

National AMBUCS, Inc. and Subsidiary

Consolidated Financial Report
December 31, 2018

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RSM US LLP

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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the accompanying financial statements, National AMBUCS, Inc. and Subsidiary adopted the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during 2018. The adoption of the standard resulted in changes to the classification of net assets and additional footnote disclosures. The adoption was retrospectively applied to January 1, 2017; the earliest year presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited National AMBUCS, Inc. and Subsidiary's 2017 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated August 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Greensboro, North Carolina
November 8, 2019

National AMBUCS, Inc. and Subsidiary

**Consolidated Statement of Financial Position
December 31, 2018
(With Comparative Totals for December 31, 2017)**

	2018	2017
Assets		
Cash	\$ 611,012	\$ 946,577
Accounts receivable	368,932	291,040
Contributions receivable	22,804	17,987
Inventory	868,831	485,070
Prepaid expenses	12,437	8,845
Investments at fair value	3,868,212	4,317,892
Property and equipment, net	727,182	756,526
Cash value of life insurance	69,105	65,476
	<hr/>	<hr/>
Total assets	\$ 6,548,515	\$ 6,889,413
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 33,002	\$ 22,410
Scholarships payable	-	55,350
Assets held for others	-	78,881
Line of credit	200,000	-
Note payable	125,342	162,217
Capital lease obligations	14,475	20,042
	<hr/>	<hr/>
Total liabilities	372,819	338,900
	<hr/> <hr/>	<hr/> <hr/>
Commitments and contingencies (Notes 6, 7 and 15)		
Net assets:		
Without donor restrictions:		
Board designated endowment	1,055,195	1,127,234
Unrestricted	1,791,295	1,910,059
With donor restrictions	3,329,206	3,513,220
	<hr/>	<hr/>
Total net assets	6,175,696	6,550,513
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and net assets	\$ 6,548,515	\$ 6,889,413
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See notes to consolidated financial statements.

National AMBUCS, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended December 31, 2018

(With Comparative Totals for Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	2017
Revenues, gains and support:				
Product sales	\$ 2,271,136	\$ -	\$ 2,271,136	\$ 2,435,018
Cost of goods sold	1,524,731	-	1,524,731	1,503,615
Gross profit on product sales	746,405	-	746,405	931,403
Contributions	2,277	401,215	403,492	414,669
Membership dues	136,824	-	136,824	121,975
Conference income	47,420	-	47,420	60,562
Investment (loss) income	(71,918)	(182,614)	(254,532)	453,047
Other	4,667	-	4,667	6,086
	865,675	218,601	1,084,276	1,987,742
Net assets released from restrictions	402,615	(402,615)	-	-
Total revenues, gains and support	1,268,290	(184,014)	1,084,276	1,987,742
Expenses:				
Program	879,625	-	879,625	925,782
General and administrative	199,410	-	199,410	252,431
Membership development	311,190	-	311,190	314,020
Fundraising	68,868	-	68,868	74,244
Total expenses	1,459,093	-	1,459,093	1,566,477
Change in net assets	(190,803)	(184,014)	(374,817)	421,265
Net assets:				
Beginning	3,037,293	3,513,220	6,550,513	6,129,248
Ending	\$ 2,846,490	\$ 3,329,206	\$ 6,175,696	\$ 6,550,513

See notes to consolidated financial statements.

National AMBUCS, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

(With Comparative Totals for Year Ended December 31, 2017)

	Program Services	Supporting Services			Total	2017
		Management and General	Membership	Fundraising		
Payroll	\$ 268,219	\$ 63,027	\$ 100,618	\$ 42,537	\$ 474,401	\$ 569,223
Payroll taxes	21,158	4,904	7,839	3,329	37,230	43,825
Employee benefits	63,945	16,394	16,507	9,161	106,007	98,497
Awards	301,929	-	7,469	-	309,398	308,487
Conferences	-	-	94,936	-	94,936	75,102
Travel	25,185	29,228	7,628	-	62,041	55,544
Supplies	19,557	2,231	8,806	2,231	32,825	20,564
Postage and delivery	7,339	366	733	366	8,804	8,010
Taxes, dues and fees	15,510	2,839	11,103	1,846	31,298	46,665
Professional fees	-	64,724	-	-	64,724	90,515
Publications and promotion	34,852	-	17,841	-	52,693	70,967
Insurance	33,827	80	19,568	80	53,555	48,080
Repairs and maintenance	17,437	5,538	5,160	2,834	30,969	41,896
Rent	9,803	-	-	-	9,803	21,448
Telephone	5,142	1,174	2,350	1,174	9,840	9,313
Utilities	5,734	1,309	2,621	1,309	10,973	11,933
Research and development	592	-	-	-	592	598
Interest expense	8,045	2,689	1,389	694	12,817	10,694
Miscellaneous	25,245	1,598	-	-	26,843	5,234
	863,519	196,101	304,568	65,561	1,429,749	1,536,595
Depreciation	16,106	3,309	6,622	3,307	29,344	29,882
	\$ 879,625	\$ 199,410	\$ 311,190	\$ 68,868	\$1,459,093	\$1,566,477

National AMBUCS, Inc. and Subsidiary

Consolidated Statement of Cash Flows

Year Ended December 31, 2018

(With Comparative Totals for Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (374,817)	\$ 421,265
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	29,344	29,882
Loss (gain) on investments	342,585	(391,882)
Contributions restricted for endowment	(151,019)	(102,080)
Other	21	(301)
Changes in operating assets and liabilities:		
Accounts receivable	(77,892)	(32,277)
Contributions receivable	(4,817)	6,159
Inventory	(383,761)	185,214
Prepaid expenses	(3,592)	(952)
Accounts payable	10,592	(31,109)
Scholarships payable	(55,350)	(46,592)
Assets held for others	(78,881)	78,881
Net cash (used in) provided by operating activities	(747,587)	116,208
Cash flows from investing activities:		
Purchase of property and equipment	-	(6,393)
Proceeds from the sale of investments	2,056,644	1,520,366
Purchase of investments	(1,949,549)	(1,402,756)
Premiums paid on life insurance	(3,650)	(3,650)
Net cash provided by investing activities	103,445	107,567
Cash flows from financing activities:		
Proceeds from line of credit	200,000	-
Payments on notes payable	(36,875)	(41,723)
Payments on capital lease obligations	(5,567)	(5,268)
Contributions restricted for endowment	151,019	102,080
Net cash provided by financing activities	308,577	55,089
Net (decrease) increase in cash	(335,565)	278,864
Beginning cash	946,577	667,713
Ending cash	<u>\$ 611,012</u>	<u>\$ 946,577</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 7,812</u>	<u>\$ 9,239</u>

See notes to consolidated financial statements.

National AMBUCS, Inc. and Subsidiary

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 based on the existence or absence of donor-imposed restrictions. In accordance with GAAP, the Organization classifies and reports its net assets in the following classes:

Net assets without donor restrictions: Resources related to the Organization's regular activities that are available at the discretion of the Board of Directors.

Net assets with donor restrictions: 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Net assets with donor restrictions also includes the cumulative investment earnings on donor restricted endowment net assets that are released when appropriated for expenditure.

National AMBUCS, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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

Estimates: 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.

National AMBUCS, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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 net assets without donor restrictions or net assets with donor restrictions, 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), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 based on personnel time. 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, 2018) through November 8, 2019, which represents the date the consolidated financial statements were available to be issued.

Recent accounting pronouncements: In August 2016, the FASB issued Accounting Standards Update (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. The Organization has adopted the provisions of ASU 2016-14 for 2018 and has retrospectively applied the changes to 2017, where required. Implementation of this guidance resulted in a change in presentation of net assets and additional disclosures surrounding the Organization's liquidity.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018. Where the Organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

National AMBUCS, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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

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.

In May 2014, the FASB issued ASU 2014-09, *Revenue 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.

Note 2. Contributions Receivable

As of December 31, 2018, 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, 2018, is as follows:

Money funds	\$	195,860
Corporate stocks		2,241,650
Corporate bonds		290,425
Government securities		599,251
Registered investment companies		541,026
	\$	<u>3,868,212</u>

Investment income is comprised of the following for the year ended December 31, 2018:

Dividends and interest	\$	120,167
Net depreciation in fair value		(342,585)
Management fees		(32,114)
	\$	<u>(254,532)</u>

National AMBUCS, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment are comprised of the following as of December 31, 2018:

Land	\$	227,327
Building and improvements		653,465
Furniture and equipment		169,902
Total		<u>1,050,694</u>
Less accumulated depreciation		<u>(323,512)</u>
	\$	<u>727,182</u>

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% (6.50% rate as of December 31, 2018). The agreement expires in November 2019. At December 31, 2018, there were borrowings of \$200,000 on the line of credit.

Note 6. Note 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, 2018, the outstanding principal balance was \$125,342 and the note is secured by real property with a carrying amount of approximately \$653,000.

Maturities of note payable for the next four years ending December 31 are as follows:

2019	\$	38,432
2020		39,977
2021		41,586
2022		5,347
	\$	<u>125,342</u>

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 \$15,000 as of December 31, 2018. Future minimum lease payments required under capital lease agreements for the years ended December 31 are as follows:

Fiscal years ending:		
2019	\$	6,537
2020		6,537
2021		2,404
		<u>15,478</u>
Less amount on capital leases representing interest		1,003
Present value of lease payments	\$	<u>14,475</u>

National AMBUCS, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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 net assets without donor restrictions for endowment purposes. At December 31, 2018, this board-designated net asset fund totaled \$1,055,195.

Note 10. Net Assets with Donor Restrictions

The following is a summary of net assets with donor restrictions as of December 31, 2018:

Restricted for purpose and/or time:	
Ambility	\$ 231,409
Veterans Initiative	632,870
Cornerstone	91,281
	<hr/>
	955,560
Restricted for transfer to endowment	251,374
Restricted by endowment	2,122,272
	<hr/>
	\$ 3,329,206
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During the year ended December 31, 2018, net assets with donor restrictions, restricted for purpose and/or time, were released from restrictions as follows:

Scholars	\$ 178,784
Ambility	140,039
Veterans Initiative	66,645
Cornerstone	17,147
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	\$ 402,615
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Note 11. Liquidity

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To achieve this, the Organization forecasts its future cash flows and monitors its liquidity on a monthly basis. In addition to the available financial assets, the Organization has a line of credit agreement in the amount of \$200,000 which can be drawn upon in the event of immediate liquidity needs.

National AMBUCS, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 11. Liquidity (Continued)

The following table summarizes the Organization's financial assets for general expenditures within one year after December 31, 2018:

Financial assets:	
Cash	\$ 611,012
Accounts receivable	368,932
Contributions receivable	22,804
Investments at fair value	3,868,212
Cash value of life insurance	69,105
	<u>4,940,065</u>
Less amounts not available to be used within one year:	
Donor restricted financial assets	3,329,206
Board-designated endowment	1,055,195
	<u>4,384,401</u>
Financial assets available to meet general expenditures within one year	<u>\$ 555,664</u>

The Organization has an endowment with a maximum annual spending limit equal to 4% of the prior three years' average ending market value of the endowment assets, or approximately \$132,000 as of December 31, 2018, which is available in the next 12 months. Although the Organization's intent is to limit spending from its board-designated endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

Note 12. 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.

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.

National AMBUCS, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 12. Fair Value Measurements (Continued)

In determining fair value, the Foundation uses valuation approaches within the FASB ASC 820 fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy.

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, 2018			
	Level 1	Level 2	Level 3	Total
Money funds	\$ 195,860	\$ -	\$ -	\$ 195,860
Corporate stocks	2,241,650	-	-	2,241,650
Corporate bonds	-	290,425	-	290,425
Government securities	-	599,251	-	599,251
Registered investment companies	541,026	-	-	541,026
	<u>\$ 2,978,536</u>	<u>\$ 889,676</u>	<u>\$ -</u>	<u>\$ 3,868,212</u>

Note 13. 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 net assets with donor restrictions as endowment corpus: (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 as endowment corpus represents the fair value of assets associated with individual donor-restricted endowment funds over the corpus that the donor or UPMIFA requires, until appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

National AMBUCS, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 13. Endowment Funds (Continued)

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, 2018, is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Corpus	Fair Value Over Corpus	
Board-designated	\$ 1,055,195	\$ -	\$ -	\$ 1,055,195
Donor-restricted:				
W.L. White Scholars	-	1,322,280	356,762	1,679,042
Ambility Ambassadors	-	283,154	130,157	413,311
Lovelace	-	28,600	1,319	29,919
	<u>\$ 1,055,195</u>	<u>\$ 1,634,034</u>	<u>\$ 488,238</u>	<u>\$ 3,177,467</u>

National AMBUCS, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 13. Endowment Funds (Continued)

Changes in endowment net assets for the year ended December 31, 2018, is as follows:

	Unrestricted	With Donor Restrictions		Total
		Corpus	Fair Value Over Corpus	
Endowment net assets beginning of year	\$ 1,127,234	\$ 1,634,034	\$ 760,860	\$ 3,522,128
Investment income:				
Dividends and interest	33,976	-	68,043	102,019
Net depreciation in fair value	(96,929)	-	(194,119)	(291,048)
Management fees	(9,086)	-	(18,197)	(27,283)
Contributions	-	-	-	-
Appropriated for expenditure	-	-	(128,349)	(128,349)
	<u>\$ 1,055,195</u>	<u>\$ 1,634,034</u>	<u>\$ 488,238</u>	<u>\$ 3,177,467</u>

Note 14. Vendor Concentration

The Organization purchased substantially all of its inventory from a single foreign vendor during the year ended December 31, 2018.

Note 15. 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, 2018, was \$17,873.

Note 16. 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, 2018, was approximately \$9,800.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

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, 2018, 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
November 8, 2019

National AMBUCS, Inc. and Subsidiary

**Consolidating Statement of Financial Position
December 31, 2018**

	National AMBUCS, Inc.	AmTryke, LLC	Eliminating Entries	Consolidated Total
Assets				
Cash	\$ 524,293	\$ 86,719	\$ -	\$ 611,012
Accounts receivable	59,526	321,951	(12,545)	368,932
Contributions receivable	22,804	-	-	22,804
Inventory	-	868,831	-	868,831
Prepaid expenses	6,936	5,501	-	12,437
Investment, at fair value	3,868,212	-	-	3,868,212
Investment in subsidiary	1,069,731	-	(1,069,731)	-
Property and equipment, net	719,172	8,010	-	727,182
Cash value of life insurance	69,105	-	-	69,105
	<u>\$ 6,339,779</u>	<u>\$ 1,291,012</u>	<u>\$ (1,082,276)</u>	<u>\$ 6,548,515</u>
Total assets				
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 24,266	\$ 21,281	\$ (12,545)	\$ 33,002
Line of credit	-	200,000	-	200,000
Note payable	125,342	-	-	125,342
Capital lease obligations	14,475	-	-	14,475
	<u>164,083</u>	<u>221,281</u>	<u>(12,545)</u>	<u>372,819</u>
Total liabilities				
Net assets:				
Without donor restrictions	2,846,490	-	-	2,846,490
With donor restrictions	3,329,206	-	-	3,329,206
Members' equity	-	1,069,731	(1,069,731)	-
	<u>6,175,696</u>	<u>1,069,731</u>	<u>(1,069,731)</u>	<u>6,175,696</u>
Total net assets				
	<u>\$ 6,339,779</u>	<u>\$ 1,291,012</u>	<u>\$ (1,082,276)</u>	<u>\$ 6,548,515</u>
Total liabilities and net assets				

National AMBUCS, Inc. and Subsidiary

**Consolidating Statement of Activities
Year Ended December 31, 2018**

	National AMBUCS, Inc.	AmTryke, LLC	Eliminating Entries	Consolidated Total
Revenues, gains and support:				
Product sales	\$ -	\$ 2,407,989	\$ (136,853)	\$ 2,271,136
Cost of goods sold	-	1,601,369	(76,638)	1,524,731
Gross profit on product sales	-	806,620	(60,215)	746,405
Contributions	403,492	-	-	403,492
Membership dues	136,824	-	-	136,824
Conference income	72,420	-	(25,000)	47,420
Investment (loss) income	(254,615)	83	-	(254,532)
Equity in earnings (loss) of subsidiary	(197,637)	-	197,637	-
Other	862	3,805	-	4,667
Total revenues, gains and support	161,346	810,508	112,422	1,084,276
Expenses:				
Program	783,345	181,495	(85,215)	879,625
General and administrative	178,239	21,171	-	199,410
Membership development	309,711	1,479	-	311,190
Fundraising	68,868	-	-	68,868
Intercompany expense allocation	(804,000)	804,000	-	-
Total expenses	536,163	1,008,145	(85,215)	1,459,093
Change in net assets	(374,817)	(197,637)	197,637	(374,817)
Beginning net assets	6,550,513	1,267,368	(1,267,368)	6,550,513
Ending net assets	<u>\$ 6,175,696</u>	<u>\$ 1,069,731</u>	<u>\$ (1,069,731)</u>	<u>\$ 6,175,696</u>

National AMBUCS, Inc. and Subsidiary

**Consolidating Statement of Cash Flows
Year Ended December 31, 2018**

	National AMBUCS, Inc.	AmTryke, LLC	Eliminating Entries	Consolidated Total
Cash flows from operating activities:				
Change in net assets	\$ (374,817)	\$ (197,637)	\$ 197,637	\$ (374,817)
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation	27,727	1,617	-	29,344
Loss on investments	342,585	-	-	342,585
Equity in earnings of subsidiary	197,637	-	(197,637)	-
Contributions restricted for endowment	(151,019)	-	-	(151,019)
Other	21	-	-	21
Changes in operating assets and liabilities:				
Accounts receivable	(23,182)	(30,294)	(24,416)	(77,892)
Contributions receivable	(4,817)	-	-	(4,817)
Inventory	-	(383,761)	-	(383,761)
Prepaid expenses	1,909	(5,501)	-	(3,592)
Accounts payable	(28,768)	14,944	24,416	10,592
Scholarships payable	(55,350)	-	-	(55,350)
Assets held for others	(78,881)	-	-	(78,881)
Net cash used in operating activities	(146,955)	(600,632)	-	(747,587)
Cash flows from investing activities:				
Purchase of property and equipment	-	-	-	-
Proceeds from the sale of investments	2,056,644	-	-	2,056,644
Purchase of investments	(1,949,549)	-	-	(1,949,549)
Premiums paid on life insurance	(3,650)	-	-	(3,650)
Net cash provided by investing activities	103,445	-	-	103,445
Cash flows from financing activities:				
Proceeds from line of credit	-	200,000	-	200,000
Payments on notes payable	(36,875)	-	-	(36,875)
Payments on capital lease obligations	(5,567)	-	-	(5,567)
Contributions restricted for endowment	151,019	-	-	151,019
Net cash provided by financing activities	108,577	200,000	-	308,577
Net increase (decrease) in cash	65,067	(400,632)	-	(335,565)
Cash, beginning	459,226	487,351	-	946,577
Cash, ending	<u>\$ 524,293</u>	<u>\$ 86,719</u>	<u>\$ -</u>	<u>\$ 611,012</u>