

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE)
AND WARM FOUNDATION, INC.**

**COMBINED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE) AND WARM FOUNDATION, INC.
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YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
What About Remembering Me Center, Inc.
(d/b/a The Warm Place) and WARM Foundation, Inc.
Fort Worth, Texas

We have audited the accompanying combined financial statements of What About Remembering Me Center, Inc. (d/b/a The WARM Place) and WARM Foundation, Inc. which comprise the combined statement of financial position as of December 31, 2017, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

Opinion

In our opinion, the 2017 combined financial statements referred to above present fairly, in all material respects, the combined financial position of What About Remembering Me Center, Inc. (d/b/a The WARM Place) and WARM Foundation, Inc. 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.

Report on Summarized Comparative Information

We have previously audited the WARM Place's 2016 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated April 4, 2017. In our opinion, the combined summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited combined financial statements from which is has been derived.



CliftonLarsonAllen LLP

Fort Worth, Texas
April 3, 2018

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE) AND WARM FOUNDATION, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	<u>The WARM Place</u>	<u>WARM Foundation, Inc.</u>	<u>Combined Total</u>	
			2017	2016
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 413,742	\$ 109,007	\$ 522,749	\$ 565,577
Investments	1,961,479	1,162,495	3,123,974	2,606,088
Prepaid Expenses	3,938	-	3,938	-
Total Current Assets	<u>2,379,159</u>	<u>1,271,502</u>	<u>3,650,661</u>	<u>3,171,665</u>
PROPERTY AND EQUIPMENT, Net	<u>178,240</u>	<u>1,674,320</u>	<u>1,852,560</u>	<u>1,930,560</u>
Total Assets	<u>\$ 2,557,399</u>	<u>\$ 2,945,822</u>	<u>\$ 5,503,221</u>	<u>\$ 5,102,225</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 781
Accrued Expenses	25,532	-	25,532	5,865
Total Liabilities	<u>25,532</u>	<u>-</u>	<u>25,532</u>	<u>6,646</u>
NET ASSETS				
Unrestricted	2,518,938	1,439,671	3,958,609	3,716,857
Temporarily Restricted	12,929	1,440,551	1,453,480	1,313,122
Permanently Restricted	-	65,600	65,600	65,600
Total Net Assets	<u>2,531,867</u>	<u>2,945,822</u>	<u>5,477,689</u>	<u>5,095,579</u>
Total Liabilities and Net Assets	<u>\$ 2,557,399</u>	<u>\$ 2,945,822</u>	<u>\$ 5,503,221</u>	<u>\$ 5,102,225</u>

See accompanying Notes to Combined Financial Statements.

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE) AND WARM FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	The WARM Place		Warm Foundation, Inc.				Combined Total			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	2017	2016
REVENUES AND OTHER SUPPORT										
Contributions	\$ 677,435	\$ 7,900	\$ 685,335	\$ 500	\$ -	\$ -	\$ 500	\$ -	\$ 685,835	\$ 655,239
Contributions, Related Party	109,200	-	109,200	(109,200)	-	-	(109,200)	-	-	-
Special Events, Net of Direct Costs	294,807	10,000	304,807	-	-	-	-	-	304,807	199,756
of \$102,460 in 2017 and \$79,531 in 2016	49,719	-	49,719	-	30,733	-	30,733	-	80,452	112,664
Investment Income, Net of Fees	-	-	-	109,200	-	-	109,200	(109,200)	-	-
Rental Income, Related Party	-	-	-	-	-	-	-	-	-	-
Other Income	3,554	-	3,554	-	-	-	-	-	3,554	-
Net Unrealized and Realized	-	-	-	8	106,725	-	106,733	-	-	11,754
Gain (Loss) on Investments	152,006	-	152,006	8	106,725	-	106,733	-	258,739	-
Net Assets Released from Restrictions:										
Satisfaction of Purpose Restrictions	15,000	(15,000)	-	-	-	-	-	-	-	-
Total Revenues and Other Support	1,301,721	2,900	1,304,621	508	137,458	-	137,966	(109,200)	1,333,387	979,413
EXPENSES										
Program Services	795,988	-	795,988	68,650	-	-	68,650	(103,740)	760,898	710,080
Supporting Services										
General and Administrative	64,227	-	64,227	6,344	-	-	6,344	(2,730)	67,841	51,205
Fund Raising	123,461	-	123,461	1,807	-	-	1,807	(2,730)	122,538	124,726
Total Supporting Services	187,688	-	187,688	8,151	-	-	8,151	(5,460)	190,379	175,931
Total Expenses	983,676	-	983,676	76,801	-	-	76,801	(109,200)	951,277	886,011
CHANGE IN NET ASSETS										
Net Assets - Beginning of Year	318,045	2,900	320,945	(76,293)	137,458	-	61,165	-	382,110	93,402
Net Assets - End of Year	2,200,893	10,029	2,210,922	1,515,964	1,303,093	65,600	2,884,657	-	5,095,579	5,002,177
NET ASSETS - END OF YEAR	\$ 2,518,938	\$ 12,929	\$ 2,531,867	\$ 1,439,671	\$ 1,440,551	\$ 65,600	\$ 2,945,822	\$ -	\$ 5,477,689	\$ 5,095,579

See accompanying Notes to Combined Financial Statements.

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE) AND WARM FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016**

	The WARM Place						WARM Foundation, Inc.						
	Supporting Services			Supporting Services			Supporting Services			Supporting Services			
	Program Services	General and Administrative	Fund Raising	Total Supporting Services	Program Services	General and Administrative	Fund Raising	Total Supporting Services	Eliminations	Total	Eliminations	Total	Combined Total
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Salaries	446,085	32,538	73,080	105,618	551,703	-	-	-	-	-	-	551,703	493,347
Payroll Taxes	36,988	2,176	4,352	6,528	43,516	-	-	-	-	-	-	43,516	34,727
Employee Benefits	56,825	3,343	6,685	10,028	66,853	-	-	-	-	-	-	66,853	47,102
Total Personnel Expense	539,898	38,057	84,117	122,174	662,072	-	-	-	-	-	-	662,072	575,176
Membership Dues	1,184	402	880	1,282	2,466	-	-	-	-	-	-	2,466	2,386
Subscriptions	624	-	-	-	624	-	-	-	-	-	-	624	310
Insurance	8,347	213	213	426	8,773	6,751	178	356	7,107	-	-	15,880	15,347
Training and Travel	3,481	605	505	1,110	4,591	-	-	-	-	-	-	4,591	10,090
Special Events	1,194	-	104,252	104,252	105,446	-	-	-	-	-	-	105,446	85,878
Supplies	6,636	803	1,314	2,117	8,753	-	-	-	-	-	-	8,753	15,554
Program Material	20,329	-	5,600	5,600	25,929	-	-	-	-	-	-	25,929	44,012
Public Relations	4,675	89	802	891	5,566	-	-	-	-	-	-	5,566	7,627
Occupancy	143,204	3,769	3,769	7,538	150,742	-	-	-	-	(109,200)	-	41,542	44,094
Professional Fees	11,143	5,468	7,283	12,751	23,894	4,500	-	4,500	4,500	-	-	28,394	30,691
Printing	15,363	193	4,189	4,382	19,745	-	-	-	-	-	-	19,745	19,250
Postage	7,582	61	1,724	1,785	9,367	-	-	-	-	-	-	9,367	6,729
General	10,544	13,994	10,700	24,694	35,238	-	37	37	37	-	-	35,275	20,083
Total Other Expenses	234,306	25,597	141,231	166,828	401,134	6,751	178	4,893	11,644	(109,200)	303,578	303,578	302,051
Depreciation	21,784	573	573	1,146	22,930	61,899	1,629	3,258	65,157	-	-	88,087	88,315
Total Expenses before Netted Co	256,090	26,170	141,804	167,974	424,064	68,650	1,807	8,151	76,801	(109,200)	391,665	391,665	390,366
Less: Costs Included with Revenues in the Statement of Activities	-	-	(102,460)	(102,460)	(102,460)	-	-	-	-	-	-	(102,460)	(79,531)
Total Expenses	\$ 795,988	\$ 64,227	\$ 123,461	\$ 187,668	\$ 983,676	\$ 68,650	\$ 1,807	\$ 8,151	\$ 76,801	\$(109,200)	\$ 951,277	\$ 886,011	

See accompanying Notes to Combined Financial Statements.

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE) AND WARM FOUNDATION, INC.
COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	The WARM Place	WARM Foundation, Inc.	Combined Total	
			2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in Net Assets	\$ 320,945	\$ 61,165	\$ 382,110	\$ 93,402
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:				
Depreciation	22,930	65,157	88,087	88,315
Net Unrealized and Realized Gain on Investments	(152,006)	(106,733)	(258,739)	(11,754)
Increase (Decrease) in Operating Assets				
Related Party (Receivable) Payable	13,791	(13,791)	-	-
Prepaid Expenses	(3,938)	-	(3,938)	3,913
Increase (Decrease) in Operating Liabilities				
Accounts Payable	(781)	-	(781)	(8,481)
Accrued Expenses	19,667	-	19,667	(1,666)
Net Cash Provided by Operating Activities	<u>220,608</u>	<u>5,798</u>	<u>226,406</u>	<u>163,729</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment	(10,087)	-	(10,087)	(32,461)
Purchase of Investments	(1,138,348)	(499,789)	(1,638,137)	(277,255)
Proceeds from Sale of Investments	842,769	536,221	1,378,990	200,510
Net Cash Provided (Used) by Investing Activities	<u>(305,666)</u>	<u>36,432</u>	<u>(269,234)</u>	<u>(109,206)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(85,058)	42,230	(42,828)	54,523
Cash and Cash Equivalents - Beginning of Year	<u>498,800</u>	<u>66,777</u>	<u>565,577</u>	<u>511,054</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 413,742</u>	<u>\$ 109,007</u>	<u>\$ 522,749</u>	<u>\$ 565,577</u>

See accompanying Notes to Combined Financial Statements.

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE) AND WARM FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 NATURE OF THE ORGANIZATION AND PROGRAMS PROVIDED

Organization

The What About Remembering Me Center, Inc. (d/b/a The WARM Place) was incorporated in 1988 for the purpose of providing support for children and their families who are experiencing the death of a family member or friend. The service is open to anyone in need of such support, and most referrals come from Cook Children's Medical Center and local schools. Funding is generally provided by private contributions. The WARM Foundation, Inc. (WARM Foundation) was formed to hold and invest assets for the benefit of The WARM Place.

The What About Remembering Me Center, Inc. (d/b/a The WARM Place) is a nonprofit 501(c)(3) agency, which provides grief support services to children ages 3-18 and their families as well as young adults, ages 19-25 who have experienced a death loss. We also provide a continuing program of community education and outreach.

There is never a fee for families to participate in our program. We rely solely on private funding from individual donors, businesses, and foundations to provide our services. This is vital as many of our families have lost their primary wage earner, their homes and are often saddled with staggering medical bills.

In 2017, The WARM Place assisted 1,555 children and their parents or guardians through the grief process, a 2.3% decrease from the previous year.

We offer eight open-ended evening support groups for the 5-18 age group, an eight-week Preschool program for 3 1/2 - 5 year-olds, and an eight-week Young Adult group for 19-25 years-old. The Young Adult program and Pre-school programs are offered two to three times a year based upon demand.

We believe that grief can be worked through in groups that offer a natural and appropriate approach to resolving grief issues, rather than in the often expensive approach of private therapy. Early intervention with these families resolves their grief experiences in a healthy and supportive environment.

Our Process:

- a. Assessment of each family member including the children at the time of the initial intake.
- b. All attendance is charted to determine if a family is consistently attending group sessions.
- c. On-going individual assessment is done at the completion of each session by the monitor, staff member, and facilitators.
- d. The staff person completes follow-up for each individual after the group session by telephone or letter.
- e. Referrals are made for complicated issues and behaviors that are beyond the mission of The WARM Place.

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE) AND WARM FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding The WARM Place and WARM Foundation combined financial statements. The combined financial statements and notes are representations of The WARM Place and WARM Foundation management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the combined financial statements.

Combined Financial Statements

The accompanying combined financial statements include the accounts of The WARM Place and WARM Foundation both of which are under common control. Significant intercompany transactions and balances have been eliminated in the combination.

Financial Statement Presentation

The WARM Place and WARM Foundation follow FASB ASC No. 958, *Not-for-Profit Entities*. Under ASC No. 958, The WARM Place and WARM Foundation are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, The WARM Place and WARM Foundation are required to present a combined statement of cash flows.

Comparative Data

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the combined financial statements for the year ended December 31, 2016.

Cash and Cash Equivalents

The WARM Place and WARM Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The WARM Place and WARM Foundation places its cash with financial institutions and periodically maintains deposits in amounts that exceed FDIC insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote.

Investments

The WARM Place and WARM Foundation follow FASB ASC No. 958-320. Under this section, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the combined statement of financial position. Unrealized gains and losses are included in the change in net assets reflected on the combined statement of activities.

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE) AND WARM FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

FASB ASC No. 820-10, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The WARM Place and WARM Foundation use appropriate valuation techniques based on the available inputs to measure the fair value of their investments. The three levels of fair value hierarchy defined by FASB ASC No. 820-10 are as follows:

Fair Value Measurements

Level 1 – Quoted prices are available in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. Active markets are those in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 – Pricing inputs include significant inputs that are generally unobservable from objective sources. These are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

Property and Equipment

Expenditures for buildings and equipment having a cost of \$500 and a useful life of one year or more are capitalized and recorded on the books at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, The WARM Place and WARM Foundation report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The WARM Place and WARM Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE) AND WARM FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts. Resulting gains or losses are included in income.

Depreciation of buildings and equipment is computed on the straight-line basis over their estimated useful lives of three to forty years.

Impairment of Long-Lived Assets

Management evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell.

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying combined statements at their estimated values at the date of receipt. The WARM Place and WARM Foundation receive a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the combined statement of activities because accounting principles generally accepted in the United States of America does not require recognition of these services.

Federal Income Tax

The WARM Place and WARM Foundation are organized as nonprofit organizations under Section 501(c)(3) of the Internal Revenue Code. This section exempts them from taxes on income. Accordingly, no provision for federal income taxes has been included in the combined financial statements. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business for the year ended December 31, 2017.

Federal Income Tax (Continued)

The WARM Place and WARM Foundation account for uncertain tax positions in accordance with FASB ASC No. 740, *Income Taxes*. As of December 31, 2017, they have no liability for uncertain tax positions. The WARM Place and WARM Foundation's tax returns are subject to review and examination by federal and state authorities.

Reclassifications

Certain reclassifications have been made to the 2016 financial statement information to conform to the current year presentation. These reclassifications had no effect on the change in net assets for 2016

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE) AND WARM FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Contributions and Temporarily Restricted Net Assets

The WARM Place and WARM Foundation report contributions with donor-imposed restrictions as restricted support; however, donor-imposed restrictions whose restrictions are met in the same year are reported as unrestricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the WARM Place and WARM Foundation report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the programs and supporting service expenses have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 PROPERTY AND EQUIPMENT

Major classes of property and equipment at December 31, 2017 and 2016 are as follows:

	The WARM Place	WARM Foundation, Inc.	Combined Total	
			2017	2016
Land	\$ -	\$ 244,390	\$ 244,390	\$ 244,390
Building	-	2,224,913	2,224,913	2,224,913
Leasehold Improvements	225,949	-	225,949	220,949
Furniture and Equipment	145,853	75,630	221,483	218,264
Total Property and Equipment	371,802	2,544,933	2,916,735	2,908,516
Less: Accumulated Depreciation	(193,562)	(870,613)	(1,064,175)	(977,956)
Net Property and Equipment	<u>\$ 178,240</u>	<u>\$ 1,674,320</u>	<u>\$ 1,852,560</u>	<u>\$ 1,930,560</u>

**WHAT ABOUT REMEMBERING ME CENTER, INC.
(D/B/A THE WARM PLACE) AND WARM FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 INVESTMENTS

Investments at December 31, 2017 and 2016, consist of the following:

Level 1 Fair Value Measurements	The WARM Place	WARM Foundation, Inc.	Combined Total	
			2017	2016
Equity Mutual Funds	\$ 1,051,112	\$ 655,212	\$ 1,706,324	\$ 1,478,470
Fixed Income Mutual Funds	910,367	507,283	1,417,650	1,127,618
Total Investments	<u>\$ 1,961,479</u>	<u>\$ 1,162,495</u>	<u>\$ 3,123,974</u>	<u>\$ 2,606,088</u>

	Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Equity Mutual funds	\$ 1,706,324	\$ 1,510,761	\$ 195,563
Fixed Income Mutual Funds	1,417,650	1,444,243	(26,593)
Total Investments	<u>\$ 3,123,974</u>	<u>\$ 2,955,004</u>	<u>\$ 168,970</u>

FASB ASC No. 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consists of other investments and Level 3 inputs have the lowest priority. The WARM Place and WARM Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, the WARM Place and WARM Foundation measures fair value using Level 1 and Level 2 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are not used by the WARM Place or WARM Foundation.

Investment revenues are reported net of related investment expenses in the combined statement of activities. The amount of expenses netted with revenues for The WARM Place is \$9,629 and \$7,034 for the years ended December 31, 2017 and 2016, respectively. The amount of expenses netted with revenues for WARM Foundation is \$6,768 and \$5,164 for the years ended December 31, 2017 and 2016, respectively.

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NOTE 5 PERMANENTLY RESTRICTED FUNDS – ENDOWMENT FUND

The Board of Directors of the WARM Foundation, Inc. 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. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument as the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation 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 purposes of the Foundation 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 Foundation.
- 7) The investment policies of the Foundation.

Return Objectives and Risk Parameters

The Foundation has a spending policy of appropriating for distribution each year 1.0% of the rolling average of the previous three calendar years' investment corpus. In establishing this policy, the Foundation considered the long-term expected investment return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its general endowment fund to grow at an average of 5.0% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

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NOTE 5 PERMANENTLY RESTRICTED FUNDS – ENDOWMENT FUND (CONTINUED)

Strategies Employed for Achieving Objectives

To achieve that objective, the Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well, diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 1.0%, while growing the fund if possible. Accordingly, WARM Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 5.0% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment corpus is restricted to investments in perpetuity or investment in property and equipment, and is composed of the following temporarily and permanently restricted amounts at December 31, 2017 and 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
Donor restricted endowments with principal to be held in perpetuity	\$ -	\$ 65,600	\$ 65,600	\$ 65,600
Income on restricted gifts and principal gifts which may be distributed for specified purposes	<u>1,390,551</u>	<u>-</u>	<u>1,390,551</u>	<u>1,253,093</u>
	<u>\$ 1,390,551</u>	<u>\$ 65,600</u>	<u>\$ 1,456,151</u>	<u>\$ 1,318,693</u>

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NOTE 5 PERMANENTLY RESTRICTED FUNDS – ENDOWMENT FUND (CONTINUED)

The changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2015	\$ 1,200,967	\$ 65,600	\$ 1,266,567
Investment income, net of expenses	47,127	-	47,127.00
Realized and unrealized gains and losses, net	4,999	-	4,999
<i>Total investment return</i>	52,126	-	52,126
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, December 31, 2016	\$ 1,253,093	\$ 65,600	\$ 1,318,693
Investment income, net of expenses	30,733	-	30,733
Realized and unrealized gains and losses, net	106,725	-	106,725
<i>Total investment return</i>	137,458	-	137,458
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, December 31, 2017	\$ 1,390,551	\$ 65,600	\$ 1,456,151

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Restricted Purpose	The WARM Place	WARM Foundation, Inc.	2017	2016
Capital Campaign	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
A Cool Night Event	10,000	-	10,000	10,000
Telephone System	29	-	29	29
Backyard Lighting	2,900	-	2,900	-
Gifts for Improvements of Property and Equipment	-	1,390,551	1,390,551	1,253,093
Total	\$ 12,929	\$ 1,440,551	\$ 1,453,480	\$ 1,313,122

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NOTE 7 RETIREMENT PLAN

The WARM Place maintains a Simplified Employee Pension Plan for the benefit of its employees. In order to be eligible, employees must have performed services in three of the preceding five calendar years and must have attained 21 years of age. The Plan does not permit employee contributions, and employer contributions are at the discretion of the Board of Directors. The employer contributions for December 31, 2017 and 2016 were 6% of eligible employees' salaries. Pension expense amounted to \$20,646 and \$16,312 for the years ended December 31, 2017 and 2016, respectively.

NOTE 8 IN-KIND DONATIONS

As of December 31, 2017 and 2016, The WARM Place received a total of \$44,633 and \$30,562 in in-kind donations, respectively. Donations of office and kitchen supplies valued at \$27,583 and \$30,562 were recognized and are grouped in contribution revenue on the combined statement of activities for 2017 and 2016, respectively. In-kinds related to special events of \$17,050 and \$-0- are included in special events income and expense and include various goods and services related to the special events for 2017 and 2016, respectively.

NOTE 9 RELATED PARTY TRANSACTIONS

The WARM Place occupies a building owned by The WARM Foundation. Rent charged to The WARM Place by WARM Foundation was \$109,200 in both 2017 and 2016.

The WARM Foundation made contributions to The WARM Place of \$109,200 and \$122,991 as of December 31, 2017 and 2016, respectively, to provide support for rent and occupancy costs incurred by The WARM Place. These amounts are reflected as "Contributions, Related Party" and "Rental Income, Related Party" in the combined statements of activities.

NOTE 10 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 3, 2018, the date on which the combined financial statements were available to be issued.