BENEVILLA AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

BENEVILLA AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Benevilla and Subsidiaries
Surprise, Arizona

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Benevilla and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of December 31, 2017, and 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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

Board of Directors
Benevilla and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Benevilla and Subsidiaries 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.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 22 to the consolidated financial statements, a certain error was discovered by management during the current year related to prior year balances. Accordingly, amounts previously reported for unrestricted net assets and property and equipment have been restated and an adjustment has been made to net assets as of January 1, 2017 to correct the error. Our opinion is not modified with respect to this matter.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, 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 consolidating information has been subjected to the auditing procedures applied in the audit 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
June 5, 2018

BENEVILLA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 566,180
Cash Restricted for Employee Education	8,145
Accounts Receivable, Net of Allowance	501,211
Grants Receivable	16,999
Bequests Receivable	20,000
Inventory	15,211
Prepaid Expenses	60,593
Total Current Assets	1,188,339
INVESTMENTS	3,218,696
PROPERTY HELD FOR SALE	2,518
PROPERTY AND EQUIPMENT, Net	7,414,798
ASSETS RESTRICTED FOR CAPITAL CAMPAIGN	
Pledges Receivable, Less Unamortized Discount	18,469
Total Assets	$ 11,842,820

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	$ 180,564
Accrued Expenses	331,576
Line of Credit	687,270
Deferred Revenue	99,743
Current Maturities of Note Payable	40,000
Current Maturities of Long-Term Debt	29,527
Current Maturities of Charitable Gift Annuities	19,535
Total Current Liabilities	1,388,215
LONG-TERM DEBT, Less Current Maturities	766,181
CHARITABLE GIFT ANNUITIES, Less Current Maturities	65,086
Total Liabilities	2,219,482
NET ASSETS	
Unrestricted	6,390,452
Temporarily Restricted	510,708
Permanently Restricted	2,722,178
Total Net Assets	9,623,338
Total Liabilities and Net Assets	$ 11,842,820

See accompanying Notes to Consolidated Financial Statements.

BENEVILLA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
SUPPORT AND REVENUE				
Contributions	$ 839,141	$ 11,421	$ 3,500	$ 854,062
Special Event	124,479	-	-	124,479
Less Costs of Direct Benefits to Donors	(35,939)	-	-	(35,939)
Participant Fees	3,403,249	-	-	3,403,249
In-Kind Contributions	250,968	-	-	250,968
Grants	985,876	-	-	985,876
Investment Income, Net	17,819	233,311	-	251,130
Change in Value on Gift Annuities	5,785	-	-	5,785
Food Sales	573,110	-	-	573,110
Other Income	49,900	-	-	49,900
Net Assets Released from Restrictions	488,452	(488,452)	-	-
Total Support and Revenue	6,702,840	(243,720)	3,500	6,462,620
EXPENSES				
Program Services				
Day Care	2,780,018	-	-	2,780,018
Family Resource Center	490,031	-	-	490,031
Home Services	229,624	-	-	229,624
Intake	141,827	-	-	141,827
Transportation	503,232	-	-	503,232
Volunteer Recruitment and Training	86,618	-	-	86,618
Child Care Center	740,180	-	-	740,180
Food Services	1,075,333	-	-	1,075,333
Community Services	17,103	-	-	17,103
Total Program Services	6,063,966	-	-	6,063,966
Supporting Services				
Management and General	552,310	-	-	552,310
Facilities Maintenance	14,455	-	-	14,455
Marketing	201,605	-	-	201,605
Fundraising	379,062	-	-	379,062
Total Supporting Services	1,147,432	-	-	1,147,432
LOSSES ON DISPOSAL OF ASSETS	8,610	-		8,610
Total Expenses and Losses	7,220,008	-	-	7,220,008
CHANGES IN NET ASSETS	(517,168)	(243,720)	3,500	(757,388)
Net Assets - Beginning of Year, As Previously Reported	6,702,403	754,428	2,718,678	10,175,509
Restatement of Net Assets	205,217	-	-	205,217
NET ASSETS - END OF YEAR	$ 6,390,452	$ 510,708	$ 2,722,178	$ 9,623,338

See accompanying Notes to Consolidated Financial Statements.

BENEVILLA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services									
	Day Care	Family Resource Center	Home Services	Intake	Transportation	Volunteer Recruitment and Training	Child Care Center	Food Services	Community Services	Total Program Services
Salaries	$ 1,378,451	$ 304,380	$ 109,832	$ 107,017	$ 208,337	$ 63,539	$ 394,840	$ 427,118	$ -	$ 2,993,514
Payroll Taxes	93,911	21,773	14,206	7,571	15,740	4,627	28,567	37,464	-	223,859
Employee Benefits	122,801	28,251	19,961	5,704	7,792	5,699	38,242	34,988	-	263,438
Total Payroll and Related Costs	1,595,163	354,404	143,999	120,292	231,869	73,865	461,649	499,570	-	3,480,811
In-Kind Facilities, Services and Other	177,446	1,810	4,364	-	51,948	-	-	-	396	235,964
Participant Meals	28,534	1,269	-	-	-	-	-	338,323	-	368,126
Professional & Outside Services	35,498	1,360	16	16	202	5,007	443	1,609	14,828	58,979
Vehicle Expenses	957	11,115	13,392	227	153,432	262	546	8,281	-	188,212
Indirect and Administrative Costs	588,929	33,407	30,931	-	54,438	-	96,507	-	-	804,212
Supplies	45,084	41,512	2,470	1,087	1,129	1,281	19,113	69,571	1,879	183,126
Telephone	29,642	6,628	2,950	1,480	2,722	715	3,179	2,559	-	49,875
Occupancy	110,925	20,023	18,305	14,483	136	-	49,089	46,706	-	259,667
Interest Expense	4,842	-	-	-	-	-	9,314	6,044	-	20,200
Postage	784	40	189	59	-	-	19	474	-	1,565
Conferences and Meetings	11,687	2,124	910	234	168	655	2,328	10,960	-	29,066
Printing	2,482	11,567	2,510	593	25	2,778	3,764	2,088	-	25,807
Equipment Leases	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-
Special Events	5,261	-	-	84	-	-	-	825	-	6,170
Advertising	7,762	2,424	4,141	1,511	-	1,042	1,123	12,536	-	30,539
Fees and Taxes	-	-	-	-	-	-	-	16,704	-	16,704
Computer Services	20,680	2,302	4,409	1,583	162	449	870	2,960	-	33,415
Miscellaneous	575	46	-	67	65	564	188	542	-	2,047
Depreciation and Amortization	113,767	-	1,038	111	6,936	-	92,048	55,581	-	269,481
Special Event Expenses	-	-	-	-	-	-	-	-	-	-
Investment Fees	-	-	-	-	-	-	-	-	-	-
	2,780,018	490,031	229,624	141,827	503,232	86,618	740,180	1,075,333	17,103	6,063,966
Less: Expenses Netted Against Revenues on the Statement of Activities:										
Special Event Expenses	-	-	-	-	-	-	-	-	-	-
Investment Fees	-	-	-	-	-	-	-	-	-	-
Total Expenses Included in the Expense Section of the Statement of Activities	$ 2,780,018	$ 490,031	$ 229,624	$ 141,827	$ 503,232	$ 86,618	$ 740,180	$ 1,075,333	$ 17,103	$ 6,063,966

(Continued)

See accompanying Notes to Consolidated Financial Statements.

BENEVILLA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2017

	Supporting Services					
	Management and General	Facilities Maintenance	Marketing	Fundraising	Total Supporting Services	Total Functional Expenses
Salaries	$ 694,076	$ 44,172	$ 126,703	$ 239,292	$ 1,104,243	$ 4,097,757
Payroll Taxes	54,300	3,216	9,213	17,143	83,872	307,731
Employee Benefits	102,212	-	16,285	25,474	143,971	407,409
Total Payroll and Related Costs	850,588	47,388	152,201	281,909	1,332,086	4,812,897
In-Kind Facilities, Services and Other	10,293	-	1,242	3,369	14,904	250,868
Participant Meals	-	-	-	-	-	368,126
Professional & Outside Services	127,214	-	3,133	19,825	150,172	209,151
Vehicle Expenses	3,692	-	2,648	855	7,195	195,407
Indirect and Administrative Costs	(767,197)	(37,015)	-	-	(804,212)	-
Supplies	22,375	1,211	5,091	2,281	30,958	214,084
Telephone	10,020	503	1,531	1,882	13,936	63,811
Occupancy	59,121	2,368	-	-	61,489	321,156
Interest Expense	19,433	-	-	-	19,433	39,633
Postage	2,766	-	1,884	4,160	8,810	10,375
Conferences and Meetings	11,093	-	1,435	1,219	13,747	42,813
Printing	5,904	-	15,292	39,912	61,108	86,915
Equipment Leases	9,162	-	-	-	9,162	9,162
Insurance	47,073	-	-	-	47,073	47,073
Special Events	10,779	-	2,563	11,600	24,942	31,112
Advertising	70	-	11,261	5,391	16,722	47,261
Fees and Taxes	30,686	-	-	-	30,686	47,390
Computer Services	33,018	-	2,877	6,659	42,554	75,969
Miscellaneous	20,604	-	447	-	21,051	23,098
Depreciation and Amortization	45,616	-	-	-	45,616	315,097
Special Event Expenses	-	-	-	35,939	35,939	35,939
Investment Fees	19,558	-	-	-	19,558	19,558
	571,868	14,455	201,605	415,001	1,202,929	7,266,895
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	(35,939)	(35,939)	(35,939)
Investment Fees	(19,558)	-	-	-	(19,558)	(19,558)
Total Expenses Included in the Expense Section of the Statement of Activities	$ 552,310	$ 14,455	$ 201,605	$ 379,062	$ 1,147,432	$ 7,211,398

See accompanying Notes to Consolidated Financial Statements.

BENEVILLA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in Net Assets	$ (757,388)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:	
Depreciation and Amortization	315,097
Provision for Doubtful Accounts Receivable	(4,047)
Net Realized and Unrealized Gains on Investments	(127,941)
Change in Value of Charitable Gift Annuities Liability	(5,785)
Loss on Asset Disposals	8,610
Increase (Decrease) in Cash Resulting from Changes in:	
Cash Restricted for Employee Education	1,071
Accounts Receivable	1,438
Grants Receivable	16,263
Bequests Receivable	473,170
Inventory	622
Prepaid Expenses	(8,939)
Accounts Payable	59,300
Accrued Expenses	3,958
Deferred Revenue	10,700
Net Cash Used by Operating Activities	(13,871)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(704,898)
Proceeds from Sale of Investments	642,543
Purchases of Property and Equipment	(141,805)
Net Cash Used by Investing Activities	(204,160)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Line of Credit	723,000
Payments on Line of Credit	(525,000)
Payments on Note Payable	(40,000)
Payments on Long-term Debt	(28,837)
Net Cash Provided by Financing Activities	129,163
NET DECREASE IN CASH AND CASH EQUIVALENTS	(88,868)
Cash and Cash Equivalents - Beginning of Year	655,048
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 566,180
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid for Interest	$ 39,633

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Benevilla, formerly known as Sun City Area Interfaith Services, Inc. dba: Interfaith Community Care, was incorporated in the state of Arizona in May 1981. As of April 15, 2010, the Organization changed its dba: name to Benevilla. Benevilla was formed to meet the existing and emerging human service needs by promoting the physical, psychological, spiritual, and social well-being of aging individuals and their families so that they may develop and maintain dignity and independence. In doing so, these individuals will be afforded the opportunity to remain in their homes as long as possible. This is accomplished in cooperation with other agencies by adherence to the highest professional, moral, ethical, and spiritual standards. These services are provided primarily throughout the Sun City area and throughout the west valley of the greater Phoenix metropolitan area.

ICC Bistro and Catering, Inc. dba: Birt's Bistro (Birt's Bistro), was incorporated in the state of Arizona in 2009, and is 100% owned by Benevilla. Birt's Bistro, Inc. is a restaurant and catering business that is open to the public and also prepares meals for the day centers operated by Benevilla. Birt's Bistro issued 10,000 shares of common stock to the Organization.

ICC Child Care, LLC dba: Wirtzie's Child Development Center (Wirtzie's) was incorporated in the state of Arizona in 2009 and is 100% owned by Benevilla. Wirtzie's offers quality, affordable child care, infant care, and preschool for children one year to five years old in Surprise, Arizona.

Consolidated Financial Statements

The consolidated financial statements include the accounts of Benevilla, ICC Bistro and Catering, Inc., and ICC Child Care, LLC (collectively referred to as the Organization). All of the financial activities and balances of these organizations are included in these consolidated financial statements. All significant interorganization accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements are presented in accordance with American Institute of Certified Public Accountants (AICPA) Not-for-Profit Industry Guidance within the Financial Accounting Standards Board (FASB) Codification (Guidance). Under the Guidance, the Organization is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted Net Assets

Unrestricted net assets are not subject to donor imposed stipulations and are those currently available at the discretion of the board of directors for use in the Organization's operations, in accordance with its bylaws. Temporarily restricted assets received and expended in the same year are classified as unrestricted.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are those which are subject to donor-imposed stipulations that will be met by the Organization and/or the passage of time.

Permanently Restricted Net Assets

Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the total aggregate contributions remain in perpetuity and a portion of total investment return is available as unrestricted or temporarily restricted, as per the endowment agreements.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted explicitly by donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications to unrestricted net assets.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents may, at times, include cash equivalents, which consist of highly liquid investments with original maturities of three months or less when acquired.

Accounts Receivable

Accounts receivable consist primarily of amounts due from various agencies and individuals and are unsecured. Accounts receivable are stated at the amount management expects to collect. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management’s best estimate of amounts that will not be collected. Management provides for probable, uncollectible amounts through a charge to operations and a credit to a valuation allowance based on the assessment of the current status of individual balances. Management reviews all accounts receivable balances monthly and based on an assessment of creditworthiness, estimates the portion, if any, of the balances that will not be collected. The Organization considers all receivables past due over 90 days to be delinquent. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease to accounts receivable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Monies received pursuant to conditional promises are reflected as deferred revenue. Unconditional promises to give that are to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates as determined by management, applicable to the years in which the promises are received. Amortization of the discounts is included in contribution support. The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected.

Inventory

Inventory consists of food and liquor held for sale at Birt's Bistro and is carried at cost.

Investments

Investments, consisting primarily of equities and mutual funds with readily determinable market values are measured at fair value as of year-end in the consolidated statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) are recognized in the consolidated statements of activities and changes in net assets.

Property and Equipment

Purchased property and equipment are initially recorded at cost, and donated property and equipment are recorded at fair value at the date of the gift to the Organization. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $2,500 and leasehold improvements in excess of $2,500 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization accounts are relieved, and any gain or loss is included in operations. Depreciation and amortization is provided using the straight-line method over the respective useful lives of the assets, which range from 3 to 40 years. Leasehold improvements are amortized over the shorter of the useful lives of the improvements or the lease terms.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators were present at December 31, 2017.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Revenue received in advance will be recognized over the periods in which the revenue is earned.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished or a donor removes a restriction), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Participant Fees

Participant fee revenues consist of government reimbursements at contracted rates and private pay for life enrichment programs. Private pay for home delivered meals and childcare are recognized when services are provided and earned.

Donated Services and Material

Donated materials are recognized as contributions if the services (a) create or enhance nonfinancial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization utilizes the services of volunteers to perform a variety of tasks that assist the Organization with specific programs. This support has not been recorded, as it does not meet the recognition criteria. However, the Organization has estimated the number of volunteer labor hours to be approximately 30,200 for the year ended December 31, 2017 which includes the day centers, home services, administrative, reception, social work and other programs.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense totaled $47,261 for the year ended December 31, 2017.

Functional Expenses

Expenses are charged to program services and management and general categories based on direct expenditures incurred. Expenditures not directly chargeable are generally allocated based on factors such as personnel activity, square footage, and total direct expenses. These allocations are based on the best estimates of management.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

Benevilla qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code), and accordingly, there is no provision for corporate income taxes in the accompanying consolidated financial statements. In addition, Benevilla qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

ICC Bistro and Catering, Inc. is taxed separately as a for-profit corporation at the Federal and state income tax rates. Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases.

Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are recognized only if it is more likely than not that a tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information.

Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years.

ICC Child Care, LLC is a limited liability company incorporated in the state of Arizona which is a pass-through entity. All income or loss of this entity is reported at the Benevilla level.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2017:

Participant Fees	$ 345,483
Other Receivables	162,222
Total Accounts Receivable	507,705
Allowance for Doubtful Accounts	(6,494)
Accounts Receivable, Net	$ 501,211

NOTE 3 BEQUESTS RECEIVABLE

The bequests receivable that are expected to be collected within one year totaled $20,000 at December 31, 2017. Bequests receivable are recorded net of a discount to reflect the present value of future cash flows when the collection period is longer than one year.

In 2011, the Organization was named the beneficiary in an individual's will. The Organization is expected to receive approximately $200,000 upon the death of the donor. This amount has not been reflected in the accompanying consolidated financial statements.

NOTE 4 INVESTMENTS

The Organization's investments are stated at fair value and consisted of the following at December 31, 2017:

Equities	
U.S. Large Cap	$ 461,380
U.S. Mid Cap	8,938
Non U.S. Equities	353,927
	824,245
Bonds	
U.S. Corporate Bonds	2,146,353
Government Bonds	119,230
	2,265,583
Arizona Community Foundation Pooled Funds	65,453
Cash and Cash Equivalents	63,415
Total	$ 3,218,696

Investment income presented on the consolidated statement of activities are comprised of the following components for the year ended December 31, 2017:

Interest and Dividend Income	$ 142,747
Realized and Unrealized Gains	127,941
Less Investment Expenses	(19,558)
Total	$ 251,130

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements of financials assets and financial liabilities are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participants at the measurement date.

The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Organization determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.

Level 2 – Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).

Level 3 – Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at 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.

Investments

The Organization’s investments are held in funds with Chase Investment Services. The fair value on these investments held by the Organization is readily available and is based upon unadjusted quoted market prices. Equity securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

The Organization also invests in the Arizona Community Foundation, Inc. (ACF) Pool. The fair value of these investments is based on its investment percentage in the investment pool. The ACF Pool is invested in cash, bonds, and other investments. This investment is classified within Level 3 of the valuation hierarchy.

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The method described above 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Equities:				
U.S. Large Cap	$ 461,380	$ -	$ -	$ 461,380
U.S. Mid Cap	8,938	-	-	8,938
Non U.S. Equities	353,927	-	-	353,927
Total Equities	824,245	-	-	824,245
Bonds:				
U.S. Corporate Bonds	2,146,353	-	-	2,146,353
Government Bonds	119,230	-	-	119,230
Total Bonds	2,265,583	-	-	2,265,583
Arizona Community Foundation	-	-	65,453	65,453
Cash and Cash Equivalents	-	-	-	63,415
Total Assets at Fair Value	$ 3,089,828	$ -	$ 65,453	$ 3,218,696

For the valuation of investments categorized as Level 3 at December 31, 2017, the Organization used the valuation technique as net asset value and the unobservable input as the percentage of annual investment return applied to the outstanding account.

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended December 31, 2017.

Balance - Beginning of Year	$ 60,483
Realized and Unrealized Gains	7,282
Interest and Dividends	1,148
Expenses	(760)
Withdrawals	(2,700)
Balance - End of Year	$ 65,453

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2017:

Land	$ 844,343
Buildings	8,140,094
Office Equipment and Furniture	971,079
Vehicles	83,097
Leasehold Improvements	197,721
Construction in Progress	20,001
Total	10,256,335
Accumulated Depreciation and Amortization	(2,841,537)
Property and Equipment, Net	$ 7,414,798

Depreciation and amortization charged to operations was $315,097 for the year ended December 31, 2017.

NOTE 7 ASSETS RESTRICTED FOR CAPITAL CAMPAIGN

The Organization has a capital campaign to raise funds to secure full funding (pay principal on outstanding debt) for the new facility and to support delivery of services and programs. Assets attributable to investment for long-term purposes consist of unconditional promises to give. Total unconditional promises to give consist of the following at December 31, 2017:

Pledges Receivable Before Unamortized Discount and Allowance for Uncollectibles	$ 25,000
Less Unamortized Discount	(6,531)
Net Pledges Receivable	$ 18,469

Gross Amounts Due in:	
Less than One Year	$ -
One to Five Years	25,000
Total	$ 25,000

The estimated cash flows for the pledges receivable are discounted over the collection period using a discount rate as determined by management of 6%. The entire balance is due from one individual.

NOTE 8 LINE OF CREDIT

The available line of credit amount is $750,000, bearing interest at LIBOR plus an applicable margin (3.860% at December 31, 2017). The line of credit matures on October 1, 2018. The outstanding balance on the line of credit was $687,270 at December 31, 2017. The line of credit is collateralized by land and a building. Under the terms of this line of credit agreement, the Organization is required to satisfy certain restrictive debt covenants. Management believes the Organization was in compliance with all covenants as of December 31, 2017.

NOTE 9 NOTE PAYABLE

The Organization obtained an unsecured loan from an individual of $200,000 in 2014 bearing no interest. Under the terms of the loan, five annual payments of $40,000 are due at each year-end. As of December 31, 2017, there is $40,000 payable under this loan. The balance is in included in current liabilities on the statement of financial position.

NOTE 10 LONG-TERM DEBT

The Organization refinanced a previous long-term debt and line of credit into one note payable with Wells Fargo for a total amount of $830,000. The note is secured by a building. The note is payable in monthly installments of $4,371 including bearing interest at LIBOR plus an applicable margin interest (3.26% at December 31, 2017), with a final balloon payment due at maturity. This note matures in October 2021. The note payable had a total outstanding balance of $795,708 at December 31, 2017. Future maturities of the note are as follows:

Year ending December 31:		
2018	$	29,527
2019		30,405
2020		31,248
2021		704,528
Total		795,708
Less: Current Maturities		(29,527)
Long-Term Maturities	$	766,181

Under the terms of this debt agreement, the Organization is required to satisfy certain restrictive debt covenants. Management believes the Organization was in compliance with all covenants as of December 31, 2017.

NOTE 11 CHARITABLE GIFT ANNUITIES

The Organization administers fourteen charitable gift annuities. The assets contributed under the charitable gift annuities are carried at fair value and are included with investments. Contribution support is recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using discount rates determined at the time the annuities are established, which range from 7.3% to 9.5%, and actuarial table and guidelines are used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. The present value of the estimated annuity payments associated with the gift annuities are as follows at December 31, 2017:

Current Portion of Charitable Gift Annuities	$	19,535
Long-Term Portion of Charitable Gift Annuities		65,086
Total	$	84,621

NOTE 12 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2017:

Capital Campaign Receivables	$	18,469
Bequests Receivable		20,000
Building and Capital Reserve		88,225
Cash Available to Assist Employees with Educational Costs Related to the Organization		8,145
Virginia G. Piper Grant - Holiday Meals		1,365
Interest on Bovard Endowment		367,868
Interest on Other Permanently Restricted Accounts		6,636
Total	$	510,708

Net assets of $488,452 were released from restriction during the year ended December 31, 2017 related to the fulfillment of program and time restrictions.

NOTE 13 PERMANENTLY RESTRICTED NET ASSETS

The Organization's endowments consist of several funds established to support a variety of charitable efforts of the Organization. Its endowments consist of donor-restricted funds where the principal is to be held in perpetuity. Investment income is restricted and is to be used to cover certain operating expenses of the Bovard building.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment funds not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's board. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

NOTE 13 PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ -	$ 374,504	$ 2,722,178	$ 3,096,682

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	$ -	$ 147,290	$ 2,718,678	$ 2,865,968
Investment Return:				
Investment Income	-	116,893	-	116,893
Net Appreciation	-	116,418	-	116,418
Total Investment Return	-	233,311	-	233,311
Contributions	-	-	3,500	3,500
Release of Restrictions	-	(6,097)	-	(6,097)
Endowment Net Assets - End of Year	$ -	$ 374,504	$ 2,722,178	$ 3,096,682

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return ranging from 4% to 7% annually.

NOTE 14 REVENUE AND RECEIVABLE CONCENTRATION

The Organization received approximately 19% of their revenue from one government funder for the year ended December 31, 2017.

Approximately 37% of the accounts receivable balance is due from three government funders as of December 31, 2017.

NOTE 15 DONATED FACILITIES AND SERVICES

The Organization received donated facilities, services and other resources as follows during the year ended December 31, 2017:

	Program Services	Management and General	Marketing	Fundraising	Community Services	Total
December 31, 2017						
Occupancy	$ 181,810	$ -	$ -	$ -	$ -	$ 181,810
Vehicles	51,948	-	-	-	-	51,948
Supplies	1,910	10,293	-	-	396	12,599
Marketing	-	-	1,242	-	-	1,242
Donor Development	-	-	-	3,369	-	3,369
	$ 235,668	$ 10,293	$ 1,242	$ 3,369	$ 396	$ 250,968
Special Events Netted with Direct Donor Benefits						12,561
						$ 263,529

NOTE 16 RETIREMENT PLAN

The Organization has a retirement plan that allows for employee contributions under Section 403(b) of the Internal Revenue Code (the Code). Eligible employees may elect to make contributions subject to the maximum amounts allowed by the Code. There were employer matching contributions of $80,802 for the year ended December 31, 2017.

NOTE 17 INCOME TAXES

A provision for federal and state income taxes has not been made in the accompanying consolidated financial statements as Birt's Bistro has incurred significant net operating losses since inception.

Birt's Bistro has recorded a 100% valuation allowance against its deferred tax asset (its net operating loss carryforward) due to the uncertainty as to whether Birt's Bistro will realize a substantial portion of the benefits of its deferred tax assets prior to their expiration. The valuation allowance against deferred tax assets decreased by approximately $6,000 during 2017 to fully offset the change in net operating loss carryforwards.

Birt's Bistro has federal and state net operating loss carryforwards of approximately $850,000 and $226,000, respectively, at December 31, 2017. The federal and state net operating losses begin to expire in various amounts starting in 2030 and 2022, respectively. Historical trends indicate that it is more likely than not that the deferred tax assets will not be realized. However, the amount of the deferred tax assets considered realizable could be increased if Birt's Bistro generates taxable income during the carryforward period.

Birt's Bistro files income tax returns in the U.S. federal jurisdiction and one state. Management believes that no uncertain tax positions exist for the Organization at December 31, 2017.

NOTE 18 RELATED PARTY CONTRIBUTIONS

The Organization solicited approximately $86,200 of contributions, including in-kinds, from members of the board of directors during the year ended December 31, 2017. There were no receivables due from board members at December 31, 2017.

NOTE 19 CONCENTRATION OF CREDIT RISK

The Organization maintains all of its cash with high-credit quality financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. At times throughout the year, the Organization may have cash balances that exceed the balance insured by the FDIC.

NOTE 20 COMMITMENTS AND CONTINGENCIES

The Organization participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, the Organization’s compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures or fees for units of service, which may be disallowed by the granting or contracting agencies cannot be determined at this time, although the Organization’s management expects such amounts, if any, to be immaterial.

NOTE 21 SUBSEQUENT EVENTS

Management evaluated subsequent events through June 5, 2018, the date the consolidated financial statements were available to be issued. Events or transactions occurring after December 31, 2017, but prior to June 5, 2018, have been recognized in the consolidated financial statements for the year ended December 31, 2017. Events or transactions that provided evidence about conditions that did not exist at December 31, 2017, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended December 31, 2017.

NOTE 22 CORRECTION OF AN ERROR

During the year ended December 31, 2017, the Organization determined that, due to clerical errors, the property and equipment balances and associated accumulated depreciation balances were improperly stated for the year ended December 31, 2016. The errors caused the December 31, 2016 net assets to be understated by $205,217 and for the net property and equipment balances to be understated by the same amount. An adjustment has been made to net assets as of January 1, 2017 to correct the error, and is reflected on the statement of activities.

BENEVILLA AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITOR'S REPORT)

ASSETS

	Benevilla	Birt's Bistro	Eliminations	Total
CURRENT ASSETS				
Cash and Cash Equivalents	$ 545,556	$ 20,624	$ -	$ 566,180
Cash Restricted for Employee Education	8,145	-	-	8,145
Accounts Receivable, Net of Allowance	1,770,448	118,743	(1,387,980)	501,211
Grants Receivable	16,999	-	-	16,999
Bequests Receivable	20,000	-	-	20,000
Inventory	-	15,211	-	15,211
Prepaid Expenses	60,593	-	-	60,593
Total Current Assets	2,421,741	154,578	(1,387,980)	1,188,339
INVESTMENTS	3,218,696	-	-	3,218,696
PROPERTY HELD FOR SALE	2,518	-	-	2,518
PROPERTY AND EQUIPMENT, Net	7,344,413	70,385	-	7,414,798
ASSETS RESTRICTED FOR CAPITAL CAMPAIGN				
Pledges Receivable, Less Unamortized Discount	18,469	-	-	18,469
Total Assets	$ 13,005,837	$ 224,963	$ (1,387,980)	$ 11,842,820

LIABILITIES AND NET ASSETS

	Benevilla	Birt's Bistro	Eliminations	Total
CURRENT LIABILITIES				
Accounts Payable	$ 224,209	$ 1,344,335	$ (1,387,980)	$ 180,564
Accrued Expenses	296,596	34,980	-	331,576
Line of Credit	687,270	-	-	687,270
Deferred Revenue	96,001	3,742		99,743
Current Maturities of Note Payable	40,000	-	-	40,000
Current Maturities of Long-Term Debt	29,527	-	-	29,527
Current Maturities of Charitable Gift Annuities	19,535	-	-	19,535
Total Current Liabilities	1,393,138	1,383,057	(1,387,980)	1,388,215
LONG-TERM DEBT, Less Current Maturities	766,181	-	-	766,181
CHARITABLE GIFT ANNUITIES,				
Less Current Maturities	65,086	-	-	65,086
Total Liabilities	2,224,405	1,383,057	(1,387,980)	2,219,482
NET ASSETS (DEFICIT)				
Unrestricted	7,548,546	(1,158,094)	-	6,390,452
Temporarily Restricted	510,708	-	-	510,708
Permanently Restricted	2,722,178	-	-	2,722,178
Total Net Assets (Deficit)	10,781,432	(1,158,094)	-	9,623,338
Total Liabilities and Net Assets	$ 13,005,837	$ 224,963	$ (1,387,980)	$ 11,842,820

BENEVILLA AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Benevilla	Birt's Bistro	Eliminations	Total
SUPPORT AND REVENUE				
Contributions	$ 854,062	$ -	$ -	$ 854,062
Special Event	124,479	-	-	124,479
Less Costs of Direct Benefits to Donors	(35,939)	-	-	(35,939)
Participant Fees	3,403,249	-	-	3,403,249
In-Kind Contributions	250,968	-	-	250,968
Grants	985,876	-	-	985,876
Investment Income, Net	251,130	-	-	251,130
Change in Value on Gift Annuities	5,785	-	-	5,785
Food Sales	-	1,042,143	(469,033)	573,110
Other Income	157,900	-	(108,000)	49,900
Total Support and Revenue	5,997,510	1,042,143	(577,033)	6,462,620
EXPENSES				
Program Services:				
Day Care	3,034,075	-	(254,057)	2,780,018
Family Resource Center	490,031	-	-	490,031
Home Services	363,483	-	(133,859)	229,624
Intake	141,827	-	-	141,827
Transportation	503,232	-	-	503,232
Volunteer Recruitment and Training	86,618	-	-	86,618
Child Care Center	821,297	-	(81,117)	740,180
Food Services	5,322	1,178,011	(108,000)	1,075,333
Community Services	17,103	-	-	17,103
Total Program Services	5,462,988	1,178,011	(577,033)	6,063,966
Supporting Services:				
Management and General	552,310	-	-	552,310
Facilities Maintenance	14,455	-	-	14,455
Marketing	201,605	-	-	201,605
Fundraising	379,062	-	-	379,062
Total Supporting Services	1,147,432	-	-	1,147,432
LOSSES ON DISPOSAL OF ASSETS	2,375	6,235		8,610
Total Expenses and Losses	6,612,795	1,184,246	(577,033)	7,220,008
CHANGES IN NET ASSETS	(615,285)	(142,103)	-	(757,388)
Net Assets (Deficit) - Beginning of Year, As Previously Reported	11,191,500	(1,015,991)	-	10,175,509
Restatement of Net Assets	205,217	-	-	205,217
NET ASSETS (DEFICIT) - END OF YEAR	$ 10,781,432	$ (1,158,094)	$ -	$ 9,623,338