

**SHARING CONNECTIONS, INC.
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

SHARING CONNECTIONS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sharing Connections, Inc.

We have audited the accompanying financial statements of Sharing Connections, Inc. (an Illinois not-for-profit organization), which comprise the statements of assets, liabilities and net assets - modified cash basis as of December 31, 2017 and 2016, and the related statements of support, revenue, and expenses - modified cash basis, statements of functional expenses - modified cash basis, and statements of 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 of 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Sharing Connections, Inc. as of December 31, 2017 and 2016, and its support, revenue, expenses and cash flows for the years then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Knuttle & Associates, P.C.

SHARING CONNECTIONS, INC.
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	\$ 557,672	\$ 375,425
Investments	263,779	284,448
Gift Cards and ITEX	11,495	2,220
Donated Goods	302,231	233,455
	<u>1,135,177</u>	<u>895,548</u>
TOTAL CURRENT ASSETS		
FIXED ASSETS		
Vehicles	31,575	31,575
Equipment	10,259	10,259
	<u>41,834</u>	<u>41,834</u>
Less - Accumulated Depreciation	36,834	36,333
	<u>5,000</u>	<u>5,501</u>
TOTAL FIXED ASSETS		
TOTAL ASSETS	<u>\$ 1,140,177</u>	<u>\$ 901,049</u>

LIABILITIES AND NET ASSETS

TOTAL LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>
NET ASSETS		
Unrestricted - Undesignated	1,012,652	806,586
Unrestricted - Board Designated	86,416	51,416
Total Unrestricted	<u>1,099,068</u>	<u>858,002</u>
Temporarily Restricted	41,109	43,047
TOTAL NET ASSETS	<u>1,140,177</u>	<u>901,049</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,140,177</u>	<u>\$ 901,049</u>

See the Accompanying Notes to the Financial Statements.

SHARING CONNECTIONS, INC.
STATEMENT OF SUPPORT, REVENUE AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	UNRESTRICTED, NON-BOARD DESIGNATED	UNRESTRICTED, BOARD DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT, REVENUES AND GAINS						
Special Events Revenue	\$ 150,548	\$ 0	\$ 150,548	\$ 200	\$ 0	\$ 150,748
Less: Cost of Direct Benefit to Donors	44,802	0	44,802	0	0	44,802
Net Special Events Revenue	105,746	0	105,746	200	0	105,946
Donated Goods	2,337,222	0	2,337,222	0	0	2,337,222
Contributions	299,228	35,000	334,228	11,908	0	346,136
Grants	89,429	66,000	155,429	46,000	0	201,429
Program Service Revenue	47,862	0	47,862	0	0	47,862
Unrealized Gain on Investments	12,733	0	12,733	0	0	12,733
Interest and Dividends	3,473	0	3,473	0	0	3,473
Realized Gain on Investments	3,138	0	3,138	0	0	3,138
Net Assets Released From Restrictions and Designations	126,046	(66,000)	60,046	(60,046)	0	0
TOTAL PUBLIC SUPPORT, REVENUES AND GAINS	3,024,877	35,000	3,059,877	(1,938)	0	3,057,939
FUNCTIONAL EXPENSES						
Program Services	2,642,478	0	2,642,478	0	0	2,642,478
Management and General	79,141	0	79,141	0	0	79,141
Fundraising	97,192	0	97,192	0	0	97,192
TOTAL FUNCTIONAL EXPENSES	2,818,811	0	2,818,811	0	0	2,818,811
CHANGE IN NET ASSETS	206,066	35,000	241,066	(1,938)	0	239,128
NET ASSETS,						
BEGINNING OF YEAR	806,586	51,416	858,002	43,047	0	901,049
END OF YEAR	\$ 1,012,652	\$ 86,416	\$ 1,099,068	\$ 41,109	\$ 0	\$ 1,140,177

See the Accompanying Notes to the Financial Statements.

SHARING CONNECTIONS, INC.
STATEMENT OF SUPPORT, REVENUE AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	UNRESTRICTED, NON-BOARD DESIGNATED	UNRESTRICTED, BOARD DESIGNATED	TOTAL UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT, REVENUES AND GAINS						
Special Events Revenue	\$ 127,785	\$ 0	\$ 127,785	\$ 685	\$ 0	\$ 128,470
Less: Cost of Direct Benefit to Donors	31,429	0	31,429	0	0	31,429
Net Special Events Revenue	96,356	0	96,356	685	0	97,041
Donated Goods	1,793,238	0	1,793,238	0	0	1,793,238
Contributions	267,798	778	268,576	6,342	0	274,918
Grants	91,200	44,250	135,450	35,670	0	171,120
Program Service Revenue	52,080	0	52,080	0	0	52,080
Unrealized Gain on Investments	4,400	0	4,400	0	0	4,400
Interest and Dividends	3,484	0	3,484	0	0	3,484
Realized Gain on Investments	2,622	0	2,622	0	0	2,622
Net Assets Released From Restrictions and Designations	108,301	(45,028)	63,273	(63,273)	0	0
TOTAL PUBLIC SUPPORT, REVENUES AND GAINS	2,419,479	0	2,419,479	(20,576)	0	2,398,903
FUNCTIONAL EXPENSES						
Program Services	2,116,885	0	2,116,885	0	0	2,116,885
Management and General	61,328	0	61,328	0	0	61,328
Fundraising	126,690	0	126,690	0	0	126,690
TOTAL FUNCTIONAL EXPENSES	2,304,903	0	2,304,903	0	0	2,304,903
CHANGE IN NET ASSETS	114,576	0	114,576	(20,576)	0	94,000
NET ASSETS,						
BEGINNING OF YEAR	692,010	0	692,010	63,623	51,416	807,049
PRIOR PERIOD ADJUSTMENT	0	51,416	51,416	0	(51,416)	0
BEGINNING OF YEAR, RESTATED	692,010	51,416	743,426	63,623	0	807,049
END OF YEAR	\$ 806,586	\$ 51,416	\$ 858,002	\$ 43,047	\$ 0	\$ 901,049

See the Accompanying Notes to the Financial Statements.

**SHARING CONNECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Conferences	\$ 3,082	\$ 685	\$ 1,295	\$ 5,062
Depreciation	0	250	251	501
Distribution of Goods	2,328,612	0	0	2,328,612
Insurance	7,996	2,576	1,380	11,952
Management and Consulting	1,295	25,457	696	27,448
Miscellaneous	843	622	3,620	5,085
Occupancy	82,859	2,644	2,644	88,147
Payroll Costs	183,482	40,566	77,102	301,150
Postage and Printing	926	231	3,237	4,394
Rentals and Maintenance	19,472	2,243	3,567	25,282
Supplies	2,995	155	293	3,443
Telephone	7,032	1,563	2,954	11,549
Travel	1,817	36	68	1,921
Volunteer/Donor Recognition	2,067	2,113	85	4,265
TOTAL FUNCTIONAL EXPENSES	\$ 2,642,478	\$ 79,141	\$ 97,192	\$ 2,818,811

See the Accompanying Notes to the Financial Statements.

SHARING CONNECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES				
Conferences	\$ 455	\$ 75	\$ 284	\$ 814
Depreciation	0	502	501	1,003
Distribution of Goods	1,810,985	0	0	1,810,985
Insurance	10,278	2,044	2,427	14,749
Management and Consulting	4,750	25,766	4,034	34,550
Miscellaneous	1,398	266	4,823	6,487
Occupancy	79,555	3,549	3,463	86,567
Payroll Costs	165,493	26,484	100,368	292,345
Postage and Printing	2,123	531	2,653	5,307
Rentals and Maintenance	26,584	963	3,809	31,356
Supplies	2,685	159	599	3,443
Telephone	5,803	959	3,616	10,378
Travel	2,206	30	113	2,349
Volunteer/Donor Recognition	4,570	0	0	4,570
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,116,885</u>	<u>\$ 61,328</u>	<u>\$ 126,690</u>	<u>\$ 2,304,903</u>

See the Accompanying Notes to the Financial Statements.

**SHARING CONNECTIONS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from the Public	\$ 697,839	\$ 587,145
Interest Received	3,473	3,484
Paid to Suppliers	(565,852)	(556,021)
Interest Paid	0	0
Income Taxes Paid	0	0
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	135,460	34,608
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	82,832	90,362
Payments for the Purchase of Investments	(36,045)	(133,377)
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	46,787	(43,015)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	182,247	(8,407)
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	375,425	383,832
	<hr/>	<hr/>
END OF YEAR	\$ 557,672	\$ 375,425
	<hr/> <hr/>	<hr/> <hr/>
 NON-CASH OPERATING ACTIVITIES		
Receipt of Donated Goods	\$ 2,337,222	\$ 1,793,238
Receipt of Other In-Kind Donations	\$ 48,600	\$ 39,443
Distribution of Donated Goods	\$ (2,268,446)	\$ (1,755,293)

See the Accompanying Notes to the Financial Statements.

SHARING CONNECTIONS, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 239,128</u>	<u>\$ 94,000</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Donated Investments	(10,247)	(9,243)
Realized Gain on Investments	(3,138)	(2,622)
Unrealized Gain on Investments	(12,733)	(4,400)
Depreciation	501	1,003
Change in Certain Assets and Liabilities:		
Gift Cards and ITEX	(9,275)	(145)
Donated Goods	<u>(68,776)</u>	<u>(43,985)</u>
Total Adjustments	<u>(103,668)</u>	<u>(59,392)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 135,460</u></u>	<u><u>\$ 34,608</u></u>

See the Accompanying Notes to the Financial Statements.

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sharing Connections, Inc. (the "Organization") is an Illinois not-for-profit corporation that was established in October of 2000 as an organization providing programs and services to reclaim and distribute household and other necessary goods to the economically disadvantaged. The Organization provides the following program:

Helping Neighbors in Need - Reclaims furniture, clothing, household goods and other items from community donors and redistributes them to economically disadvantaged individuals and families.

A) Method of Accounting

The Organization's accounts are maintained on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenues are recognized when collected and expenses are recognized when paid. If the books were maintained on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America, all revenues would be recognized when earned and all expenses would be recognized when incurred. The modified cash basis includes donated goods inventory and fixed assets, as it does on the accrual basis.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not use fund accounting.

Certain donors contribute funds for general program service costs but do not specify specific costs restrictions. Such funds have been designated as unrestricted, board designated.

B) Accounting Policies

Cash and Cash Equivalents - For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes. The Organization has deposits at a financial institution in excess of federally insured limited of approximately \$99,000 and \$5,000 at December 31, 2017 and 2016. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) Accounting Policies (Continued)

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of assets, liabilities, and net assets - modified cash basis. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized and realized gains and losses are included in the change in net assets.

Fixed Assets - Property and equipment are recorded at cost, when purchased, while donated fixed assets are recorded at fair value on the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. Depreciation is computed on the straight-line method over various useful lives. Depreciation expense for the years ended December 31, 2017 and 2016 amounts to \$501 and \$1,003, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Income Taxes - The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. The Organization has no unrelated business income during the years ended December 31, 2017 and 2016, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements. With few exceptions, the Company is no longer subject to examinations by major tax jurisdictions for the years ended December 31, 2014 and prior.

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 - INVESTMENTS

Investments in securities are summarized as follows at December 31, 2017 and 2016, respectively:

	Balance at December 31, 2017	Observable Inputs (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Bonds	\$ 90,570	\$ 0	\$ 90,570	\$ 0
Stocks	8,546	8,546	0	0
DuPage Community Foundation - Endowment Fund	113,604	0	0	113,604
DuPage Community Foundation - Working Fund	51,059	0	0	51,059
	<u>\$ 263,779</u>	<u>\$ 8,546</u>	<u>\$ 90,570</u>	<u>\$ 164,663</u>

	Balance at December 31, 2016	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Bonds	\$ 172,080	\$ 172,080	\$ 0
DuPage Community Foundation - Endowment Fund	67,713	0	67,713
DuPage Community Foundation - Working Fund	44,655	0	44,655
	<u>\$ 284,448</u>	<u>\$ 172,080</u>	<u>\$ 112,368</u>

Generally accepted accounting principles provide the definition of fair value for financial reporting, establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and require disclosure about the use of fair value measurements. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 - INVESTMENTS

Level 1 Fair Value Measurements

The fair value of stocks is based on unadjusted quoted market prices in active markets for identical assets.

Level 2 Fair Value Measurement

The fair value of corporate bonds are based on inputs other than quoted market prices that are observable for interest bearing bonds. Such inputs are observable either directly or indirectly for substantially the full term of the asset.

Level 3 Fair Value Measurement

The Organization has investments with the DuPage Community Foundation. These investments are considered Level 3 because the underlying investment and interest are part of a pool that is comprised of assets of various fair value inputs, as determined by the DuPage Community Foundation. The following Tables provide further detail of the fair value measurements.

DuPage Community Foundation Endowment Fund	2017	2016
Beginning Balance	\$ 67,713	\$ 63,168
Donation	35,000	0
Total Unrealized Gain (Loss) included in the Change in Net Assets	8,187	2,514
Total Realized Gain included in the Change in Net Assets	2,019	1,508
Reinvestment of Dividends	685	523
Ending Balance	<u>\$ 113,604</u>	<u>\$ 67,713</u>

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 - INVESTMENTS (CONTINUED)

DuPage Community Foundation Working Fund	2017	2016
Beginning Balance	\$ 44,655	\$ 0
Total Unrealized Gain included in the Change in Net Assets	4,916	3,296
Total Realized Gain included in the Change in Net Assets	1,126	994
Purchases (including dividends)	<u>362</u>	<u>40,365</u>
Ending Balance	<u>\$ 51,059</u>	<u>\$ 44,655</u>

The following tables summarize the investment return and its classification in the statements of support, revenue and expenses - modified cash basis for the years ended December 31, 2017 and 2016:

December 31, 2017:

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
Dividends and Interest	\$ 3,473	\$ 3,473	\$ 0	\$ 0
Realized Gain on Investments	3,138	3,138	0	0
Unrealized Gain on Investments	<u>12,733</u>	<u>12,733</u>	<u>0</u>	<u>0</u>
	<u>\$ 19,344</u>	<u>\$ 19,344</u>	<u>\$ 0</u>	<u>\$ 0</u>

December 31, 2016:

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
Dividends and Interest	\$ 3,484	\$ 3,484	\$ 0	\$ 0
Realized Gain on Investments	2,622	2,622	0	0
Unrealized Gain on Investments	<u>4,400</u>	<u>4,400</u>	<u>0</u>	<u>0</u>
	<u>\$ 10,506</u>	<u>\$ 10,506</u>	<u>\$ 0</u>	<u>\$ 0</u>

**SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 3 - NET ASSET DESIGNATIONS AND RESTRICTIONS

Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

	2017	2016
Purchase of Beds for Distribution	\$ 25,014	\$ 22,059
Purchase of Cribs for Distribution	16,095	18,761
Toys	0	2,050
Gift Cards	0	177
Total Temporarily Restricted Net Assets	<u>\$ 41,109</u>	<u>\$ 43,047</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the years ended December 31, 2017 and 2016:

	2017	2016
Purpose Restriction Accomplished:		
Purchase of Beds for Distribution	\$ 38,590	\$ 39,690
Purchase of Cribs for Distribution	13,968	14,756
Gift Cards/Toy Program	7,488	2,875
Truck Expenses	0	2,392
Washer/Dryer	0	1,500
Flood Relief	0	1,245
Management Association Dues	0	450
Cleaning Supplies	0	365
Total Restrictions Released	<u>\$ 60,046</u>	<u>\$ 63,273</u>

The Organization's board-designated restricted net assets consist of a separate fund established by the board for long-term growth. Fund assets are invested to maintain a steady flow of funds and to ensure financial growth. At December 31, 2017 and 2016, the board has designated, \$86,416 and \$51,416 for long-term growth. These amounts are invested in the DuPage Community foundation for the years ended December 31, 2017 and 2016, respectively.

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3 - NET ASSET DESIGNATIONS AND RESTRICTIONS (CONTINUED)

During December 31, 2017 and 2016, the endowment fund earned \$685 and \$523 in dividends and interest, net of fees and had realized gains of \$2,019 and \$1,508 and incurred unrealized gains and losses of \$8,187 and \$2,514, respectively. An additional \$35,000 contribution was received during the year ended December 31, 2017.

The State of Illinois adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective June 30, 2009. The Organization accounts for endowments in accordance with U.S. GAAP. This provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to UPMIFA.

Interpretation of Relevant Law

The Organization has interpreted the Illinois UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies 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) any 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 Illinois UPMIFA.

In accordance with Illinois UPMIFA, 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 purposes 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; and
7. The investment policies of the Organization.

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4 - DONATED GOODS, MATERIALS, AND SERVICES

The Organization receives donated goods consisting of clothing, household items, and furniture, which it distributes to individuals and organizations. These items are recorded at their estimated fair value at the date of donation. During the years ended December 31, 2017 and 2016, the Organization received donated goods valued at \$2,337,222 and \$1,793,238, respectively, which are included in Donated Goods received in the Statements of Support, Revenue and Expenses - Modified Cash Basis. During the year ended December 31, 2017 and 2016, the Organization distributed donated goods valued at \$2,268,446 and \$1,755,293, respectively, which are included in Distribution of Goods in the Statements of Functional Expenses - Modified Cash Basis. The Organization has \$302,231 and \$233,455 of donated goods on hand as of December 31, 2017 and 2016, respectively.

The Organization records donated materials used in operations at their estimated fair value at the date of donation. During the years ending December 31, 2017 and 2016, the Organization received donated materials valued at \$22,163 and \$7,939, respectively, which is included in special events revenue and as a cost of direct benefit to donors in the Statements of Support, Revenue and Expenses - Modified Cash Basis as the donations were used at specific fundraising events.

Donated Services are recognized as in-kind revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. Contributed services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying financial statements. For the years ending December 31, 2017 and 2016, the Organization recognized \$2,080 and \$18,951, respectively, in contributed accounting and other services. These amounts are included in the Statements of Support, Revenue and Expenses - Modified Cash Basis as contributions revenue and in the Statements of Functional Expenses - Modified Cash Basis.

For the years ended December 31, 2017 and 2016, other in-kind donations include donated stock of \$10,247 and \$9,243, and donated gift cards of \$3,410 and \$3,310, respectively. These amounts are included in contributions revenue in the Statements of Support, Revenue and Expenses - Modified Cash Basis.

SHARING CONNECTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5 - GIFT CARDS AND ITEX

The Organization receives donations of gift cards to various stores throughout the year. The value of donated gift cards received for the years ended December 31, 2017 and 2016 is \$3,410 and \$3,310, respectively. The gift cards are distributed through the Organization's normal operations. The value of the gift cards on hand at December 31, 2017 and 2016 is \$1,095 and \$2,220, respectively. During the year ended December 31, 2017 the Organization became a member of ITEX Bartering Services. Amounts are donated to the Organization from ITEX members and the Organization can use these donated dollars to purchase services and goods from ITEX members. For the year ended December 31, 2017 the Organization received \$10,700 in ITEX dollars with \$10,400 on hand at year end.

NOTE 6 - LEASE COMMITMENTS

The Organization leases office space under an operating lease through May 31, 2020 with monthly rent payments beginning at \$5,092 and increasing annually. Additionally, the Organization's month-to-month storage lease was formalized requiring monthly payments of \$1,100 for use of storage facilities for the period of June 1, 2017 to December 31, 2017. Rent expense for the years ended December 31, 2017 and 2016 is \$72,144 and \$69,100, respectively. Future minimum lease payments are as follows:

For the Year Ended December 31, 2018	\$	62,889	
		2019	66,033
		2020	28,070
			<u>\$ 156,992</u>

NOTE 7 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to reclassify permanently restricted net assets to unrestricted-board designated in accordance with the Organization and donor's intention for the use of these funds.

NOTE 8 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2017, the date of the most recent statement of assets, liabilities and net assets - modified cash basis, have been evaluated for possible adjustment to the financial statements or disclosure is May 10, 2018 the date the financial statements were available to be issued.