

LITTLE SISTERS FUND, INC.

**Financial Statements and
Independent Auditors' Report**

December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Little Sisters Fund, Inc.
Ketchum, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of Little Sisters Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 audits 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 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Sisters Fund, Inc., as of December 31, 2017 and 2016, 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.

NORTHWEST CPA GROUP PLLC

Tri-Cities, Washington
August 7, 2018

Little Sisters Fund, Inc.

Statements of Financial Position

	December 31,	
	2017	2016
ASSETS		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 335,449	\$ 185,267
Pledges receivable, <i>current</i>	20,000	20,000
Education advances, <i>current</i>	11,275	14,675
Total current assets	366,724	219,942
 <i>PROPERTY AND EQUIPMENT:</i>		
Equipment	2,063	2,063
Less accumulated depreciation	2,063	2,063
	-	-
 <i>OTHER ASSETS:</i>		
Restricted certificates of deposit	450,000	450,000
Investments	1,233,437	1,017,906
Pledges receivable, <i>noncurrent</i>	-	20,000
Education advances, <i>noncurrent</i>	55,350	37,000
	1,738,787	1,524,906
	\$ 2,105,511	\$ 1,744,848
 LIABILITIES AND NET ASSETS		
<i>CURRENT LIABILITIES:</i>		
Payroll liabilities	\$ 2,669	\$ 3,057
 <i>NET ASSETS:</i>		
Unrestricted	972,686	825,827
Temporarily restricted	680,156	465,964
Permanently restricted	450,000	450,000
	2,102,842	1,741,791
	\$ 2,105,511	\$ 1,744,848

Little Sisters Fund, Inc.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>REVENUES AND SUPPORT:</i>				
Contributions	\$ 397,337	\$ 351,644	\$ -	\$ 748,981
Investment income, <i>net</i>	<u>251,735</u>	<u>-</u>	<u>-</u>	<u>251,735</u>
	649,072	351,644	-	1,000,716
Net assets released from restrictions	<u>137,452</u>	<u>(137,452)</u>	<u>-</u>	<u>-</u>
	<u>786,524</u>	<u>214,192</u>	<u>-</u>	<u>1,000,716</u>
<i>EXPENSES:</i>				
Program services	554,940	-	-	554,940
Management and general	51,772	-	-	51,772
Fundraising	<u>32,953</u>	<u>-</u>	<u>-</u>	<u>32,953</u>
	<u>639,665</u>	<u>-</u>	<u>-</u>	<u>639,665</u>
<i>CHANGES IN NET ASSETS</i>	146,859	214,192	-	361,051
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>825,827</u>	<u>465,964</u>	<u>450,000</u>	<u>1,741,791</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 972,686</u>	<u>\$ 680,156</u>	<u>\$ 450,000</u>	<u>\$ 2,102,842</u>

Little Sisters Fund, Inc.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>REVENUES AND SUPPORT:</i>				
Contributions	\$ 669,698	\$ 71,175	\$ -	\$ 740,873
Gain on sale of equipment	450	-	-	450
Investment income, <i>net</i>	47,440	-	-	47,440
	<u>717,588</u>	<u>71,175</u>	<u>-</u>	<u>788,763</u>
Net assets released from restrictions	111,702	(111,702)	-	-
	<u>829,290</u>	<u>(40,527)</u>	<u>-</u>	<u>788,763</u>
<i>EXPENSES:</i>				
Program services	554,207	-	-	554,207
Management and general	50,716	-	-	50,716
Fundraising	35,714	-	-	35,714
	<u>640,637</u>	<u>-</u>	<u>-</u>	<u>640,637</u>
<i>CHANGES IN NET ASSETS</i>	188,653	(40,527)	-	148,126
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>637,174</u>	<u>506,491</u>	<u>450,000</u>	<u>1,593,665</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 825,827</u>	<u>\$ 465,964</u>	<u>\$ 450,000</u>	<u>\$ 1,741,791</u>

Little Sisters Fund, Inc.
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Grants to other organizations and student scholarships	\$ 490,929	\$ -	\$ -	\$ 490,929
Payroll expenses	54,207	27,103	27,104	108,414
Professional services	-	15,416	-	15,416
Travel	4,135	2,067	2,067	8,269
Telephone and communications	4,194	524	524	5,242
Insurance	1,378	1,875	344	3,597
Office expenses	-	2,574	643	3,217
Supplies	-	421	1,315	1,736
Meals and entertainment	-	-	249	249
Donor appreciation	-	-	124	124
Miscellaneous	97	1,792	583	2,472
	<u>\$ 554,940</u>	<u>\$ 51,772</u>	<u>\$ 32,953</u>	<u>\$ 639,665</u>

Little Sisters Fund, Inc.
Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Grants to other organizations and student scholarships	\$ 476,570	\$ -	\$ -	\$ 476,570
Payroll expenses	63,483	31,742	31,742	126,967
Professional services	-	14,125	-	14,125
Travel	9,276	-	934	10,210
Telephone and communications	3,293	411	411	4,115
Insurance	1,585	1,684	397	3,666
Office expenses	-	698	174	872
Supplies	-	1,342	-	1,342
Meals and entertainment	-	-	450	450
Donor appreciation	-	-	129	129
Miscellaneous	-	714	1,477	2,191
	<u>\$ 554,207</u>	<u>\$ 50,716</u>	<u>\$ 35,714</u>	<u>\$ 640,637</u>

Little Sisters Fund, Inc. Statements of Cash Flows

	Years Ended December 31,	
	2017	2016
<i>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>		
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from donors	\$ 657,021	\$ 699,289
Cash paid to other nonprofit organizations, suppliers, and employees	(655,003)	(662,131)
Interest and dividends received	25,361	22,606
Net cash provided by operating activities	27,379	59,764
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Proceeds from sale of equipment	-	450
Purchases of investments	(104,389)	(248,756)
Proceeds from sale of investments	227,192	164,152
Purchases of certificates of deposit	(350,000)	(200,000)
Proceeds from redemption of certificates of deposit	350,000	200,000
Net cash provided by (used in) investing activities	122,803	(84,154)
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	150,182	(24,390)
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	185,267	209,657
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	\$ 335,449	\$ 185,267
<i>Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:</i>		
Changes in net assets	\$ 361,051	\$ 148,126
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Realized loss (gain) on investments	(39,293)	10,338
Unrealized gain on investments	(187,081)	(35,172)
In-kind stock donation	(111,960)	(1,584)
Gain on sale of equipment	-	(450)
Decrease (increase) in assets:		
Pledges receivable	20,000	(40,000)
Education advances	(14,950)	(17,900)
Decrease in liabilities:		
Accounts payable	-	(2,599)
Payroll liabilities	(388)	(995)
Total adjustments	(333,672)	(88,362)
Net cash provided by operating activities	\$ 27,379	\$ 59,764

Little Sisters Fund, Inc.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES:**

Organization:

Little Sisters Fund, Inc. (the Organization), was organized to provide and promote education, alleviate poverty, and foster family stability and cultural preservation in Nepal and throughout the world. The Organization currently provides long-term scholarships for economically disadvantaged girls in Nepal through relationships with non-governmental organizations (NGOs) in Nepal. The Organization has working relationships with these NGOs but does not have a formal agreement with them or exercise control over them.

Summary of Significant Accounting Policies:

Cash and cash equivalents – The Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. Unrestricted cash held in money market accounts at Fidelity Investments was \$42,081 and \$93,918 on December 31, 2017 and 2016, respectively.

Pledges receivable – The Organization has received unconditional promises to provide future cash payments. The present value of these estimated future cash flows is recorded as pledges receivable. The Organization periodically evaluates the balances in pledges receivable and any amounts significantly past due to determine whether there are any uncollectible amounts. When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged directly against contribution revenue. Subsequent recoveries of amounts previously written off are credited to contribution revenue. Management believes that all pledges were fully collectible at December 31, 2017.

Property and equipment – Property and equipment are stated at cost or, if donated, at their approximate fair value at the date of donation. The Organization capitalizes all property and equipment in excess of \$1,000. Depreciation is determined using the straight-line method over the assets' estimated useful lives of three years.

Restricted certificates of deposit – The Organization holds certificates of deposit at cost, which approximate fair value. Restricted certificates of deposit represent contributions that have been designated by a donor for long-term purposes. For the year ending December 31, 2017, the restricted certificates of deposit bear interest ranging from 1.00% to 1.50% and mature at various dates from January 2018 to February 2019.

Little Sisters Fund, Inc.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued):**

Summary of Significant Accounting Policies (continued):

Investments – The Organization records investments in marketable securities with readily determinable market values at their fair value in the statements of financial position. Investment securities consist of a highly diversified portfolio of stocks, mutual funds, and exchange traded equity and fixed income funds. The investments in marketable securities are subject to market risk. Interest, dividends, and realized and unrealized gains and losses are included in investment income in the statements of activities and changes in net assets.

Financial instruments – At December 31, 2017 and 2016, the Organization’s financial instruments approximated fair value.

Contributions – The Organization accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence 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 restriction. When a temporary 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 changes in net assets as net assets released from restrictions.

Temporarily restricted contributions received in the same period the restrictions are met are recorded as unrestricted contributions.

In-kind contributions – Donated goods are recorded at their estimated fair value when received.

Classification of contributions and net assets – The accompanying financial statements present net assets and revenue based upon the existence or absence of donor-imposed restrictions in these classes: unrestricted, temporarily restricted, and permanently restricted. The donor of the Organization’s endowment fund has stipulated that the amounts in the endowment be maintained in fixed bank accounts, with the income generated from the funds utilized for the mission of the Organization. Based on the donor’s stipulations, the Organization has determined that the Uniform Prudent Management of Institutional Funds Act is not applicable to their current endowment.

Functional expense reporting – Costs of providing program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program services and supporting services based on estimates of the employee’s time incurred and usage of resources.

Little Sisters Fund, Inc.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Income taxes – The Organization has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is, therefore, generally exempt from income taxes. Accordingly, no tax provision has been provided for in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2014.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

NOTE 2 – PLEDGES RECEIVABLE:

The Organization’s pledges receivable consisted of unconditional promises to give and are due as follows:

	Years Ended December 31,	
	2017	2016
Total pledges receivable	\$ 20,000	\$ 40,000
Amounts due in:		
Less than one year	\$ 20,000	\$ 20,000
One to five years	-	20,000
	\$ 20,000	\$ 40,000

Little Sisters Fund, Inc.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

NOTE 3 – EDUCATION ADVANCES:

The Organization provides educational assistance to selected Nepalese girls attending United States universities. As part of the agreement, each student is required to reimburse the Organization \$4,000 per year of college attendance for a total reimbursement of \$16,000 after four years of education. Interest is not assessed on outstanding advances. Repayment from each student is expected as follows:

Sophomore year	\$	2,500
Junior year		2,500
Senior year		3,000
Within two years of graduation		8,000

As of December 31, 2017, amounts advanced are expected to be reimbursed as follows:

<u>Years Ending December 31,</u>	<u>Amounts</u>
2018	\$ 11,275
2019	25,350
2020	8,000
2021	12,000
2022	4,000
2023	6,000
	<u>\$ 66,625</u>

Management periodically reviews the advances to determine whether an allowance is necessary based on collection experience and specific knowledge of student circumstances. Management considers all amounts fully collectible at December 31, 2017 and 2016. Therefore, no allowance for doubtful accounts has been recorded.

Little Sisters Fund, Inc.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

NOTE 4 – INVESTMENTS:

Assets and liabilities are recorded at fair value and disclosed using a three-level hierarchy. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I – Quoted prices are available in active markets for identical investments as of the measurement date. The Organization does not adjust the quoted price for these investments.

Level II – Pricing inputs are observable for the investments, either directly or indirectly, as of the measurement date, but are not the same as those used in Level I. Fair value is determined through quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level III – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire measurement in the hierarchy.

Investments consisted of the following at December 31, 2017:

	Fair Value Level I	Cost
Stocks and mutual funds:		
iShares S&P 500 Growth ETF	\$ 377,953	\$ 268,812
iShares Russell 3000 ETF	263,827	184,129
iShares Trust MSCI China ETF	125,627	100,505
iShares Trust Core MSCI Total Intl. Stock	94,620	75,499
Matthews India Fund	182,872	106,052
Vanguard Short-Term Corp. Bond Index Fd. ETF	79,300	79,140
Vanguard Intermediate-Term Corp. Bond Index	109,238	106,610
	<u>\$1,233,437</u>	<u>\$ 920,747</u>

Little Sisters Fund, Inc.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

NOTE 4 – INVESTMENTS (continued):

Investments consisted of the following at December 31, 2016:

	Fair Value Level I	Cost
Stocks and mutual funds:		
iShares S&P 500 Growth ETF	\$ 304,476	\$ 251,575
iShares Russell 3000 ETF	191,757	136,786
iShares Trust MSCI China ETF	87,460	104,572
iShares Trust Core MSCI Total Intl. Stock	100,980	100,619
Matthews India Fund	146,738	112,994
Vanguard Short-Term Corp. Bond Index Fd. ETF	79,370	79,140
Vanguard Intermediate-Term Corp. Bond Index	107,125	106,610
	<u>\$1,017,906</u>	<u>\$ 892,296</u>

Investments classified as Level I have publicly traded values, which are based on current quoted market prices provided by custodians. Fair values are provided primarily by custodians and are based on pricing models that incorporate available trade, bid, and other market information.

There were no Level II or Level III investments at December 31, 2017 or 2016.

The components of net investment income are reflected below:

	2017	2016
Net unrealized gain	\$ 187,081	\$ 35,172
Net realized gain (loss)	39,293	(10,338)
Dividends and interest	25,361	22,606
Total net investment income	<u>\$ 251,735</u>	<u>\$ 47,440</u>

Little Sisters Fund, Inc.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

NOTE 5 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS:

Temporarily restricted net assets consisted of the following:

	December 31,	
	2017	2016
Contributions restricted by donors for scholarships	\$ 395,249	\$ 349,313
Contributions restricted by donors for earthquake relief	54,651	76,651
Contributions restricted by donors for higher education in health care	135,913	-
Contributions restricted by donors for higher education	74,343	-
Pledges receivable restricted until received	20,000	40,000
	<u>\$ 680,156</u>	<u>\$ 465,964</u>

Permanently restricted net assets consisted of \$450,000 in an endowment fund as of December 31, 2017 and 2016. The endowment fund is to be invested indefinitely and the income from the endowment is to be used for the Organization’s stated mission. The donor has stipulated that the endowment funds be invested solely in fixed deposits at banks at the board’s discretion. The endowment funds consist of the following assets:

	December 31,	
	2017	2016
Restricted certificates of deposit	<u>\$ 450,000</u>	<u>\$ 450,000</u>

NOTE 6 – ENDOWMENT INVESTMENT AND SPENDING POLICIES:

Effective in 2007, the State of Idaho adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In the absence of donor specific direction, UPMIFA establishes standards for endowment spending and preservation of the original gift. The Organization’s endowment consists of funds received with explicit donor stipulations. Therefore, the Organization has determined that UPMIFA is not applicable to their current endowment. The endowment is required to be maintained in fixed deposits at banks, with investment income treated as unrestricted and available to be expended to further the Organization’s nonprofit mission of providing long-term scholarships for economically disadvantaged girls in Asia. The board of directors considers the appropriation of endowment investment income to occur as earned and available for use. The endowment balance did not change during 2017 or 2016.

Little Sisters Fund, Inc.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

NOTE 7 – CONCENTRATIONS:

The Organization maintains its cash in bank deposit accounts with financial institutions. Cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation at various times during the year; management does not consider this to be a significant credit risk.

The Organization holds various types of investments that are not guaranteed and are subject to stock market fluctuations.

During the years ended December 31, 2017 and 2016, two donors represented 44% and 39% of contribution revenue, respectively. In addition, one donor represented 100% of pledges receivable as of December 31, 2017 and 2016.

During the years ended December 31, 2017 and 2016, \$490,929 and \$434,797, respectively, was donated to one nonprofit organization within Nepal to provide earthquake relief and scholarships for economically disadvantaged girls.

NOTE 8 – NONCASH INVESTING ACTIVITIES:

During the years ended December 31, 2017 and 2016, the Organization received non-cash donations of stock with the fair value on the date of donation of \$111,960 and \$1,584, respectively.

NOTE 9 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated by management through August 7, 2018, which is the date the financial statements were available to be issued.