

OKIZU FOUNDATION
FINANCIAL STATEMENTS
For the Years Ended
December 31, 2015 and 2014

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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, 2015 and 2014, 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, in all material respects, the financial position of Okizu Foundation as of December 31, 2015 and 2014, 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 7, 2016

OKIZU FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Assets:		
Cash	\$ 22,455	\$ 86,240
Pledges and grants receivable, net	72,000	25,000
Investments	40,817	40,673
Prepaid expenses	57,104	41,466
Inventory	4,839	2,082
Cash restricted for long-term use	27,579	-
Property and equipment, net	6,641,973	6,861,531
Loan fees, net of accumulated amortization of \$31,308 and \$29,776	28,568	30,100
Security deposit	<u>3,500</u>	<u>3,500</u>
Total assets	<u>\$ 6,898,835</u>	<u>\$ 7,090,592</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ -	\$ 1,718
Accrued payroll	18,951	12,750
Accrued interest	3,971	4,434
Line of credit	25,000	-
Notes payable	<u>1,683,089</u>	<u>1,837,596</u>
Total liabilities	1,731,011	1,856,498
Net assets:		
Unrestricted:		
Designated	4,958,884	5,023,935
Undesignated	<u>58,543</u>	<u>134,485</u>
Total unrestricted net assets	5,017,427	5,158,420
Temporarily restricted	<u>150,397</u>	<u>75,674</u>
Total net assets	<u>5,167,824</u>	<u>5,234,094</u>
Total liabilities and net assets	<u>\$ 6,898,835</u>	<u>\$ 7,090,592</u>

See accompanying notes to the financial statements.

OKIZU FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Special events revenue	\$ 860,425	\$ -	\$ 860,425	\$ 946,692	\$ -	\$ 946,692
Direct benefits to donors	<u>(406,237)</u>	<u>-</u>	<u>(406,237)</u>	<u>(407,440)</u>	<u>-</u>	<u>(407,440)</u>
Special events, net	454,188	-	454,188	539,252	-	539,252
Contributions	1,179,856	91,649	1,271,505	1,127,957	35,000	1,162,957
Contributed goods and services	88,387	-	88,387	111,977	-	111,977
Investment income	3	144	147	5	1,796	1,801
Other income	13,030	-	13,030	638	-	638
Net assets released from restrictions	<u>17,070</u>	<u>(17,070)</u>	<u>-</u>	<u>33,037</u>	<u>(33,037)</u>	<u>-</u>
Total revenue and support	1,752,534	74,723	1,827,257	1,812,866	3,759	1,816,625
Expenses:						
Program services	1,512,659	-	1,512,659	1,493,975	-	1,493,975
Management and administrative	96,715	-	96,715	112,981	-	112,981
Fundraising	<u>284,153</u>	<u>-</u>	<u>284,153</u>	<u>221,582</u>	<u>-</u>	<u>221,582</u>
Total expenses	<u>1,893,527</u>	<u>-</u>	<u>1,893,527</u>	<u>1,828,538</u>	<u>-</u>	<u>1,828,538</u>
Changes in net assets	(140,993)	74,723	(66,270)	(15,672)	3,759	(11,913)
Net assets, beginning of year	<u>5,158,420</u>	<u>75,674</u>	<u>5,234,094</u>	<u>5,174,092</u>	<u>71,915</u>	<u>5,246,007</u>
Net assets, end of year	<u>\$ 5,017,427</u>	<u>\$ 150,397</u>	<u>\$ 5,167,824</u>	<u>\$ 5,158,420</u>	<u>\$ 75,674</u>	<u>\$ 5,234,094</u>

See accompanying notes to the financial statements.

OKIZU FOUNDATION
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Changes in net assets	\$ (66,270)	\$ (11,913)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	244,084	246,410
Amortization of loan fees	1,532	1,532
Contributions restricted for long-term use	(29,649)	-
Net realized and unrealized gain on investments	(144)	(1,796)
(Increase) decrease in assets:		
Pledges and grants receivable	(47,000)	55,000
Prepaid expenses	(15,638)	2,394
Inventory	(2,757)	2,610
Increase (decrease) in liabilities:		
Accounts payable	(1,718)	(240)
Accrued payroll	6,201	1,541
Accrued interest	(463)	216
Total adjustments	<u>154,448</u>	<u>307,667</u>
Net cash provided by operating activities	<u>88,178</u>	<u>295,754</u>
Cash flows from investing activities:		
Purchases of property and equipment	(24,526)	(10,818)
Net increase in cash restricted for long-term use	(27,579)	-
Proceeds from sale of investments	<u>-</u>	<u>3,038</u>
Net cash used by investing activities	<u>(52,105)</u>	<u>(7,780)</u>
Cash flows from financing activities:		
Contributions collected for long-term use	29,649	-
Net borrowings on line of credit	25,000	133,196
Payments on notes payable	<u>(154,507)</u>	<u>(412,754)</u>
Net cash used by financing activities	<u>(99,858)</u>	<u>(279,558)</u>
Net increase (decrease) in cash	(63,785)	8,416
Cash, beginning of year	<u>86,240</u>	<u>77,824</u>
Cash, end of year	<u>\$ 22,455</u>	<u>\$ 86,240</u>

See accompanying notes to the financial statements.

OKIZU FOUNDATION
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2015 and 2014

Supplemental disclosure of cash flow information:

Cash paid for interest was \$81,571 and \$85,119 for the years ended December 31, 2015 and 2014, respectively.

See accompanying notes to the financial statements.

OKIZU FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Program Services	Management and Administrative	Fundraising	Total	Program Services	Management and Administrative	Fundraising	Total
Salaries and benefits	\$ 560,059	\$ 61,358	\$ 249,206	\$ 870,623	\$ 547,108	\$ 61,145	\$ 184,167	\$ 792,420
Depreciation and amortization	245,616	-	-	245,616	247,942	-	-	247,942
Camp food and laundry	100,832	-	-	100,832	81,286	-	-	81,286
Repairs and maintenance	95,916	845	2,560	99,321	80,807	514	1,558	82,879
Contributed goods and services	88,387	-	-	88,387	96,447	15,530	-	111,977
Utilities	78,847	1,085	3,286	83,218	74,778	1,075	3,255	79,108
Interest	81,108	-	-	81,108	85,335	-	-	85,335
Camper transportation	69,689	-	-	69,689	75,443	-	-	75,443
Insurance	59,672	1,596	7,442	68,710	60,445	2,448	6,729	69,622
Occupancy	33,850	4,059	12,293	50,202	33,712	4,042	12,243	49,997
Office expense	40,905	2,930	-	43,835	38,166	2,211	-	40,377
Miscellaneous	28,382	3,554	-	31,936	12,796	3,832	-	16,628
Professional services	-	19,515	-	19,515	-	18,069	-	18,069
Supplies	10,998	1,163	4,751	16,912	23,468	1,103	3,383	27,954
Recruitment and retention	13,307	-	-	13,307	31,135	2,400	7,500	41,035
Postage	5,091	610	1,849	7,550	5,107	612	1,855	7,574
Fundraising	-	-	2,766	2,766	-	-	892	892
Total expenses	<u>\$ 1,512,659</u>	<u>\$ 96,715</u>	<u>\$ 284,153</u>	<u>\$ 1,893,527</u>	<u>\$ 1,493,975</u>	<u>\$ 112,981</u>	<u>\$ 221,582</u>	<u>\$ 1,828,538</u>

See accompanying notes to the financial statements.

OKIZU FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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, Roseville 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 and families affected by childhood cancer.

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 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.

OKIZU FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

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 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 categorizes 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 \$4,000.

OKIZU FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2015 and 2014

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, 2015 and 2014.

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.

OKIZU FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

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.

NOTE C -- Pledges and grants receivable, net

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

	<u>2015</u>	<u>2014</u>
Due within one year	\$ 72,000	\$ 15,000
Due in one to five years	<u>-</u>	<u>10,000</u>
Pledges and grants receivable, net	<u><u>\$ 72,000</u></u>	<u><u>\$ 25,000</u></u>

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.

OKIZU FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

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:

	<u>2015</u>	<u>2014</u>
Mutual funds - equity	\$ <u>40,817</u>	\$ <u>40,673</u>

NOTE E -- Property and equipment

Property and equipment consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 8,145,063	\$ 8,145,064
Land	1,083,600	1,083,600
Boat house	760,153	760,153
Furniture and fixtures	150,038	150,038
Transportation equipment	104,561	104,561
Equipment	76,618	54,161
Luami Pavilion - construction in progress (Note M)	<u>2,070</u>	<u>-</u>
	10,322,103	10,297,577
Less accumulated depreciation	<u>(3,680,130)</u>	<u>(3,436,046)</u>
Property and equipment, net	<u>\$ 6,641,973</u>	<u>\$ 6,861,531</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$244,084 and \$246,410, respectively.

NOTE F -- Line of credit

The Foundation has a \$200,000 variable rate revolving line of credit with Northern Trust Bank of California. The interest is computed at the bank's prime lending rate of 3.25% at December 31, 2015 and 2014. Interest is payable monthly and the principal is due at maturity unless renewed. The agreement is subject to renewal on August 3, 2016. The balance outstanding on this line of credit was \$25,000 and \$0 at December 31, 2015 and 2014, respectively. The line is secured by a deed of trust and is guaranteed by two of the board members.

OKIZU FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE G -- Notes payable

Notes payable consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
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.	\$ 1,454,944	\$ 1,500,900
Variable rate note payable with Northern Trust Bank of California. Payments are due beginning on January 1, 2015 with final payment due on December 1, 2017. The note bears interest at a rate of 3.25% per annum, with a fixed monthly payment of \$9,836, which includes interest and principal. The note is secured by a deed of trust and is guaranteed by two of the board members.	<u>228,145</u>	<u>336,696</u>
	<u>\$ 1,683,089</u>	<u>\$ 1,837,596</u>

Future maturities of the notes payable are as follows:

<u>Years Ending December 31,</u>	
2016	\$ 162,089
2017	168,086
2018	54,702
2019	57,318
2020	60,059
Thereafter	<u>1,180,835</u>
	<u>\$ 1,683,089</u>

OKIZU FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

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:

	<u>2015</u>	<u>2014</u>
Property and equipment, net (Note E)	\$ 6,641,973	\$ 6,861,531
Less related borrowings (Note G)	<u>(1,683,089)</u>	<u>(1,837,596)</u>
Total unrestricted net assets - designated	<u>\$ 4,958,884</u>	<u>\$ 5,023,935</u>

NOTE I -- Special events revenue, net

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

	<u>2015</u>	<u>2014</u>
Art Inspiring Hope Gala	\$ 697,024	\$ 734,035
Sacramento dinner	83,516	74,651
Lobsterfest dinner	-	67,630
Other special events	<u>79,885</u>	<u>70,376</u>
	860,425	946,692
Less costs of direct benefits to donors	<u>(406,237)</u>	<u>(407,440)</u>
Special events revenue, net	<u>\$ 454,188</u>	<u>\$ 539,252</u>

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 17% and 19% of total revenue and support for the years ended December 31, 2015 and 2014, respectively.

NOTE J -- Contributed goods and services

Contributed medical and accounting services valued at \$88,387 and \$111,977 were recorded for the years ended December 31, 2015 and 2014, respectively. The Foundation also recognized \$51,415 and \$49,347 for donated use of facilities and professional services for the Art Inspiring Hope Gala for the years ended December 31, 2015 and 2014, respectively.

OKIZU FOUNDATION
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE J -- Contributed goods and services (continued)

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 76,000 hours were contributed by more than 600 volunteers conducting 22 and 21 peer support and other programs at Camp Okizu during the years ended December 31, 2015 and 2014, 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 expires on March 31, 2017. The lease provides for monthly payments of \$3,976. The Foundation also rented a storage space on a month-to-month basis during 2015 and 2014. Rent expense was \$50,202 and \$49,997 for the years ended December 31, 2015 and 2014, respectively.

Future minimum rental payments are as follows:

<u>Years Ending December 31,</u>	
2016	\$ 47,712
2017	<u>11,928</u>
	<u>\$ 59,640</u>

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

Luami Pavilion, a common area for teenage boys at Camp Okizu, was completed in June 2016 with a total cost of approximately \$75,000.

The date to which events occurring after December 31, 2015 have been evaluated for possible adjustments to the financial statements or disclosure is July 7, 2016, which is the date on which the financial statements were available to be issued.