and support	1,836,375	(265,247)	1,571,128	1,696,173	128,389	1,824,562
Expenses:						
Program services	1,387,957	-	1,387,957	1,361,835	-	1,361,835
Management and administrative	116,703	-	116,703	113,878	-	113,878
Fundraising	156,386	-	156,386	178,243	-	178,243
Total expenses	1,661,046	-	1,661,046	1,653,956	-	1,653,956
Changes in net assets	175,329	(265,247)	(89,918)	42,217	128,389	170,606
Net assets, beginning of year	5,143,821	615,717	5,759,538	5,101,604	487,328	5,588,932
Net assets, end of year	$ 5,319,150	$ 350,470	$ 5,669,620	$ 5,143,821	$ 615,717	$ 5,759,538

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Changes in net assets	$ (89,918)	$ 170,606
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	250,743	248,802
Amortization of loan fees	4,313	4,313
Donated stocks included in income	(6,287)	(2,005)
Net realized and unrealized gain on investments	(1,610)	(2,465)
(Increase) decrease in assets:		
Pledges and grants receivable	324,541	34,821
Prepaid expenses	(9,311)	(2,310)
Inventory	(2,698)	(3,158)
Increase (decrease) in liabilities:		
Accounts payable	(2,101)	(4,732)
Accrued payroll	3,731	1,478
Accrued interest	(240)	(2,889)
Total adjustments	561,081	271,855
Net cash provided by operating activities	471,163	442,461
Cash flows from investing activities:		
Purchases of property and equipment	(8,234)	(43,013)
Purchases of investments	(317)	(2,320)
Proceeds from sales of investments	4,370	2,005
Net cash used by investing activities	(4,181)	(43,328)
Cash flows from financing activities:		
Payments on notes payable	(409,085)	(395,172)
Net cash used by financing activities	(409,085)	(395,172)

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2012 and 2011

	2012	2011
Net increase in cash	57,897	3,961
Cash, beginning of year	106,497	102,536
Cash, end of year	$ 164,394	$ 106,497

Supplemental disclosure of cash flow information:

Cash paid for interest was $89,572 and $152,524 for the years ended December 31, 2012 and 2011, respectively.

See accompanying notes and auditors' report.

OKIZU FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2012 and 2011

	2012				2011			
	Program Services	Management and Administrative	Fundraising	Total	Program Services	Management and Administrative	Fundraising	Total
Salaries and benefits	$ 446,969	$ 50,569	$ 141,172	$ 638,710	$ 399,771	$ 49,088	$ 143,488	$ 592,347
Depreciation and amortization	255,056	-	-	255,056	253,115	-	-	253,115
Repairs and maintenance	130,807	676	947	132,430	117,203	601	1,821	119,625
Contributed goods and services	81,330	17,007	-	98,337	70,846	30,406	7,500	108,752
Interest	89,332	-	-	89,332	149,635	-	-	149,635
Camp food and laundry	82,188	-	-	82,188	80,028	-	-	80,028
Utilities	77,395	1,062	1,486	79,943	78,817	1,098	3,327	83,242
Camper transportation	66,314	-	-	66,314	67,697	-	-	67,697
Insurance	52,112	3,577	3,488	59,177	38,832	583	1,766	41,181
Occupancy	37,807	3,458	4,841	46,106	37,023	4,133	12,524	53,680
Office expense	29,913	17,815	-	47,728	33,939	1,748	-	35,687
Professional services	-	17,217	-	17,217	1,932	19,781	-	21,713
Supplies	21,356	1,084	1,770	24,210	11,759	807	2,446	15,012
Miscellaneous	11,124	3,666	-	14,790	17,007	5,161	-	22,168
Postage	6,254	572	801	7,627	4,231	472	2,405	7,108
Fundraising	-	-	1,881	1,881	-	-	2,966	2,966
Total expenses	$ 1,387,957	$ 116,703	$ 156,386	$ 1,661,046	$ 1,361,835	$ 113,878	$ 178,243	$ 1,653,956

See accompanying notes and auditors' report.

NOTE A -- Description of organization

Okizu Foundation (the Foundation) is a nonprofit corporation. It is the mission of the Foundation to provide recreational, respite and peer support programs to meet the needs of all members of families affected by childhood cancer.

The diagnosis of a chronic or life-threatening illness in a family threatens the very nature of the family structure. Children need positive nurturing and support in order to grow and lead fulfilling, productive lives. The family's normal emotional and social environment is greatly disrupted by a diagnosis of childhood cancer. Many children become dysfunctional because of the emotional and physical stress of treatment and other family members have little support to cope with the stresses they are facing.

The Foundation has established long-term relationships with many of the pediatric oncology units in Northern California including Lucile Salter Packard Children's Hospital at Stanford, Kaiser Hospitals in Oakland and San Francisco, Oakland Children's Hospital, John Muir Medical Center, David Grant Hospital at Travis Air Force Base, UC Davis, UC San Francisco and California Pacific Medical Center, which provide assistance to the Foundation so it can carry out its mission.

The purpose of the Foundation is to operate peer support programs for all family members, including families whose child has passed away. There is never a charge for participation in the Foundation's programs because of the emotional, financial and physical burdens placed on the families by this disease.

The Foundation purchased the former Berry Creek Ranch in Butte County, California in 1998. The property has been substantially renovated to house Camp Okizu, a permanent site for summer camps hosting children with cancer and their siblings.

NOTE B -- Summary of significant accounting policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

NOTE B -- Summary of significant accounting policies (continued)

Concentrations of credit risk

Financial instruments that potentially subject the Foundation to a concentration of credit risk consist principally of cash and pledges and grants receivable. Cash deposits are maintained at three financial institutions. The balances at times may exceed federally insured limits. Pledges and grants receivable are stated at estimated fair value and are not secured by any collateral. The Foundation has not experienced any losses with respect to these instruments. Management believes the Foundation is not exposed to any significant credit risk.

Pledges and grants receivable

Unconditional pledges and grants receivable expected to be collected within one year are reported at their net realizable value. Unconditional pledges and grants receivable expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows. The resulting discount is amortized ratably and is reported as contributions revenue.

Inventory

Inventory is stated at the lower of cost or market, where cost is determined using the first-in, first-out method. Inventory consists primarily of logo merchandise held for resale.

Investments

Investments in all debt and equity securities are stated at fair value at December 31, 2012 and 2011, and are considered available for sale. Fair value is determined based on quoted market prices. Realized and unrealized gains or losses on investments are recorded in the Statements of Activities in the period that such investments are sold or fluctuations occur.

The Foundation has categorized all investment assets on an individual security basis according to the fair value hierarchy as Level 1, investment assets with observable inputs that are derived from quoted prices for identical assets or liabilities in an active market; Level 2, quoted prices in non-active markets or in active markets for similar assets or liabilities, inputs other than quoted prices that are observable, and inputs that are not directly observable, but are corroborated by observable market data; or Level 3, unobservable inputs, which cannot be corroborated by external market data.

NOTE B -- Summary of significant accounting policies (continued)

Property and equipment

Property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed primarily on a straight-line basis over the estimated useful lives ranging from five to thirty-nine years. The Foundation generally capitalizes property and equipment with an original cost in excess of $1,000.

Net assets

The financial activities of the Foundation are classified into one of three classes of net assets:

Unrestricted: Those net assets and activities which present the portion of expendable funds available to support operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily restricted: Those net assets and activities which are donor-restricted for: (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

Permanently restricted: Those net assets and activities which are permanently donor-restricted for holdings of: (a) assets donated with stipulations that they be preserved and not sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income. The Foundation has no permanently restricted net assets at December 31, 2012 and 2011.

Endowment funds

The Foundation adapted a definition of endowment to mean all of an organization's endowment funds, including both donor-restricted endowment funds and those established by board designation. The Foundation considers endowment funds to be cash, securities or other assets that are invested to provide income for the organization.

The portion of an endowment that must be maintained permanently - not used, expended, or otherwise exhausted - is classified as permanently restricted net assets. The portion of an endowment that must be maintained for a specified term is classified as temporarily restricted net assets. Funds specified by the Foundation's board to be invested to provide income for a long but unspecified period are classified as unrestricted net assets.

NOTE B -- Summary of significant accounting policies (continued)

Revenue and support recognition

The Foundation records contributions when the donor makes an unconditional promise to give. Donor-restricted contributions are reported as increases in temporarily restricted net assets. Temporarily restricted net assets are reclassified to unrestricted net assets when restrictions are satisfied. Donor-restricted contributions that are received and their restrictions met in the same fiscal year are reported as unrestricted contributions. Revenue from donated auction items is recognized when sold, and sales proceeds are included in special events revenue.

Income taxes

The Foundation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and under Section 23701d of the California Revenue and Taxation Code. Therefore, no provision for federal or California income tax is reflected in the financial statements.

As required by the *Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification*, the Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The adoption of this accounting policy did not have any effect on the Foundation's financial statements. The Foundation does not believe its financial statements include any uncertain tax positions.

The Foundation's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Functional allocation of expenses

The costs of providing the program services and supporting activities of the Foundation are reported on the Statements of Functional Expenses. Expenses that can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among the program services and supporting activities based on allocation methods and estimates made by the Foundation's management and approved by the Board of Directors.

NOTE B -- Summary of significant accounting policies (continued)

Contributed goods and services

Contributions of goods and donated use of facilities are recognized at fair value when received. Contributions of services are recognized at fair value when received if such services create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C -- Pledges and grants receivable, net

Pledges and grants receivable consist of the following at December 31:

	2012	2011
Due within one year	$ 305,158	$ 456,000
Due in one to five years	100,000	280,000
	405,158	736,000
Less unamortized discount	(3,250)	(9,551)
Pledges and grants receivable, net	$ 401,908	$ 726,449

The discount rate was 3.25% for the years ended December 31, 2012 and 2011, and the Foundation's management believes that all pledges and grants receivable are collectible and, accordingly, no allowance for uncollectible pledges and grants has been provided.

NOTE D -- Investments

The Foundation has categorized all investment assets on an individual security basis according to the fair value hierarchy as Level 1.

The fair market value of the investments is as follows at December 31:

	2012	2011
Mutual funds-equity	$ 38,440	$ 34,596

NOTE E -- Property and equipment

Property and equipment consist of the following at December 31:

	2012	2011
Buildings and improvements	$ 8,115,016	$ 8,115,016
Land	1,083,600	1,083,600
Boat house	760,153	760,153
Furniture and fixtures	150,038	150,038
Transportation equipment	109,521	105,821
Equipment	64,896	60,362
	10,283,224	10,274,990
Less accumulated depreciation	(2,954,258)	(2,703,515)
Property and equipment, net	$ 7,328,966	$ 7,571,475

Depreciation expense for the years ended December 31, 2012 and 2011 was $250,743 and $248,802, respectively.

NOTE F -- Line of credit

The Foundation has a $200,000 variable rate revolving line of credit with a bank. The line bears interest computed at the bank's prime interest rate (3.25% at December 31, 2012 and 2011). Interest is payable monthly and the principal is due at maturity unless renewed. The agreement is subject to renewal on August 9, 2013.

During 2011, the Foundation obtained an additional, specific purpose line of credit with the

NOTE F -- Line of credit (continued)

same bank with a borrowing limit of up to $505,500. Use of this line is solely for the principal payment on the note payable to The David and Lucile Packard Foundation. The line is limited to three draws available during December 2012, 2013 and 2014 in the amount of $168,500 each. If the Foundation does not elect to draw during the calendar year, that year's draw is eliminated. The amount borrowed will be converted into a two year term loan on December 1, 2014. All amounts borrowed and accrued interest converted into a term loan are payable in 24 monthly installments of interest and principal. From the date of borrowing until December 1, 2014, any borrowing will accrue interest at prime rate or 3%, whichever is higher. After December 1, 2014, an additional 2% is added to the rate. Remaining available borrowing on this line of credit at December 31, 2012 was $337,000.

There were no outstanding balances on these lines of credit at December 31, 2012 and 2011.

NOTE G -- Notes payable

Notes payable consist of the following at December 31:

	2012	2011
Variable rate note payable with Northern Trust Bank of California with final payment due on August 9, 2034. In November 2011, the Foundation renegotiated a fixed interest rate of 4.68% from the previous rate of 7.6% for the next five years with the fixed monthly payment at $9,718, which includes interest and principal. The note is secured by a deed of trust and guaranteed by two of the board members and the United States Department of Agriculture.	$ 1,586,827	$ 1,627,412
Subordinated term note payable with The David and Lucile Packard Foundation with final payment due December 11, 2014, payable in annual principal installments of $368,500 and accrued interest. The note bears interest at a rate of 2% per annum. The note is secured by a deed of trust and is guaranteed by two of the board members. The note includes certain contingent provisions related to accelerated principal payments.	737,000	1,105,500
	$ 2,323,827	$ 2,732,912

See auditors' report.

NOTE G -- Notes payable (continued)

Future maturities of the notes payable are as follows:

Years Ending December 31,	
2013	$ 411,809
2014	413,880
2015	47,550
2016	49,824
2017	52,206
Thereafter	1,348,558
	$ 2,323,827

NOTE H -- Unrestricted net assets - designated

The following unrestricted net assets have been designated by the Board of Directors for investments in property and equipment:

	2012	2011
Property and equipment, net (Note E)	$ 7,328,966	$ 7,571,475
Less related borrowings (Note G)	(2,323,827)	(2,732,912)
Total unrestricted net assets - designated	$ 5,005,139	$ 4,838,563

NOTE I -- Endowment

The Foundation's term endowment fund was created in October 2007 with a stipulation that the original contribution and investment income be held in a separate investment account for five years, at which time it would be used for Boat House repairs and maintenance.

NOTE I -- Endowment (continued)

Changes in endowment net assets for the years ended December 31, 2012 and 2011 are as follows:

	Temporarily Restricted
Endowment net assets, at January 1, 2011	$ 31,811
Investment return	320
Net appreciation (unrealized)	2,465
Endowment net assets, at December 31, 2011	34,596
Investment return	317
Net appreciation (unrealized)	1,523
Expiration of endowment term	(36,436)
Endowment net assets, at December 31, 2012	$ -

NOTE J -- Special events revenue, net

Revenue from special events for the years ended December 31 consisted of the following:

	2012	2011
Art Inspiring Hope dinner income	$ 706,322	$ 504,734
Sacramento dinner income	68,310	71,612
Lobsterfest dinner income	-	58,560
Walk 'N Rock for Kids	-	51,018
Other special events	54,311	35,630
	828,943	721,554
Less costs of direct benefits to donors	(367,605)	(295,597)
Special events revenue, net	$ 461,338	$ 425,957

See auditors' report.

NOTE K -- Contributed goods and services

Contributed medical, accounting services and board training valued at $98,337 and $108,752 were recorded for the years ended December 31, 2012 and 2011, respectively. The Foundation also recognized $53,804 and $28,461 for donated use of facilities and professional services for one of the events for the years ended December 31, 2012 and 2011, respectively.

Notable volunteer time adds considerably to the services provided by the Foundation. In addition to the volunteer time that requires recognition in the financial statement, approximately 65,000 hours were contributed by more than 600 volunteers conducting over 20 peer support and other programs at Camp Okizu during each of the years ended December 31, 2012 and 2011. These were lifeguards, ropes, course helpers, archery and fishing instructors, arts and craft directors, dishwashers and kitchen workers, counselors, unit leaders and administrative assistants.

NOTE L -- Lease obligations

The Foundation leases an office space in Novato, California under a noncancelable lease agreement that expired on March 31, 2013. The lease agreement was extended until March 31, 2015 without any changes in terms. The lease provides for monthly payments of $3,976. The Foundation also rented a storage space on a month-to-month basis during 2012. Rent expense included in occupancy cost was $46,106 and $53,680 for the years ended December 31, 2012 and 2011, respectively.

Future minimum rental payments are as follows:

Years Ending December 31,	
2013	$ 47,712
2014	47,712
2015	11,928
	$ 107,352

See auditors' report.

NOTE M -- Retirement plan

The Foundation maintains a defined contribution 403(b) retirement plan for all employees. Employees are eligible to make elective contributions following the date of hire up to the maximum allowed by the Internal Revenue Code. The Foundation does not contribute to the plan.

NOTE N -- Related party transactions

Main Gate Marketing, Inc. is a print media marketing company that was 20% owned by the spouse of the executive director of the Foundation prior to the company's dissolution in December 2012. During the years ended December 31, 2012 and 2011, the Foundation paid $12,656 and $21,882, respectively, for printing, mailing and marketing services to Main Gate Marketing, Inc. There were no amounts payable to, or receivable from, Main Gate Marketing, Inc. in excess of $1,000 as of December 31, 2011.

NOTE O -- Subsequent events

The date to which events occurring after December 31, 2012 have been evaluated for possible adjustments to the financial statements or disclosure is July 25, 2013, which is the date on which the financial statements were available to be issued.