

The Family Tree, Inc.

Financial Statements

For the Years Ended June 30, 2018 and 2017



The Family Tree, Inc.

Table of Contents

For the Years Ended June 30, 2018 and 2017

	<u>PAGE</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Change in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7 – 16

Independent Auditors' Report

To the Board of Directors
The Family Tree, Inc.
Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of The Family Tree, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and change in net assets, cash flows, and functional expenses for the years then ended, and the related notes to 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 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 financial statements based on our audits. We conducted our audits 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.

To the Board of Directors
The Family Tree, Inc.
Page 2 of 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Family Tree, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "K. L. Hoffman & Company, PC". The signature is written in black ink and is positioned above the printed name of the firm.

CERTIFIED PUBLIC ACCOUNTANTS

October 16, 2018

The Family Tree, Inc.
 Statements of Financial Position
 June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,587,981	\$ 1,472,333
Investments, at fair value (cost of \$2,806,875 in 2018 and \$2,669,822 in 2017)	3,072,878	2,859,634
Accounts receivable	250	1,100
Grants receivable	139,081	181,197
Contributions receivable	802,704	1,702,095
Prepaid expenses and deposits	18,131	11,552
Property and equipment, net	<u>1,542,203</u>	<u>1,589,559</u>
Total assets	<u><u>7,163,228</u></u>	<u><u>7,817,470</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	37,617	47,134
Accrued payroll	143,155	130,521
Grant advance	<u>2,699</u>	<u>42,821</u>
Total liabilities	<u>183,471</u>	<u>220,476</u>
Net assets:		
Unrestricted - available for general purposes	5,249,491	4,985,694
Temporarily restricted	600,000	1,481,034
Permanently restricted	<u>1,130,266</u>	<u>1,130,266</u>
Total net assets	<u>6,979,757</u>	<u>7,596,994</u>
Total liabilities and net assets	<u><u>\$ 7,163,228</u></u>	<u><u>\$ 7,817,470</u></u>

See the independent auditors' report and accompanying notes.

The Family Tree, Inc.

Statements of Activities and Change in Net Assets
Years Ended June 30, 2018 and 2017

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:								
Public support:								
Received directly:								
Contributions and grants	\$ 856,889	\$ 50,000	\$ -	\$ 906,889	\$ 1,072,515	\$ 195,000	\$ -	\$ 1,267,515
Special events	739,817	-	-	739,817	789,084	-	-	789,084
Less direct costs	134,847	-	-	134,847	143,947	-	-	143,947
	<u>604,970</u>	<u>-</u>	<u>-</u>	<u>604,970</u>	<u>645,137</u>	<u>-</u>	<u>-</u>	<u>645,137</u>
Received indirectly - United Way	-	-	-	-	33,354	-	-	33,354
Grants from governmental agencies	857,243	-	-	857,243	890,500	-	-	890,500
Other revenue:								
Program fees	15,592	-	-	15,592	36,228	-	-	36,228
Interest and dividend income	105,321	-	-	105,321	100,128	-	-	100,128
Realized and unrealized gains on investments	173,311	-	-	173,311	267,480	-	-	267,480
	<u>294,224</u>	<u>-</u>	<u>-</u>	<u>294,224</u>	<u>403,836</u>	<u>-</u>	<u>-</u>	<u>403,836</u>
Net assets released from restrictions by satisfaction of restrictions	931,034	(931,034)	-	-	913,009	(913,009)	-	-
Total revenues, gains, and other support	<u>3,544,360</u>	<u>(881,034)</u>	<u>-</u>	<u>2,663,326</u>	<u>3,958,351</u>	<u>(718,009)</u>	<u>-</u>	<u>3,240,342</u>
Expenses:								
Program services	2,467,779	-	-	2,467,779	2,582,465	-	-	2,582,465
Supporting services:								
Management and general	523,960	-	-	523,960	495,165	-	-	495,165
Fund raising	288,824	-	-	288,824	314,643	-	-	314,643
	<u>812,784</u>	<u>-</u>	<u>-</u>	<u>812,784</u>	<u>809,808</u>	<u>-</u>	<u>-</u>	<u>809,808</u>
Total expenses	<u>3,280,563</u>	<u>-</u>	<u>-</u>	<u>3,280,563</u>	<u>3,392,273</u>	<u>-</u>	<u>-</u>	<u>3,392,273</u>
Change in net assets	263,797	(881,034)	-	(617,237)	566,078	(718,009)	-	(151,931)
Net assets - beginning of year	4,985,694	1,481,034	1,130,266	7,596,994	4,419,616	2,199,043	1,130,266	7,748,925
Net assets - end of year	<u>\$ 5,249,491</u>	<u>\$ 600,000</u>	<u>\$ 1,130,266</u>	<u>\$ 6,979,757</u>	<u>\$ 4,985,694</u>	<u>\$ 1,481,034</u>	<u>\$ 1,130,266</u>	<u>\$ 7,596,994</u>

See the independent auditors' report and accompanying notes.

The Family Tree, Inc.

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (617,237)	\$ (151,931)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	88,427	96,059
Realized and unrealized gain on investments	(173,311)	(267,480)
Donated securities and partnership interest	(39,288)	(345,213)
Decrease (increase) in:		
Accounts receivable	850	1,731
Grants receivable	42,116	(49,647)
Contributions receivable	899,391	547,371
Prepaid expenses and deposits	(6,579)	4,091
(Decrease) increase in:		
Accounts payable	(9,517)	(852)
Accrued payroll	12,634	66,502
Grant advance	(40,122)	42,821
Net cash provided by (used in) operating activities	<u>157,364</u>	<u>(56,548)</u>
Cash flows from investing activities:		
Capital expenditures	(41,071)	(14,609)
Purchase of investments and reinvested dividends	(784,671)	(1,028,551)
Proceeds from sale of investments	784,026	1,130,057
Net cash (used in) provided by investing activities	<u>(41,716)</u>	<u>86,897</u>
Net increase in cash and cash equivalents	115,648	30,349
Cash and cash equivalents - beginning of year	<u>1,472,333</u>	<u>1,441,984</u>
Cash and cash equivalents - end of year	<u>\$ 1,587,981</u>	<u>\$ 1,472,333</u>

See the independent auditors' report and accompanying notes.

The Family Tree, Inc.Statements of Functional Expenses
Years Ended June 30, 2018 and 2017

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Program Services	Supporting Services Management and General	Fund Raising	Total	Program Services	Supporting Services Management and General	Fund Raising	Total
Payroll and payroll related	\$ 1,769,993	\$ 331,740	\$ 233,669	\$ 2,335,402	\$ 1,822,856	\$ 321,855	\$ 237,032	\$ 2,381,743
Professional fees	258,566	110,930	7,811	377,307	236,536	93,152	8,618	338,306
Staff training and development	19,588	95	3,055	22,738	51,508	62	5,118	56,688
Volunteer support	7,038	-	3,532	10,570	3,926	-	3,477	7,403
Travel	25,178	1,635	360	27,173	26,986	2,767	675	30,428
Supplies	97,590	6,804	2,740	107,134	124,411	7,414	3,077	134,902
Communications	25,671	3,701	4,673	34,045	23,706	3,366	2,269	29,341
Equipment rental and maintenance	76,645	16,809	15,542	108,996	87,216	13,914	15,667	116,797
Occupancy	70,513	5,509	6,280	82,302	72,708	5,836	6,656	85,200
Insurance	24,621	4,703	3,313	32,637	23,532	4,214	3,103	30,849
Other	17,018	35,933	881	53,832	27,218	35,958	21,381	84,557
Depreciation	75,358	6,101	6,968	88,427	81,862	6,627	7,570	96,059
	<u>\$ 2,467,779</u>	<u>\$ 523,960</u>	<u>\$ 288,824</u>	<u>\$ 3,280,563</u>	<u>\$ 2,582,465</u>	<u>\$ 495,165</u>	<u>\$ 314,643</u>	<u>\$ 3,392,273</u>

See the independent auditors' report and accompanying notes.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Family Tree, Inc. (Organization) leads Maryland in preventing child abuse, connects caring communities, and builds strong families to improve society for generations. The Organization educates and empowers parents to help them make good decisions when raising their families - the ultimate results is to help children. More than 21,000 people receive help through evidenced-based programs and parenting classes each year. In addition, the Organization provides professional trainings, community education, and advocacy for legislation that prevents child abuse and neglect. The Organization is a 4-star rated charity by Charity Navigator and the Maryland Chapter of Prevent Child Abuse America and Parents Anonymous®. For more information, visit www.familytreemd.org.

Contributions and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and change in net assets as net assets released from restrictions. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three (3) months or less to be cash equivalents.

Impairment of Long-Lived Assets

The Organization reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended June 30, 2018 and 2017.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments consist of mutual funds, bond funds, and common stocks with readily determined fair values and an interest in a partnership reported at fair value in the statements of financial position. Realized and unrealized gains or losses on investments are recorded in the period in which the gains or losses occur.

Accounts Receivable

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the financial statements are issued. Accounting principles generally accepted in the United States of America (GAAP) requires the allowance method for accounting for bad debts, but the differences between the two methods is immaterial.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at 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. When material, the discount on those amounts are computed using rates applicable to the facts and circumstances applicable to each of the promises to give. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment

The Organization capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of three (3) to forty (40) years using the straight-line method. The Organization uses the direct expensing method to account for planned major maintenance activities.

NOTE 2 - INCOME TAXES

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 2 - INCOME TAXES (continued)

The Internal Revenue Service has not examined (audited) any income tax returns of the Organization; thus, the previous three (3) years are subject to examination. The Organization has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501(c)(3) status.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following unconditional promises to give at June 30,:

	<u>2018</u>	<u>2017</u>
Collectible in less than 1 year	\$ 566,960	\$ 1,275,318
Collectible in 1 - 5 years	<u>235,744</u>	<u>426,777</u>
	<u>\$ 802,704</u>	<u>\$ 1,702,095</u>

An immaterial amount of discount is included in contributions receivable (collectible in 1 - 5 years).

NOTE 4 - USE OF ESTIMATES IN FINANCIAL STATEMENTS

The preparation of financial statements in conformity with 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30,:

	<u>2018</u>	<u>2017</u>
Time	\$ 450,000	\$ 1,261,034
MD Connect Program	<u>150,000</u>	<u>220,000</u>
	<u>\$ 600,000</u>	<u>\$ 1,481,034</u>

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 6 - DONOR-DESIGNATED ENDOWMENTS

The Organization's endowment consists of one (1) donor permanently restricted fund established to strengthen families and prevent child abuse and neglect. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies, approved by the Board of Directors, 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 these endowment assets over the long term. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to exceed the median return of managed funds with the following asset allocations for the years ended June 30,:

	<u>2018</u>	<u>2017</u>
Domestic large capital equities	35%	35%
Domestic mid capital equities	10%	10%
Domestic small capital equities	10%	10%
International equities	15%	15%
Domestic fixed income securities	30%	30%
	<u>100%</u>	<u>100%</u>

See the independent auditors' report.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 6 - DONOR-DESIGNATED ENDOWMENTS (continued)

Actual returns and asset allocations in any given year may vary from this amount. 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 mirrors the asset allocation of its baseline portfolio listed above to achieve its long-term return objectives within prudent risk parameters. The Organization's spending policy for the fund is to spend 5% of the average fund principal during the preceding fiscal year per the terms of the fund agreement.

Currently, the Organization only has donor-restricted endowment funds. The donor restricted endowment balances and changes in the endowment net assets as of and for the years ended June 30, 2018 and 2017, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, June 30, 2016	\$ (172,876)	\$ -	\$ 1,130,266	\$ 957,390
Contributions	-	-	-	-
Investment income	33,912	-	-	33,912
Realized and unrealized gains and (losses)	98,800	-	-	98,800
Amounts appropriated for expenditure	(48,498)	-	-	(48,498)
Released from restrictions	-	-	-	-
Endowment net assets, June 30, 2017	(88,662)	-	1,130,266	1,041,604
Contributions	-	-	-	-
Investment income	23,454	-	-	23,454
Realized and unrealized gains and (losses)	66,578	-	-	66,578
Amounts appropriated for expenditure	(51,012)	-	-	(51,012)
Released from restrictions	-	-	-	-
Endowment net assets, June 30, 2018	<u>\$ (49,642)</u>	<u>\$ -</u>	<u>\$ 1,130,266</u>	<u>\$ 1,080,624</u>

See the independent auditors' report.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 7 - INVESTMENTS

Investments are carried at fair value (as determined by quoted prices in an active market for identical assets).

Investments consisted of the following at June 30,:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 1,937,752	\$ 2,190,395	\$ 1,858,737	\$ 2,021,149
Bond funds	-	-	26,874	24,692
Common stocks	569,122	582,483	484,211	513,793
Investment in partnership (donated)	300,000	300,000	300,000	300,000
	<u>\$ 2,806,874</u>	<u>\$ 3,072,878</u>	<u>\$ 2,669,822</u>	<u>\$ 2,859,634</u>

NOTE 8 - DONATED SERVICES

Donated services consisted of assistance in the following areas for the years ended June 30,:

	2018	2017
Parent Education; 1,300 hours at \$24.69 per hour in 2018 and 1,312 hours at \$26.79 per hour in 2017	\$ 32,097	\$ 35,148
Parent's Anonymous; 2,373 hours at \$24.69 per hour in 2018 and 2,488 hours at \$26.79 per hour in 2017	58,589	66,654
Children's Program; 103 hours at \$24.69 per hour in 2018 and 297 hours at \$26.79 per hour in 2017	2,543	7,983
Information technology; 923 hours at \$65.00 per hour for 2018 and 923 hours at \$65.00 per hour for 2017	\$ 60,000	\$ 60,000

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 8 - DONATED SERVICES (continued)

	<u>2018</u>	<u>2017</u>
Executive Consultants; 74 hours at \$825 per hour for 2018 and 74 hours at \$825 per hour for 2017	\$ 61,000	\$ 61,000
Development Consultants; 292 hours at 24.69 per hour for 2018 and 210 hours at \$26.79 per hour for 2017	7,209	5,625
Behavioral Health Consultants; 710 hours at \$24.69 per hour for 2018 and 0 hours at \$0 per hour for 2017	17,530	-
Early Intervention Consultants; 360 hours at \$24.69 per hour for 2018 and 0 hours at \$0 per hour for 2017	8,888	-
	<u>\$ 247,856</u>	<u>\$ 236,410</u>

NOTE 9 - FAIR VALUE MEASUREMENT

The accounting codification 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 fair value hierarchy gives priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the assets or liabilities. The hierarchy requires the use of observable market data when available. The three levels of the fair value hierarchy are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

- 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 markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities and market-corroborated inputs.

If the assets or liabilities have a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the assets or liabilities.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 9 - FAIR VALUE MEASUREMENT (continued)

Level 3 - Inputs to the valuation methodology are unobservable for the assets or liabilities and are significant to the fair value measurement.

The assets or liabilities' 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.

Fair values of assets measured on a recurring basis at June 30, are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2018</u>				
Common stocks	\$ 582,483	\$ 582,483	\$ -	\$ -
Bond funds	-	-	-	-
Equity funds	2,190,395	2,190,395	-	-
Investment in partnership	300,000	-	-	300,000
	<u>\$ 3,072,878</u>	<u>\$ 2,772,878</u>	<u>\$ -</u>	<u>\$ 300,000</u>
<u>June 30, 2017</u>				
Common stocks	\$ 513,793	\$ 513,793	\$ -	\$ -
Bond funds	24,692	24,692	-	-
Equity funds	2,021,149	2,021,149	-	-
Investment in partnership	300,000	-	-	300,000
	<u>\$ 2,859,634</u>	<u>\$ 2,559,634</u>	<u>\$ -</u>	<u>\$ 300,000</u>

See the independent auditors' report.

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from temporary restrictions consisted of the following for the years ended June 30,:

	<u>2018</u>	<u>2017</u>
Time	\$ 811,034	\$ 743,009
MD Connect Program	120,000	170,000
	<u>\$ 931,034</u>	<u>\$ 913,009</u>

NOTE 11 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30,:

	<u>2018</u>	<u>2017</u>	Useful Life Years
Land	\$ 74,515	\$ 74,515	
Building and improvements	2,423,226	2,388,393	40
Equipment	229,903	243,474	3 - 5
Furniture and fixtures	261,001	275,704	5 - 10
	<u>2,988,645</u>	<u>2,982,086</u>	
Less accumulated depreciation	<u>1,446,442</u>	<u>1,392,527</u>	
	<u>\$ 1,542,203</u>	<u>\$ 1,589,559</u>	

NOTE 12 - CREDIT RISK

The Organization had a cash balance with one (1) bank in excess of \$250,000 as of June 30, 2018. Cash balances in excess of \$250,000 with one (1) bank are not insured by the FDIC.

NOTE 13 - RELATED PARTY TRANSACTIONS

The following represent transactions with related parties for the years ended June 30,:

	<u>2018</u>	<u>2017</u>
Donated Services - information technology	<u>\$ 60,000</u>	<u>\$ 60,000</u>

The Family Tree, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 14 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date the financial statements were available to be issued on October 16, 2018, and determined there are no material transactions to disclose.