

FIRST CANDLE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

FIRST CANDLE, INC.

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
First Candle, Inc.
New Caanan, CT

Report on the Financial Statements

We have audited the accompanying financial statements of First Candle, Inc. ("Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 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 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the 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 First Candle, Inc., as of December 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sobel & Co., LLC

Certified Public Accountants

Livingston, New Jersey
December 19, 2018

FIRST CANDLE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 65,386
Accounts receivable	7,344
Total Current Assets	<u>72,730</u>

OTHER ASSETS:

Security Deposits	<u>800</u>
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TOTAL ASSETS	<u><u>\$ 73,530</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	<u>\$ 52,003</u>
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NET ASSETS:

Unrestricted	3,543
Temporarily restricted	<u>17,984</u>

Total Net Assets	<u>21,527</u>
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Total Liabilities and Net Assets	<u><u>\$ 73,530</u></u>
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FIRST CANDLE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily restricted	Total
SUPPORT AND REVENUE:			
Government grants	\$ 19,500	\$ -	\$ 19,500
Contributions	385,651	-	385,651
Special events	147,275	-	147,275
Program service fees	48,977	-	48,977
Investment income	7,689	-	7,689
Realized and unrealized gains on investments	73,561	-	73,561
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Total Support and Revenue	682,653	-	682,653
EXPENSES:			
Program services	486,584	-	486,584
Supporting services:			
Management and general	94,485	-	94,485
Fundraising	204,234	-	204,234
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Total Supporting Services	298,719	-	298,719
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Total Expenses	785,303	-	785,303
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CHANGE IN NET ASSETS	(102,650)	-	(102,650)
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ASSETS TRANSFERRED OUT	(542,875)	-	(542,875)
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Net assets at beginning of year	649,068	17,984	667,052
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Net assets at end of year	\$ 3,543	\$ 17,984	\$ 21,527
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FIRST CANDLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services			Support Services		Total Program and Support Services
	Family Support Services	Education Awareness Services	Total Program Services	Management and General	Fundraising	
Salaries	\$ 107,795	\$ 188,548	\$ 296,343	\$ 37,196	\$ 95,446	\$ 428,985
Employee benefits	13,811	24,308	38,119	4,751	12,375	55,245
Payroll taxes and fees	10,574	18,611	29,185	3,637	9,475	42,297
	132,180	231,467	363,647	45,584	117,296	526,527
Funding grants	800	250	1,050	-	-	1,050
Public awareness	-	46,470	46,470	-	-	46,470
Literature and resource materials	-	4,644	4,644	-	-	4,644
Fundraising expenses	-	-	-	-	40,477	40,477
Professional fees	24,706	24,706	49,412	24,706	24,706	98,824
Supplies	-	-	-	337	-	337
Telephone	965	965	1,930	965	965	3,860
Postage and shipping	-	802	802	802	803	2,407
Rent	2,215	2,215	4,430	2,215	2,215	8,860
Printing	-	1,260	1,260	1,260	-	2,520
Travel	-	5,893	5,893	4,321	-	10,214
Meals and entertainment	-	1,823	1,823	1,226	-	3,049
Conferences, conventions and meetings	-	1,050	1,050	-	-	1,050
State registration fees and taxes	-	-	-	-	7,782	7,782
Bank and credit card fees	-	-	-	-	4,258	4,258
Insurance	-	-	-	7,833	-	7,833
Miscellaneous	-	-	-	80	-	80
Dues and subscriptions	-	-	-	-	1,560	1,560
Software	-	4,173	4,173	2,767	4,172	11,112
Investment expenses	-	-	-	2,389	-	2,389
	\$ 160,866	\$ 325,718	\$ 486,584	\$ 94,485	\$ 204,234	\$ 785,303

The accompanying notes are an integral part of these financial statements.

FIRST CANDLE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS USED FOR:

OPERATING ACTIVITIES:

Change in net assets	\$ (102,650)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Realized and unrealized gains on investments	(73,561)
Changes in operating assets and liabilities:	
Accounts receivable	21,756
Contributions receivable	38,502
Prepaid expenses	2,400
Accounts payable and accrued expenses	21,535
Net Cash Used for Operating Activities	<u>(92,018)</u>

INVESTING ACTIVITIES:

Purchases of investments	(164,536)
Proceeds from sales of investments	96,218
Net Cash Used for Investing Activities	<u>(68,318)</u>

NET DECREASE IN

CASH AND CASH EQUIVALENTS	(160,336)
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Beginning of year	<u>225,722</u>
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End of year	<u>\$ 65,386</u>
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FIRST CANDLE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - NATURE OF THE ORGANIZATION:

First Candle, Inc. (“Organization”) is a national nonprofit organization. First Candle is dedicated to the support of Sudden Infant Death Syndrome (“SIDS”) families and those who experience other infant death. They provide public and professional education, and strive for the elimination of SIDS through research. First Candle funds medical research, offers emotional support nationally through over 50 local programs to families who have lost babies to SIDS and other causes, and supplies up-to-date information on SIDS to professionals and the general public, particularly new and expectant parents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organization does not have any permanently restricted net assets.

Cash and Cash Equivalents:

Cash and cash equivalents includes bank deposits, savings and money market accounts. For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

FIRST CANDLE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Accounts Receivable:

Accounts receivable generally represent amounts due under terms of grants and contracts for expenditures incurred or services provided prior to year-end. Accounts and contributions receivable are recorded at net realizable value if expected to be collected within one year and at net present value if expected to be collected in future years. An allowance for uncollectible accounts is estimated based on historical collection trends, type of customer, the age of the outstanding receivables and existing economic conditions. As of December 31, 2017, management believes that an allowance for uncollectible receivables was not deemed necessary.

Fair Value:

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3:** Valuations based on unobservable inputs are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

Support and Revenue Recognition:

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. 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 statements of activities and changes in net assets as released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

FIRST CANDLE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

In-kind Contributions:

In-kind contributions are recorded as income and expenses at the time the items are received, which is also the time they are placed into service or distributed. Donated services are reported as income at their fair value if such services: create or enhance nonfinancial assets; require specialized skills; are provided by individuals possessing such specialized skills; or would have been purchased if not provided by donation. During the year ended December 31, 2017, there were no in-kind services noted.

Numerous volunteers donate their time to the Foundation's program services and fundraising activities during the year. However, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Income Taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2017. At December 31, 2017, there were no significant income tax uncertainties.

Functional Allocation of Expenses:

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The Organization's management allocated management and general expenses based upon management's best estimates.

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.

FIRST CANDLE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Reporting for Nonprofits:

The Financial Accounting Standards Board issued an accounting pronouncement, *Presentation of Financial Statements for Not-for-Profit Entities*, that will require net assets to be presented in two classes instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to represent the amounts and purposes of Board designations, composition of net assets with donor restrictions, and how the restrictions affect the use of resources. It also requires the Organization to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date. The pronouncement is effective for annual reporting periods beginning after December 15, 2017. It will be effective for the year ending December 31, 2018. The Organization is currently evaluating the effect the new standard will have on its financial statements.

Subsequent Events:

The Organization has evaluated its subsequent events and transactions occurring after December 31, 2017, and through December 19, 2018, the date the financial statements were available to be issued.

NOTE 3 - MERGER AND SEPARATION:

On January 1, 2017, The CJ Foundation for SIDS, Inc. (“CJ Foundation”) and The Sudden Infant Death Syndrome Alliance, Inc. (“Alliance”) completed a merger of their operations. Both CJ Foundation and the Alliance provided similar services to those who have experienced infant loss due to SIDS and other causes. As a result of the merger, the combined organization was named CJ First Candle, Inc. Through this merger, the organizations sought to further their common mission by improving their counseling programs and achieve economies of scale and other synergies through integrating their services.

FIRST CANDLE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 - MERGER AND SEPARATION: (Continued)

As of January 1, 2017, the major classes of assets and liabilities, and net assets of CJ Foundation and the Alliance are as follows:

	CJ Foundation	Alliance	Total
Assets:			
Cash and cash equivalents	\$ 119,721	\$ 106,001	\$ 225,722
Receivables	20,861	46,741	67,602
Investments	504,166	-	504,166
Office equipment	722	-	722
Prepaid expenses	-	2,400	2,400
Security deposit	-	800	800
Total Assets	<u>\$ 645,470</u>	<u>\$ 155,942</u>	<u>\$ 801,412</u>
Liabilities:			
Accounts payable and accrued expenses	\$ 27,562	\$ 2,906	\$ 30,468
Accrued grants and support services	3,892	-	3,892
Total Liabilities	<u>31,454</u>	<u>2,906</u>	<u>34,360</u>
Net Assets:			
Unrestricted	614,016	135,052	749,068
Temporarily restricted	-	17,984	17,984
Total Net Assets	<u>614,016</u>	<u>153,036</u>	<u>767,052</u>
Total liabilities and net assets	<u>\$ 645,470</u>	<u>\$ 155,942</u>	<u>\$ 801,412</u>

There were no material transactions between CJ Foundation and the Alliance prior to the merger, and there were no material adjustments to conform to the accounting policies of the combining organizations.

On August 31, 2017, the Board of Directors of CJ First Candle, Inc. decided to separate the organizations. As part of this separation, the Board of Directors from CJ Foundation withdrew the investments and office equipment from the Organization. The remaining Board of Directors changed the Organization's name to First Candle, Inc. During the merger, the Organization recognized investment gains of approximately \$74,000.

FIRST CANDLE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets of \$17,984 are funds relating to prenatal care and public awareness.

NOTE 5 - CONCENTRATIONS OF RISK:

The Organization maintains cash balances at financial institutions. At times, cumulative balances may exceed the insured limit.