# OKIZU FOUNDATION

## FINANCIAL STATEMENTS

**For the Years Ended**
**December 31, 2013 and 2012**

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# 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, 2013 and 2012, and the related statements of activities, cash flows and functional expenses 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.

## 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, 2013 and 2012, 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
June 5, 2014

**OKIZU FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| Assets: | | |
| Cash | $ 77,824 | $ 166,398 |
| Pledges and grants receivable, net | 80,000 | 401,908 |
| Investments | 41,915 | 36,436 |
| Prepaid expenses | 43,860 | 28,261 |
| Inventory | 4,692 | 5,856 |
| Property and equipment, net | 7,097,123 | 7,328,966 |
| Loan fees, net of accumulated amortization of $28,244 and $24,164 | 31,632 | 35,712 |
| Security deposit | 3,500 | 3,500 |
| Total assets | $ 7,380,546 | $ 8,007,037 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities: | | |
| Accounts payable | $ 1,958 | $ 1,157 |
| Accrued payroll | 11,209 | 8,230 |
| Accrued interest | 4,218 | 4,203 |
| Lines of credit | 203,500 | - |
| Notes payable | 1,913,654 | 2,323,827 |
| Total liabilities | 2,134,539 | 2,337,417 |
| Net assets: | | |
| Unrestricted: | | |
| Designated | 5,014,969 | 5,005,139 |
| Undesignated | 159,123 | 314,011 |
| Total unrestricted net assets | 5,174,092 | 5,319,150 |
| Temporarily restricted | 71,915 | 350,470 |
| Total net assets | 5,246,007 | 5,669,620 |
| Total liabilities and net assets | $ 7,380,546 | $ 8,007,037 |

See accompanying notes and auditors' report.

**OKIZU FOUNDATION**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended December 31, 2013 and 2012**

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Revenue and support: | | | | | | |
| Special events revenue | $ 877,985 | $ - | $ 877,985 | $ 828,943 | $ - | $ 828,943 |
| Direct benefits to donors | (373,230) | - | (373,230) | (367,605) | - | (367,605) |
| Special events, net | 504,755 | - | 504,755 | 461,338 | - | 461,338 |
| Contributions | 738,745 | 30,000 | 768,745 | 894,412 | 110,658 | 1,005,070 |
| Contributed goods and services | 103,624 | - | 103,624 | 98,337 | - | 98,337 |
| Investment income | 6 | 5,479 | 5,485 | 135 | 1,841 | 1,976 |
| Other income | 1,975 | - | 1,975 | 4,407 | - | 4,407 |
| Net assets released from restrictions | 314,034 | (314,034) | - | 377,746 | (377,746) | - |
| Total revenue and support | 1,663,139 | (278,555) | 1,384,584 | 1,836,375 | (265,247) | 1,571,128 |
| Expenses: | | | | | | |
| Program services | 1,516,727 | - | 1,516,727 | 1,387,957 | - | 1,387,957 |
| Management and administrative | 110,109 | - | 110,109 | 116,703 | - | 116,703 |
| Fundraising | 181,361 | - | 181,361 | 156,386 | - | 156,386 |
| Total expenses | 1,808,197 | - | 1,808,197 | 1,661,046 | - | 1,661,046 |
| Changes in net assets | (145,058) | (278,555) | (423,613) | 175,329 | (265,247) | (89,918) |
| Net assets, beginning of year | 5,319,150 | 350,470 | 5,669,620 | 5,143,821 | 615,717 | 5,759,538 |
| Net assets, end of year | $ 5,174,092 | $ 71,915 | $ 5,246,007 | $ 5,319,150 | $ 350,470 | $ 5,669,620 |

See accompanying notes and auditors' report.

## OKIZU FOUNDATION

## STATEMENTS OF CASH FLOWS

### For the Years Ended December 31, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| Cash flows from operating activities: | | |
| Changes in net assets | $ (423,613) | $ (89,918) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 250,538 | 250,743 |
| Amortization of loan fees | 4,080 | 4,313 |
| Donated property and equipment included in income | (4,000) | - |
| Net unrealized gain on investments | (4,552) | (1,523) |
| (Increase) decrease in assets: | | |
| Pledges and grants receivable | 321,908 | 324,541 |
| Prepaid expenses | (15,599) | (9,311) |
| Inventory | 1,164 | (2,698) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 801 | (2,101) |
| Accrued payroll | 2,979 | 3,731 |
| Accrued interest | 15 | (240) |
| Total adjustments | 557,334 | 567,455 |
| Net cash provided by operating activities | 133,721 | 477,537 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (14,695) | (8,234) |
| Purchases of investments | (927) | (317) |
| Net cash used by investing activities | (15,622) | (8,551) |
| Cash flows from financing activities: | | |
| Borrowings on lines of credit | 203,500 | - |
| Payments on notes payable | (410,173) | (409,085) |
| Net cash used by financing activities | (206,673) | (409,085) |

See accompanying notes and auditors' report.

**OKIZU FOUNDATION**

**STATEMENTS OF CASH FLOWS (Continued)**

**For the Years Ended December 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| Net increase (decrease) in cash | (88,574) | 59,901 |
| Cash, beginning of year | 166,398 | 106,497 |
| Cash, end of year | $ 77,824 | $ 166,398 |

**Supplemental disclosure of cash flow information:**

Cash paid for interest was $92,035 and $89,572 for the years ended December 31, 2013 and 2012, respectively.

**Supplemental disclosure of non-cash investing activities:**

During the year ended December 31, 2013, the Foundation disposed of a fully depreciated vehicle with an original cost of $8,960.

See accompanying notes and auditors' report.

## OKIZU FOUNDATION

## STATEMENTS OF FUNCTIONAL EXPENSES

### For the Years Ended December 31, 2013 and 2012

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | Program Services | Management and Administrative | Fundraising | Total | Program Services | Management and Administrative | Fundraising | Total |
| Salaries and benefits | $ 549,703 | $ 54,718 | $ 164,506 | $ 768,927 | $ 446,969 | $ 50,569 | $ 141,172 | $ 638,710 |
| Depreciation and amortization | 254,618 | - | - | 254,618 | 255,056 | - | - | 255,056 |
| Repairs and maintenance | 120,994 | 640 | 896 | 122,530 | 130,807 | 676 | 947 | 132,430 |
| Contributed goods and services | 88,017 | 11,607 | - | 99,624 | 81,330 | 17,007 | - | 98,337 |
| Interest | 92,050 | - | - | 92,050 | 89,332 | - | - | 89,332 |
| Utilities | 88,456 | 1,130 | 1,583 | 91,169 | 77,395 | 1,062 | 1,486 | 79,943 |
| Camp food and laundry | 80,311 | - | - | 80,311 | 82,188 | - | - | 82,188 |
| Insurance | 59,552 | 2,786 | 5,420 | 67,758 | 52,112 | 3,577 | 3,488 | 59,177 |
| Camper transportation | 65,107 | - | - | 65,107 | 66,314 | - | - | 66,314 |
| Occupancy | 41,309 | 3,778 | 5,289 | 50,376 | 37,807 | 3,458 | 4,841 | 46,106 |
| Office expense | 34,186 | 13,306 | - | 47,492 | 29,913 | 17,815 | - | 47,728 |
| Supplies | 22,629 | 925 | 1,295 | 24,849 | 21,356 | 1,084 | 1,770 | 24,210 |
| Professional services | - | 18,023 | - | 18,023 | - | 17,217 | - | 17,217 |
| Miscellaneous | 12,918 | 2,567 | - | 15,485 | 11,124 | 3,666 | - | 14,790 |
| Postage | 6,877 | 629 | 880 | 8,386 | 6,254 | 572 | 801 | 7,627 |
| Fundraising | - | - | 1,492 | 1,492 | - | - | 1,881 | 1,881 |
| Total expenses | $ 1,516,727 | $ 110,109 | $ 181,361 | $ 1,808,197 | $ 1,387,957 | $ 116,703 | $ 156,386 | $ 1,661,046 |

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.

### Concentration of credit risk

Financial instruments that potentially subject the Foundation to a concentration of credit risk consist principally of cash on deposits. Cash deposits are maintained at three financial institutions. The balances at times may exceed federally insured limits. The foundation has not experienced any losses with respect to these deposits. Management believes that the Foundation is not exposed to any significant credit risk.

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

### Pledges and grants receivable

Unconditional pledges and grants receivable are reported at realizable value, net of estimated uncollectible amounts. The Foundation evaluates the amounts expected to be realized on a regular basis. Any changes in the amounts expected to be received are recorded as increases or decreases in contributions.

Unconditional pledges and grants receivable expected to be collected later than one year are reported at fair value, which is determined using the discounted present value of estimated future cash flows. The resulting discount is amortized ratably and is reported as contributions income.

### 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, 2013 and 2012, 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.

### 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 their 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.

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

### 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, 2013 and 2012.

### 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.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. 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.

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

### 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.

### 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.

### Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2012 to conform to the year ended December 31, 2013 financial statements presentation. Such reclassifications have no effect on net assets as previously reported.

## NOTE C -- Pledges and grants receivable, net

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

| | 2013 | 2012 |
|---|---|---|
| Due within one year | $ 80,000 | $ 305,158 |
| Due in one to five years | - | 100,000 |
| | 80,000 | 405,158 |
| Less unamortized discount | - | (3,250) |
| Pledges and grants receivable, net | $ 80,000 | $ 401,908 |

See auditors' report.

**NOTE C -- Pledges and grants receivable, net** (continued)

During the year ended December 31, 2013 the total amount of pledges and grants expected to be received was reduced by $75,000 after management's evaluation of realizability. This change was recorded as a reduction in contributions. Management estimates that all pledges and grants receivable as of December 31, 2013 are collectible. No allowance for uncollectible pledges and grants receivable has been provided as of December 31, 2013 and 2012.

**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 value of the investments is as follows at December 31:

| | 2013 | 2012 |
|---|---|---|
| Mutual funds - equity | $ 41,915 | $ 36,436 |

**NOTE E -- Property and equipment**

Property and equipment consist of the following at December 31:

| | 2013 | 2012 |
|---|---|---|
| Buildings and improvements | $ 8,134,246 | $ 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 | 104,561 | 109,521 |
| Equipment | 60,361 | 64,896 |
| | 10,292,959 | 10,283,224 |
| Less accumulated depreciation | (3,195,836) | (2,954,258) |
| Property and equipment, net | $ 7,097,123 | $ 7,328,966 |

Depreciation expense for the years ended December 31, 2013 and 2012 was $250,538 and $250,743, respectively.

See auditors' report.

## NOTE F -- Lines 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, 2013 and 2012). Interest is payable monthly and the principal is due at maturity unless renewed. The agreement is subject to renewal on August 3, 2014. The balance outstanding on this line of credit was $35,000 and $0 at December 31, 2013 and 2012 , respectively.

The Foundation also has a specific purpose line of credit with the 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 annual draws in the amount of $168,500 each, starting in 2012. The amounts borrowed will be converted into a two-year term loan on December 1, 2014, 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 (3.25% at December 31, 2013) or 3%, whichever is higher. After December 1, 2014, an additional 2% will be added to the rate. The balance outstanding on this line of credit was $168,500 and $0 at December 31, 2013 and 2012, respectively. The remaining amount available on this line of credit at December 31, 2013 is $168,500.

## NOTE G -- Notes payable

Notes payable consist of the following at December 31:

| | 2013 | 2012 |
|---|---|---|
| Variable rate note payable with Northern Trust Bank of California with final payment due on August 9, 2034. The note bears interest at a rate of 4.68% per annum, with a fixed monthly payment of $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. | $ 1,545,154 | $ 1,586,827 |
| 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. | 368,500 | 737,000 |
| | $ 1,913,654 | $ 2,323,827 |

See auditors' report.

**NOTE G -- Notes payable** (continued)

Future maturities of the notes payable are as follows:

| Years Ending December 31, | |
|---|---|
| 2014 | $ 413,880 |
| 2015 | 47,550 |
| 2016 | 49,824 |
| 2017 | 52,206 |
| 2018 | 54,702 |
| Thereafter | 1,295,492 |
| | $ 1,913,654 |

**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:

| | 2013 | 2012 |
|---|---|---|
| Property and equipment, net (Note E) | $ 7,097,123 | $ 7,328,966 |
| Less related borrowings (Notes F and G) | (2,082,154) | (2,323,827) |
| Total unrestricted net assets - designated | $ 5,014,969 | $ 5,005,139 |

**NOTE I -- Special events revenue, net**

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

| | 2013 | 2012 |
|---|---|---|
| Art Inspiring Hope dinner income | $ 689,233 | $ 706,322 |
| Sacramento dinner income | 89,722 | 68,310 |
| Lobsterfest dinner income | 62,780 | - |
| Other special events | 36,250 | 54,311 |
| | 877,985 | 828,943 |
| Less costs of direct benefits to donors | (373,230) | (367,605) |
| Special events revenue, net | $ 504,755 | $ 461,338 |

See auditors' report.

**NOTE I -- Special events revenue, net** (continued)

Revenue from special events includes amounts for tickets sold, contributions raised during the event and proceeds from the sale of donated auction items.

Revenue from one event, net of event costs directly benefiting donors, comprised 24% and 22% of total revenue and support for the years ended December 31, 2013 and 2012, respectively.

**NOTE J -- Contributed goods and services**

Contributed medical and accounting services valued at $99,624 and $98,337 were recorded for the years ended December 31, 2013 and 2012, respectively. The Foundation also recognized $85,674 and $53,804 for donated use of facilities and professional services for one of the events for the years ended December 31, 2013 and 2012, respectively. Contributed property and equipment valued at $4,000 and $0 was recognized for the years ended December 31, 2013 and 2012, 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 75,600 and 65,000 hours were contributed by more than 600 volunteers conducting over 20 peer support and other programs at Camp Okizu during the years ended December 31, 2013 and 2012, respectively. 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 K -- 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 2013 and 2012. Rent expense included in occupancy cost was $50,376 and $46,106 for the years ended December 31, 2013 and 2012, respectively.

Future minimum rental payments are as follows:

| Years Ending December 31, | |
|---|---|
| 2014 | $ 47,712 |
| 2015 | 11,928 |
| | $ 59,640 |

See auditors' report.

## NOTE L -- 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 M -- Subsequent events

The date to which events occurring after December 31, 2013 have been evaluated for possible adjustments to the financial statements or disclosure is June 5, 2014, which is the date on which the financial statements were available to be issued.