

NATIONAL AMBUCS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended May 31, 2015

NATIONAL AMBUCS, INC.

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May 31, 2015

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APPLE, KOCEJA & ASSOCIATES, PA

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NATIONAL AMBUCS, INC.
High Point, North Carolina

We have audited the accompanying consolidated financial statements of NATIONAL AMBUCS, INC. (a nonprofit organization), which comprise the consolidated statement of financial position as of May 31, 2015 and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Although we did observe the taking of physical inventory as of December 31, 2015, we did not observe inventory as of May 31, 2015 or 2014, and we were unable to satisfy ourselves regarding inventory quantities by means of other auditing procedures. We were not able to observe those inventories because those dates were prior to our appointment as auditors for the organization. The May 31, 2015 and 2014 inventory amounts enter into the determination of net income and cash flows for the year ended May 31, 2015.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Apple, Koceja & Associates, PA

Certified Public Accountants
March 29, 2016

NATIONAL AMBUCS, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of May 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 313 624	\$ 365 572	\$ -	\$ 679 196
Accounts receivable	244 580	-	-	244 580
Inventory	690 194	-	-	690 194
Total current assets	<u>1 248 398</u>	<u>365 572</u>	<u>-</u>	<u>1 613 970</u>
OTHER ASSETS				
Investments (at fair market value) (Note 4)	-	599 999	3 162 853	3 762 852
PROPERTY AND EQUIPMENT				
Furniture and equipment	129 634	-	-	129 634
Vehicles	41 604	-	-	41 604
Building and land	880 792	-	-	880 792
Less accumulated depreciation	(306 050)	-	-	(306 050)
Net property and equipment	<u>745 980</u>	<u>-</u>	<u>-</u>	<u>745 980</u>
Total assets	<u>\$ 1 994 378</u>	<u>\$ 965 571</u>	<u>\$ 3 162 853</u>	<u>\$ 6 122 802</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 25 623	\$ -	\$ -	\$ 25 623
Notes payable	44 059	-	-	44 059
Capital lease payable	3 877	-	-	3 877
Scholarships payable	206 483	-	-	206 483
Total current liabilities	<u>280 042</u>	<u>-</u>	<u>-</u>	<u>280 042</u>
LONG TERM LIABILITIES				
Notes payable	229 812	-	-	229 812
NET ASSETS				
Unrestricted	1 484 524	-	-	1 484 524
Temporarily restricted (Note 5)	-	965 571	-	965 571
Permanently restricted	-	-	3 162 853	3 162 853
Total net assets	<u>1 484 524</u>	<u>965 571</u>	<u>3 162 853</u>	<u>5 612 948</u>
Total liabilities and net assets	<u>\$ 1 994 378</u>	<u>\$ 965 571</u>	<u>\$ 3 162 853</u>	<u>\$ 6 122 802</u>

See notes to financial statements

NATIONAL AMBUCS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended May 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT				
Contributions	\$ 44 989	\$ 842 766	\$ 88 050	\$ 975 805
	<u>44 989</u>	<u>842 766</u>	<u>88 050</u>	<u>975 805</u>
OTHER REVENUE				
Product sales	2 528 442	-	-	2 528 442
Cost of goods sold	(1 563 084)	-	-	(1 563 084)
Investment income	104	6 253	60 141	66 498
Net realized and unrealized gains (losses) on investments	-	-	118 620	118 620
Conference income	73 469	-	-	73 469
Member dues	135 265	-	-	135 265
Miscellaneous	25 817	-	-	25 817
	<u>1 200 013</u>	<u>6 253</u>	<u>178 761</u>	<u>1 385 027</u>
Net assets released from restrictions	485 981	(356 404)	(129 577)	-
Total revenue and net asset releases	<u>1 730 983</u>	<u>492 615</u>	<u>137 234</u>	<u>2 360 832</u>
ALLOCATIONS AND EXPENSES				
Functional expenses:				
Programs	1 231 057	-	-	1 231 057
Management and general	333 238	-	-	333 238
Fund raising	40 821	-	-	40 821
Total allocations and expenses	<u>1 605 116</u>	<u>-</u>	<u>-</u>	<u>1 605 116</u>
Change in net assets	125 867	492 615	137 234	755 716
Net assets-beginning of year	<u>1 358 657</u>	<u>472 956</u>	<u>3 025 619</u>	<u>4 857 232</u>
Net assets-end of year	<u>\$ 1 484 524</u>	<u>\$ 965 571</u>	<u>\$ 3 162 853</u>	<u>\$ 5 612 948</u>

See notes to financial statements

NATIONAL AMBUCS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended May 31, 2015

Cash flows from operating activities:	\$ 755 716
Increase (decrease) in net assets	
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:	
Depreciation	38 468
(Gain) loss from investments	(118 620)
(Increase) decrease in:	
Accounts receivable	(16 493)
Inventory	(272 397)
Prepaid expenses	3 099
Increase (decrease) in:	
Accounts payable and accrued expenses	21 687
Scholarships payable	25 283
Net cash from operating activities	<u>436 743</u>
Cash flows from investing activities:	
Purchase of property and equipment	(8 781)
Purchase of investments	(1 772 780)
Proceeds from sale of investments	1 071 002
Withdrawals from investments	166 568
Investment income retained in investments	(189 128)
Net cash from investing activities	<u>(733 119)</u>
Cash flows from financing activities:	
Capital lease repayments	(4 961)
Notes payable repayments	(41 521)
Net cash from financing activities	<u>(46 482)</u>
Increase (decrease) in cash and equivalents	(342 858)
Cash and equivalents, beginning of year	<u>1 022 054</u>
Cash and equivalents, end of year	<u><u>\$ 679 196</u></u>

See notes to financial statements

NATIONAL AMBUCS, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended May 31, 2015

	Programs		Management and		Supporting Services		Totals
	AMBUCS	AMTRYKE	Total	General	Raising	Total	
Salaries	\$ 329 642	-	\$ 329 642	\$ 117 730	\$ 23 546	\$ 141 276	\$ 470 918
Employee benefits	55 707	-	55 707	19 896	3 979	23 875	79 582
Payroll taxes	26 928	-	26 928	9 617	1 923	11 540	38 468
Total salaries and related expenses	412 277	-	412 277	147 243	29 448	176 691	588 968
Professional fees	-	6 845	6 845	51 580	-	51 580	58 425
Office expense	-	4 955	4 955	12 020	32	12 052	17 007
Telephone	-	18	18	7 010	-	7 010	7 028
Occupancy	-	7 097	7 097	10 187	-	10 187	17 284
Travel	-	29 186	29 186	224	-	224	29 410
Supplies	-	5 336	5 336	-	3 221	3 221	8 557
Advertising and marketing	-	16 460	16 460	-	-	-	16 460
Scholarships and awards	192 950	-	192 950	-	3 650	3 650	196 600
Ambility	242 485	-	242 485	-	-	-	242 485
Communications	28 142	-	28 142	-	-	-	28 142
Conferences and conventions	72 344	58 435	130 779	20 499	-	20 499	151 278
Contract labor	-	7 650	7 650	-	-	-	7 650
Membership development	30 104	-	30 104	-	-	-	30 104
Repairs and maintenance	-	1 690	1 690	8 862	-	8 862	10 552
Insurance	11 284	17 436	28 720	15 253	-	15 253	43 973
Dues and subscriptions	-	20	20	2 213	-	2 213	2 233
Training	11 185	-	11 185	5 079	-	5 079	16 264
Big Hat	48 905	-	48 905	-	-	-	48 905
Interest	-	229	229	9 359	-	9 359	9 588
Merchant fees	-	-	-	4 671	-	4 671	4 671
Bad debt expense	-	615	615	2 563	-	2 563	3 178
Miscellaneous	9 761	13 550	23 311	105	4 470	4 575	27 886
Total expenses before depreciation	1 059 437	169 522	1 228 959	296 868	40 821	337 689	1 566 648
Depreciation	-	2 098	2 098	36 370	-	36 370	38 468
Total	\$ 1 059 437	\$ 171 620	\$ 1 231 057	\$ 333 238	\$ 40 821	\$ 374 059	\$ 1 605 116

See notes to financial statements

NATIONAL AMBUCS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015

Note 1. Nature of Organization

National AMBUCS, Inc. is a nonprofit organization formed to promote and encourage community development and fellowship by and through its member chapters throughout the United States. The mission is to enrich the lives of those who are disabled by supporting their goals of independence.

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets and cash flows of the Organization. Also included in the consolidated financial statements are the net assets and operations of AMTRYKE, LLC, a consolidated 99% owned limited liability company that facilitates the procurement, assembly and sale of therapeutic tricycles in order to support National AMBUCS, Inc.'s growth and development.

Note 2. Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as temporarily restricted and are then reclassified to unrestricted net assets upon expiration of the time restriction and/or satisfaction of the program restriction. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are also recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

Cash Equivalents and Supplemental Disclosure for Statement of Cash Flows

For purposes of reporting cash flows, the Organization considers all checking accounts and savings accounts to be cash equivalents. The Organization paid \$8,727 of interest and no income taxes during the year ended May 31, 2015.

Accounts Receivable

The Organization records accounts receivable at total unpaid balance, less any allowance for doubtful accounts. The Organization estimates any allowance for doubtful accounts based on a combination of factors, including historical loss experience and management's knowledge of the current composition of receivables. Receivables that management believes to be uncollectible are written off upon that determination.

NATIONAL AMBUCS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015

Note 2. Summary of Significant Accounting Policies (continued)

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method, and market represents the lower of replacement cost or net realizable value.

Investments

Investments in equity and debt securities are reported in the statement of financial position at fair value with realized and unrealized gains and losses included in the statement of activities.

Property and Equipment

Property and equipment are stated at cost or at estimated fair value at date of donation in the case of donated assets. Depreciation is computed by the straight-line method over the estimated useful life of the assets.

Subsequent Events

The Organization has evaluated events and transactions through April 29, 2016, which is the date the financial statements were available to be issued.

Income Tax

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities. The Organization has no qualified unrelated business income. The Organization has evaluated all tax positions to identify any that might be uncertain. No material uncertain tax positions were identified for the year ended May 31, 2015. Accordingly, no provision for income tax has been recorded in the accompanying financial statements.

Functional Allocation of Expenses

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

NATIONAL AMBUCS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015

Note 3. Capital Lease

The Organization leases a copier under a capital lease. This lease is classified as a direct financing lease. Lease inception was in May 2011 and calls for 60 monthly payments of \$413. As of May 31, 2015, the net present value and the current maturity of the lease obligation were each \$3,877.

Note 4. Investments and Fair Value Measurements

Investments at May 31, 2015 are carried at the quoted market value as follows:

	Cost	Market
Money funds	\$ 730 339	\$ 730 339
US Treasury and govt securities	531 759	539 847
Mutual funds	208 415	199 519
Corporate stocks	1 513 431	1 906 219
Corporate bonds	379 189	386 928
	<u>\$ 3 363 133</u>	<u>\$ 3 762 852</u>

Unrealized gains from investments at May 31, 2015 amounted to \$399,719. FASB Accounting Standards Codification 820, Fair Value Measurements and Disclosures establishes a fair value hierarchy for investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy identifies Level 1 inputs as quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date. All investments of the Organization at May 31, 2015 are considered to be Level 1 valuations. The Organization incurred expenses of \$25,370 relating to the investment management of these funds.

Note 5. Long Term Debt

At May 31, 2015 long-term debt consisted of the following:

Note payable to bank, secured by real property, payable in monthly installments of \$3,558 including interest at 3.95% through February 2022	\$ 253 554
Note payable to bank, secured by vehicle, payable in monthly installments of \$875 including interest at 3.15% through May 2017	<u>20 317</u>
Total	273 871
Less current portion	<u>44 059</u>
Long term debt at May 31, 2015	<u>\$ 229 812</u>

NATIONAL AMBUCS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2015

Note 5. Long Term Debt (continued)

Maturities for long term debt for the succeeding five years are as follows:

2016		\$ 44 059
2017		44 956
2018		36 038
2019		37 487
2020		38 995
Thereafter		<u>72 336</u>
		<u>\$ 273 871</u>

Note 6. Temporarily and Permanently Restricted Net Assets

At May 31, 2015, restricted net assets were available for the following purpose restrictions:

Temporarily restricted:

Scholars		\$ 176 905
Ambility		169 741
Vet Donor initiative		542 220
Cornerstone		<u>76 705</u>
		<u>\$ 965 571</u>

Permanently restricted:

W.L. White Scholars		\$2 851 419
Ambility Ambassadors		282 008
Lovelace		<u>29 426</u>
		<u>\$3 162 853</u>

Note 7. Net Assets Released From Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. During the year ended May 31, 2015, \$485,981 of restricted donations was released from restrictions by incurring expenses satisfying the restricted purposes.

Note 8. Endowments

Permanently restricted net assets at May 31, 2015 consisted of an endowment fund established to provide for the W.L.White Scholarships and Ambility Ambassadors. Income from the endowment fund can only be used for these purposes.

The Organization appropriates for expenditure each year under its spending rate policy 4% of endowment asset value on December 31 and incorporates a three year average analysis to smooth out distributions.

The Organization has adopted a 50% income/50% growth investment guideline policy for the endowment. The investment fund managers will use a balanced investment approach and maintain proper prudent diversity among all asset classes utilized.

NATIONAL AMBUCS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31, 2015

Note 8. Endowments (continued)

During the year ended May 31, 2015, the Organization had the following endowment-related activities:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Beginning of year	\$ 30 753	\$3 230 015	\$3 260 768
Investment income	6 253	60 141	66 394
Increase (decrease) in market value	-	(118 620)	(118 620)
Contributions	-	88 050	88 050
Amounts appropriated for expenditure	<u>-</u>	<u>(112 325)</u>	<u>(112 325)</u>
End of year	<u>\$ 37 006</u>	<u>\$3 147 261</u>	<u>\$3 184 267</u>

Note 9. Retirement Plan

The Organization has a Simplified Employee Pension plan covering all employees who meet eligibility requirements regarding term of service and age. The Organization contributes 5% of each participating employee's annual salary to the plan. This year's contribution to eligible employees' retirement accounts totaled \$15,936.

Note 10. Concentrations of Risk

The Organization maintains its cash balances in financial institutions located in North Carolina. The Federal Deposit Insurance Corporation insures the balances up to \$250,000 at each institution. From time to time during the year ending May 31, 2015, the Organization's cash balance exceeded the federally insured limit.