National AMBUCS, Inc. and Subsidiary

Consolidated Financial Report
December 31, 2017

Contents

Independent Auditor's Report

Board of Directors
National AMBUCS, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of National AMBUCS, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2017, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National AMBUCS, Inc. and subsidiary as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Greensboro, North Carolina
August 16, 2018

National AMBUCS, Inc. and Subsidiary

Consolidated Statement of Financial Position
December 31, 2017

Assets	
Cash	$ 946,577
Accounts receivable	291,040
Contributions receivable	17,987
Inventory	485,070
Prepaid expenses	8,845
Investments at fair value	4,317,892
Property and equipment, net	756,526
Cash value of life insurance	65,476
Total assets	$ 6,889,413
Liabilities and Net Assets	
Liabilities:	
Accounts payable	$ 22,410
Scholarships payable	55,350
Assets held for others	78,881
Notes payable	162,217
Capital lease obligations	20,042
Total liabilities	338,900
Commitments and contingencies (Notes 6, 7 and 15)	
Net assets:	
Unrestricted	1,910,059
Unrestricted, board designated	1,127,234
Temporarily restricted	1,778,831
Permanently restricted	1,734,389
Total net assets	6,550,513
Total liabilities and net assets	$ 6,889,413

See notes to consolidated financial statements.

National AMBUCS, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and support:				
Product sales	$ 2,435,018	$ -	$ -	$ 2,435,018
Cost of goods sold	1,503,615	-	-	1,503,615
Gross profit on product sales	931,403	-	-	931,403
Contributions	361	312,228	102,080	414,669
Membership dues	121,975	-	-	121,975
Conference income	60,562	-	-	60,562
Investment income	120,515	332,532	-	453,047
Other	6,086	-	-	6,086
	1,240,902	644,760	102,080	1,987,742
Net assets released from restrictions	580,397	(580,397)	-	-
Total revenues, gains and support	1,821,299	64,363	102,080	1,987,742
Expenses:				
Program	925,782	-	-	925,782
General and administrative	252,431	-	-	252,431
Membership development	314,020	-	-	314,020
Fundraising	74,244	-	-	74,244
Total expenses	1,566,477	-	-	1,566,477
Increase in net assets	254,822	64,363	102,080	421,265
Net assets:				
Beginning	2,782,471	1,714,468	1,632,309	6,129,248
Ending	$ 3,037,293	$ 1,778,831	$ 1,734,389	$ 6,550,513

See notes to consolidated financial statements.

National AMBUCS, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

		Supporting Services			
	Program Services	Management and General	Membership	Fundraising	Total
Payroll	$ 306,882	$ 89,370	$ 126,519	$ 46,452	$ 569,223
Payroll taxes	23,082	7,047	10,030	3,666	43,825
Employee benefits	52,657	16,623	20,453	8,764	98,497
Awards	301,078	-	7,409	-	308,487
Conferences	-	-	75,102	-	75,102
Travel	11,190	29,325	15,029	-	55,544
Supplies	11,289	1,840	5,595	1,840	20,564
Postage and delivery	6,517	373	747	373	8,010
Taxes, dues and fees	30,923	1,853	10,573	3,316	46,665
Professional fees	-	90,515	-	-	90,515
Publications and promotion	64,170	-	6,797	-	70,967
Insurance	31,085	162	16,671	162	48,080
Repairs and maintenance	27,681	5,789	5,531	2,895	41,896
Rent	21,448	-	-	-	21,448
Telephone	4,867	1,111	2,224	1,111	9,313
Utilities	6,236	1,423	2,850	1,424	11,933
Research and development	598	-	-	-	598
Interest expense	5,609	2,239	1,898	948	10,694
Miscellaneous	3,765	1,469	-	-	5,234
	909,077	249,139	307,428	70,951	1,536,595
Depreciation	16,705	3,292	6,592	3,293	29,882
	$ 925,782	$ 252,431	$ 314,020	$ 74,244	$ 1,566,477

See notes to consolidated financial statements.

National AMBUCS, Inc. and Subsidiary

Consolidated Statement of Cash Flows
Year Ended December 31, 2017

Cash flows from operating activities:	
Increase in net assets	$ 421,265
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	29,882
Gain on investments	(391,882)
Contributions restricted for endowment	(102,080)
Other	(301)
Change in operating assets and liabilities:	
Accounts receivable	(32,277)
Contributions receivable	6,159
Inventory	185,214
Prepaid expenses	(952)
Accounts payable	(31,109)
Scholarships payable	(46,592)
Assets held for others	78,881
Net cash provided by operating activities	116,208
Cash flows from investing activities:	
Purchase of property and equipment	(6,393)
Proceeds from the sale of investments	1,520,366
Purchase of investments	(1,402,756)
Premiums paid on life insurance	(3,650)
Net cash provided by investing activities	107,567
Cash flows from financing activities:	
Payments on notes payable	(41,723)
Payments on capital lease obligations	(5,268)
Contributions restricted for endowment	102,080
Net cash provided by financing activities	55,089
Net increase in cash	278,864
Beginning cash	667,713
Ending cash	$ 946,577
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 9,239

See notes to consolidated financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: National AMBUCS, Inc. (AMBUCS or the Organization) is a 501(c)(3) nonprofit charitable organization with a diverse membership dedicated to the mission of creating mobility and independence for people with disabilities. Currently, there are approximately 5,000 AMBUCS members nationwide, with over 150 chapters in 35 states. These volunteer members put the mission into action in their own communities by:

- Providing therapeutic tricycles to individuals unable to operate a traditional bike.
- Awarding academic scholarships for therapists in the fields of physical and occupational therapy, speech and language pathology, and audiology.
- Performing various other forms of community service for people with disabilities, including the construction of handicapped ramps and accessible playgrounds, and sponsorship of sports leagues for individuals with special needs.

To meet the growing demand for therapeutic trikes for children and adults with various disabilities, AMBUCS created AmTryke, LLC (AmTryke), which facilitates procurement, assembly and sale of adaptive tricycles. Over 90% of AmTryke's sales are to sponsoring AMBUCS Chapters who then provide the therapeutic trikes to children with disabilities, wounded war veterans and others, free of charge.

The consolidated entity (the Organization) consists of AMBUCS and its 99% owned subsidiary AmTryke. Through an agreement with the 1% minority owner of AmTryke, AMBUCS is allocated 100% of AmTryke's profits, losses and capital.

A summary of the Organization's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of AMBUCS and its subsidiary, AmTryke. All material intercompany balances and transactions are eliminated in consolidation.

Presentation: Accounting principles generally accepted in the United States of America (GAAP) require that nonprofit organizations classify and report net assets in three groups of net assets based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. In accordance with GAAP, the Organization classifies and reports its net assets as unrestricted, temporarily restricted and permanently restricted:

Unrestricted net assets: Resources related to the Organization's regular activities that are available at the discretion of the Board of Directors.

Temporarily restricted net assets: Resources that carry a donor-imposed restriction. A donor's restriction is met when a stipulated time restriction ends or a special purpose restriction is accomplished. As those restrictions are met, the contributions are released from temporarily restricted net assets and are transferred to unrestricted net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as temporarily restricted support and as net assets released from restrictions.

Temporarily restricted net assets also includes the cumulative investment earnings on permanently restricted endowment net assets that are released when appropriated for expenditure.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Permanently restricted net assets: Contributions that carry donor-imposed restrictions on the use of the funds, which mandate that the principal be maintained in perpetuity. The principal is reported as a permanently restricted net asset. Earnings, gains and losses on permanently restricted net assets are classified as temporarily restricted net assets until appropriated for expenditure.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts receivable: The Organization records accounts receivable at cost, which approximates fair value at the financial statement date. The allowance for doubtful accounts is based on a combination of historical and current information as it relates to individual accounts. The Organization determines past-due status on accounts receivable based on the contractual terms of the original sale. Specific accounts receivable that management believes to be uncollectible are written off upon such determination.

Contributions receivable: Unconditional promises to give that are expected to be collected in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of estimated future cash flows. The discounts on pledges receivable are computed using a rate commensurate with the risk of the pledge receivable in accordance with fair value accounting standards. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investments: Investments are presented in the consolidated financial statements at fair value determined in accordance with Topic 820, Fair Value Measurement, of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Organization’s investments include various types of investment securities which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect amounts reported in the financial statements.

Inventory: Inventory is stated at the lower of cost or net realizable value as determined by the first-in, first-out method.

Property and equipment: Property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair values at the date of receipt. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Amortization of assets held under capital leases is provided over the shorter of the estimated useful lives of the respective assets or the lease term using the straight-line method and is included with depreciation expense. Long-lived assets are reviewed for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Revenue recognition: Sales revenue is recognized at the time of shipment of goods to a customer. Membership dues are recognized in conjunction with the lapse of the membership period, except life membership dues which are recognized at inception as there are no significant tangible services provided to life members over the life of the member.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Shipping and handling costs: Shipping and handling costs are included in cost of goods sold in the accompanying consolidated statement of activities.

Contributions: The Organization accounts for contributions in accordance with ASC 958-605, Accounting for Contributions Received and Contributions Made. In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Income taxes: AMBUCS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). AmTryke is a limited liability company taxed as a pass through entity.

Management evaluated AMBUCS' and AmTrykes' tax positions and concluded that neither has taken uncertain tax positions that require adjustment to the consolidated financial statements.

Functional allocation of expenses: The costs of providing programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs, such as depreciation, insurance and departmental expenses charged to the human resources, service center, office support and corporate departments, have been allocated among the program and supporting services benefited. Cost of goods sold related to product sales is considered a program expense.

Subsequent events: The Organization has evaluated its subsequent events (events occurring after December 31, 2017) through August 16, 2018, which represents the date the consolidated financial statements were available to be issued.

Recent accounting pronouncements: In July 2015, the FASB issued Accounting Standards Update (ASU) 2015-11, *Simplifying the Measurement of Inventory.* The updated standard requires an entity to measure inventory at the lower of cost and net realizable value. The updated standard became effective in 2017. Adoption of this guidance did not have a significant effect on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)*: *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update make several improvements to reporting requirements including changes to net asset classification and requiring additional disclosures related to various not-for-profit issues. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and should be applied retrospectively upon adoption, with certain limited exceptions. Early adoption is permitted. The Organization is currently evaluating the effect that the standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in the update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The amendments in the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2019. Early application is permitted. The Organization is currently evaluating the effect that the standard will have on its consolidated financial statements.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

In May 2014, the FASB issued ASU 2014-09, R*evenue from Contracts with Customers*. The updated standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is permitted with certain restrictions. The updated standard becomes effective for annual reporting periods beginning after December 15, 2018. The Organization has not selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The updated standard clarifies and improves guidance around contributions of cash and other assets received and made by not-for-profit organizations (NFPs) and business enterprises. The standard provides guidance on whether a transfer of assets, or the reduction, settlement, or cancelation of liabilities, is a contribution or an exchange transaction. It also provides guidance on whether a contribution is conditional or unconditional and on differentiating a donor-imposed condition and a donor-imposed restriction. The standard should be applied on a modified prospective basis to agreements not completed as of the effective date or agreements entered into after the effective date. Retrospective application is permitted. The updated standard should be applied for the Organization’s fiscal year ending December 31, 2019. The Organization is currently evaluating the effect the adoption of this standard will have on its consolidated financial statements.

Note 2. Contributions Receivable

As of December 31, 2017, contributions receivable consist of various unconditional promises to give within one year, at their estimated net realizable value.

Note 3. Investments

The composition of investments at December 31, 2017, is as follows:

Money funds	$	219,632
Corporate stocks		2,657,988
Corporate bonds		379,979
Government securities		595,476
Registered investment companies		464,817
	$	4,317,892

Investment income is comprised of the following for the year ended December 31, 2017:

Dividends and interest	$	93,118
Net appreciation in fair value		391,882
Management fees		(31,953)
	$	453,047

Note 4. Property and Equipment

Property and equipment are comprised of the following as of December 31, 2017:

Land	$	227,327
Building and improvements		653,465
Furniture and equipment		169,902
Total		1,050,694
Less accumulated depreciation		(294,168)
	$	756,526

Note 5. Line of Credit

The Organization has a line of credit with a financial institution in the amount of $200,000. The line of credit is secured by substantially all of the assets of the Organization. The interest on the line of credit is based on a published prime rate plus 1%, with a floor of 5% (5.75% rate as of December 31, 2017). The agreement expires in November 2018. At December 31, 2017, there were no borrowings on the line of credit.

Note 6. Notes Payable

The Organization has an outstanding note payable to a bank that is payable in monthly installments of $3,558 including interest at 3.95% through February 2022. As of December 31, 2017, the outstanding principal balance was $162,217 and the note is secured by real property with a carrying amount of $668,767.

Maturities of notes payable for the next five years ending December 31 are as follows:

2018	$	36,948
2019		38,435
2020		39,980
2021		41,589
2022		5,265
	$	162,217

Note 7. Capital Lease Obligations

The Organization leases equipment under long-term capital lease agreements. Equipment under capital lease agreements included in property and equipment has a cost basis of $28,494 and accumulated depreciation of $9,302 as of December 31, 2017. Future minimum lease payments required under capital lease agreements for the years ended December 31 are as follows:

Fiscal years ending:		
2018	$	6,537
2019		6,537
2020		6,537
2021		2,404
		22,015
Less amount on capital leases representing interest		1,973
Present value of lease payments	$	20,042

Note 8. Concentration of Credit Risk

The Organization routinely maintains demand deposits with financial institutions in amounts that exceed federally insured limits. In addition, investments held by the Organization are uninsured or exceed federally insured limits. The Organization has not suffered any credit losses related to such deposits and investments.

Note 9. Board-Designated Net Assets

The Board of Directors has designated a portion of unrestricted net assets for endowment purposes. At December 31, 2017, this board-designated net asset fund totaled $1,127,234.

Note 10. Restricted Net Assets

The following is a summary of temporarily restricted net assets as of December 31, 2017:

Scholars	$	568,017
Ambility		402,888
Veterans Initiative		737,964
Cornerstone		67,217
Lovelace		2,745
	$	1,778,831

During the period January 1, 2017 through December 31, 2017, net assets released from restrictions due to the expiration of time and purpose restrictions were as follows:

Scholars	$	251,726
Ambility		164,274
Veterans Initiative		115,841
Cornerstone		48,556
	$	580,397

The following is a summary of permanently restricted net assets as of December 31, 2017:

W.L. White Scholars	$	1,418,960
Ambility Ambassadors		286,829
Lovelace		28,600
	$	1,734,389

Note 11. Fair Value Measurements

FASB ASC 820, Fair Value Measurement, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date.

Note 11. Fair Value Measurements (Continued)

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is the description of the valuation methodologies used for assets measured at fair value subsequent to initial recognition. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Money funds, corporate stocks and registered investment companies: Securities are listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy.

Corporate bonds and government securities: Securities listed on national markets or exchanges and are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy. All other fixed income investments are valued using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data, and classified within Level 2 of the hierarchy.

The following table sets forth, by level within the fair value hierarchy, the Organization's assets measured at fair value subsequent to initial recognition on a recurring basis:

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Money funds	$ 219,632	$ -	$ -	$ 219,632
Corporate stocks	2,657,988	-	-	2,657,988
Corporate bonds	-	379,979	-	379,979
Government securities	-	595,476	-	595,476
Registered investment companies	464,817	-	-	464,817
	$ 3,342,437	$ 975,455	$ -	$ 4,317,892

To assess the appropriate classification of instruments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of instruments from one fair value level to another. In such instances, the transfer is reported as if it occurred at the beginning of the reporting period.

Note 12. Endowment Funds

The Organization's endowment consists of various funds established to support general activities and programs. The endowment consists of funds designated by the Board of Directors (BOD) and donor-restricted funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The BOD of the Organization has interpreted the North Carolina enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return objective and risk parameters: The Organization's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. The Organization recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Organization has established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-time horizons based upon long-term expected returns.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: The Organization will appropriate for expenditure in its annual budget a maximum of 4% of the average of the prior three years' ending market value of the endowment assets. There may be times when the Organization may opt not to take the maximum spending rate, but rather reinvest some of the annual return. This spending rate is based on the long-term assumption of an average annual total return (net of fees) of at least 4% plus inflation.

Endowment net asset composition by type of fund as of December 31, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowments	$ -	$ 760,860	$ 1,634,034	$ 2,394,894
Board-designated endowments	1,127,234	-	-	1,127,234
	$ 1,127,234	$ 760,860	$ 1,634,034	$ 3,522,128

Note 12. Endowment Funds (Continued)

Changes in endowment net assets for the year ended December 31, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of year	$ 1,006,891	$ 625,215	$ 1,578,439	$ 3,210,545
Investment income:				
Dividends and interest	24,693	52,112	-	76,805
Net appreciation in fair value	104,142	219,783	-	323,925
Management fees	(8,492)	(17,920)	-	(26,412)
Contributions	-	-	55,595	55,595
Appropriated for expenditure	-	(118,330)	-	(118,330)
	$ 1,127,234	$ 760,860	$ 1,634,034	$ 3,522,128

Note 13. Vendor Concentration

The Organization purchased substantially all of its inventory from a single foreign vendor during the year ended December 31, 2017.

Note 14. Employee Benefit 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. Retirement benefit expense for the year ended December 31, 2017, was $13,092.

Note 15. Operating Leases

The Organization leases warehouse space and equipment under various operating leases on month-to-month or other short-term basis. Lease expense under operating lease agreements for the year ended December 31, 2017, was approximately $21,448.

RSM US LLP

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
National AMBUCS, Inc.

We have audited the consolidated financial statements of National AMBUCS, Inc. and subsidiary as of and for the year ended December 31, 2017, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Greensboro, North Carolina
August 16, 2018

National AMBUCS, Inc. and Subsidiary

Consolidating Statement of Financial Position
December 31, 2017

	National AMBUCS, Inc.	AmTryke, LLC	Eliminating Entries	Consolidated Total
Assets				
Cash	$ 459,226	$ 487,351	$ -	$ 946,577
Accounts receivable	36,344	291,657	(36,961)	291,040
Contributions receivable	17,987	-	-	17,987
Inventory	-	485,070	-	485,070
Prepaid expenses	8,845	-	-	8,845
Investments, at fair value	4,317,892	-	-	4,317,892
Investment in subsidiary	1,267,368	-	(1,267,368)	-
Property and equipment, net	746,899	9,627	-	756,526
Cash value of life insurance	65,476	-	-	65,476
Total assets	$ 6,920,037	$ 1,273,705	$ (1,304,329)	$ 6,889,413
Liabilities and Net Assets				
Liabilities:				
Accounts payable	$ 53,034	$ 6,337	$ (36,961)	$ 22,410
Scholarships payable	55,350	-	-	55,350
Assets held for others	78,881	-	-	78,881
Notes payable	162,217	-	-	162,217
Capital lease obligations	20,042	-	-	20,042
Total liabilities	369,524	6,337	(36,961)	338,900
Net assets:				
Unrestricted	1,910,059	-	-	1,910,059
Unrestricted, board designated	1,127,234	-	-	1,127,234
Temporarily restricted	1,778,831	-	-	1,778,831
Permanently restricted	1,734,389	-	-	1,734,389
Members' equity	-	1,267,368	(1,267,368)	-
Total net assets	6,550,513	1,267,368	(1,267,368)	6,550,513
Total liabilities and net assets	$ 6,920,037	$ 1,273,705	$ (1,304,329)	$ 6,889,413

National AMBUCS, Inc. and Subsidiary

Consolidating Statement of Activities
Year Ended December 31, 2017

	National AMBUCS, Inc.	AmTryke, LLC	Eliminating Entries	Consolidated Total
Revenues, gains and support:				
Product sales	$ 545	$ 2,664,518	$ (230,045)	$ 2,435,018
Cost of goods sold	46	1,632,394	(128,825)	1,503,615
Gross profit on product sales	499	1,032,124	(101,220)	931,403
Contributions	414,669	-	-	414,669
Membership dues	121,975	-	-	121,975
Conference income	85,562	-	(25,000)	60,562
Investment income	452,954	93	-	453,047
Equity in earnings of subsidiary	27,355	-	(27,355)	-
Other	6,086	-	-	6,086
Total revenues, gains and support	1,109,100	1,032,217	(153,575)	1,987,742
Expenses:				
Program	865,594	186,408	(126,220)	925,782
General and administrative	225,425	27,006	-	252,431
Membership development	312,676	1,344	-	314,020
Fundraising	74,244	-	-	74,244
Intercompany expense allocation	(790,104)	790,104	-	-
Total expenses	687,835	1,004,862	(126,220)	1,566,477
Increase (decrease) in net assets	421,265	27,355	(27,355)	421,265
Beginning net assets	6,129,248	1,240,013	(1,240,013)	6,129,248
Ending net assets	$ 6,550,513	$ 1,267,368	$ (1,267,368)	$ 6,550,513

National AMBUCS, Inc. and Subsidiary

Consolidating Statement of Cash Flows
Year Ended December 31, 2017

	National AMBUCS, Inc.	AmTryke, LLC	Eliminating Entries	Consolidated Total
Cash flows from operating activities:				
Increase in net assets	$ 421,265	$ 27,355	$ (27,355)	$ 421,265
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:				
Depreciation	27,602	2,280	-	29,882
Gain on investments	(391,882)	-	-	(391,882)
Equity in earnings of subsidiary	(27,355)	-	27,355	-
Contributions restricted for endowment	(102,080)	-	-	(102,080)
Other	(301)	-	-	(301)
Change in operating assets and liabilities:				
Accounts receivable	228	(44,472)	11,967	(32,277)
Contributions receivable	6,159	-	-	6,159
Inventory	-	185,214	-	185,214
Prepaid expenses	(3,373)	2,421	-	(952)
Accounts payable	(12,575)	(6,567)	(11,967)	(31,109)
Scholarships payable	(46,592)	-	-	(46,592)
Assets held for others	78,881	-	-	78,881
Net cash (used in) provided by operating activities	(50,023)	166,231	-	116,208
Cash flows from investing activities:				
Purchase of property and equipment	(6,393)	-	-	(6,393)
Proceeds from the sale of investments	1,520,366	-	-	1,520,366
Purchase of investments	(1,402,756)	-	-	(1,402,756)
Premiums paid on life insurance	(3,650)	-	-	(3,650)
Net cash provided by investing activities	107,567	-	-	107,567
Cash flows from financing activities:				
Payments on notes payable	(41,723)	-	-	(41,723)
Payments on capital lease obligations	(5,268)	-	-	(5,268)
Contributions restricted for endowment	102,080	-	-	102,080
Net cash provided by financing activities	55,089	-	-	55,089
Net increase in cash	112,633	166,231	-	278,864
Cash, beginning	346,593	321,120	-	667,713
Cash, ending	$ 459,226	$ 487,351	$ -	$ 946,577