

**Sistema Infantil Teletón USA,
dba Children's Rehabilitation Institute
of Teletón USA and Subsidiary**

Consolidated Financial Report
December 31, 2017

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Independent Auditor's Report

To the Board of Directors
Sistema Infantil Teletón USA, dba Children's Rehabilitation
Institute of Teletón USA and Subsidiary

We have audited the accompanying consolidated financial statements of Sistema Infantil Teletón USA, dba Children's Rehabilitation Institute of Teletón USA and Subsidiary (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sistema Infantil Teletón USA, dba Children's Rehabilitation Institute of Teletón USA and Subsidiary as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors
Sistema Infantil Teletón USA, dba Children's Rehabilitation
Institute of Teletón USA and Subsidiary

Other Matter

The consolidated financial statements of Sistema Infantil Teletón USA dba Children's Rehabilitation Institute of Teletón USA and Subsidiary for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on August 15, 2017.

Other Matter— Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidated schedule of functional expenses for the year ended December 31, 2017 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

San Antonio, Texas
August 28, 2018

**Sistema Infantil Teletón USA, dba Children's Rehabilitation
Institute of Teletón USA and Subsidiary**
Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 294,798	\$ 133,389
Contributions receivable	-	120,000
Patient accounts receivable, net of estimated uncollectible accounts of \$77,933 and \$38,558 in 2017 and 2016, respectively	53,331	76,109
Other receivables	3,337	134,608
Prepaid expenses and other assets	10,372	4,792
Property and equipment, net of accumulated depreciation of \$1,018,175 and \$666,908 in 2017 and 2016, respectively	1,146,203	1,306,411
TOTAL ASSETS	\$ 1,508,041	\$ 1,775,309
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 32,703	\$ 425,719
Accrued payroll and other payables	183,445	467
Total liabilities	216,148	426,186
Net assets, unrestricted	1,291,893	1,349,123
TOTAL LIABILITIES AND NET ASSETS	\$ 1,508,041	\$ 1,775,309

The Notes to Consolidated Financial Statements are an integral part of these statements.

**Sistema Infantil Teletón USA, dba Children's Rehabilitation
Institute of Teletón USA and Subsidiary**

Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING PUBLIC SUPPORT AND REVENUE		
Contributions	\$ 5,771,813	\$ 7,410,815
Net patient service revenue	184,268	162,330
Other revenues	88,040	197,694
Contributed goods	194,975	-
Contributed services	903,973	904,599
	7,143,069	8,675,438
EXPENSES		
Program services	6,054,554	7,279,423
Management and general	853,993	1,618,418
Fundraising	291,752	827,312
	7,200,299	9,725,153
NONOPERATING REVENUE		
Other nonoperating revenues	-	130,250
	-	130,250
Change in unrestricted net assets	(57,230)	(919,465)
UNRESTRICTED NET ASSETS, beginning of year	1,349,123	2,268,588
UNRESTRICTED NET ASSETS, end of year	\$ 1,291,893	\$ 1,349,123

The Notes to Consolidated Financial Statements are an integral part of these statements.

**Sistema Infantil Teletón USA, dba Children's Rehabilitation
Institute of Teletón USA and Subsidiary**

Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ (57,230)	\$ (919,465)
Adjustments made to reconcile change in unrestricted net assets to net cash provided (used in) operating activities:		
Depreciation	352,326	327,251
In-kind contribution of software license	(194,975)	-
Fixed asset donations to others	2,857	3,501
Provision for uncollectible accounts	39,375	(48,432)
Changes in:		
Contributions receivable	120,000	10,000
Patient accounts receivable	(16,597)	39,362
Other receivables	131,271	(124,720)
Prepaid expenses and other assets	(5,580)	6,009
Accounts payable	(393,016)	(4,916)
Accrued payroll and other payables	182,978	(135)
Net cash provided by (used in) operating activities	161,409	(711,545)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(45,516)
Net cash used in investing activities	-	(45,516)
Net increase (decrease) in cash	161,409	(757,061)
CASH AND CASH EQUIVALENTS, beginning of year	133,389	890,450
CASH AND CASH EQUIVALENTS, end of year	\$ 294,798	\$ 133,389

The Notes to Consolidated Financial Statements are an integral part of these statements.

Sistema Infantil Teletón USA, dba Children's Rehabilitation Institute of Teletón USA and Subsidiary

Notes to Consolidated Financial Statements

Note 1. Organization and Significant Accounting Policies

Organization

These consolidated financial statements include Sistema Infantil Teletón USA, dba Children's Rehabilitation Institute of Teletón USA and Subsidiary (CRIT-USA) and Professionals Associated for Children's Benefit (PACB), collectively referred to herein as the Organization.

CRIT-USA was organized as a corporation on February 14, 2014, and operates exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code (IRC). CRIT-USA commenced operations on November 10, 2014, with a mission to elevate the quality of life of people with disabilities by promoting their full inclusion with a vision to build an inclusive country and be a leading organization on issues related to disabilities.

PACB is a nonprofit health corporation incorporated in the state of Texas, organized exclusively for charitable, scientific, and educational purposes. PACB is a physician's group that provides specialized medical treatments almost exclusively to CRIT-USA's patients with physical disabilities. PACB's revenues come from the services provided to CRIT-USA's patients; however, PACB's patients pay significantly reduced fees for the services provided, and PACB's mission is funded primarily through contributions.

CRIT-USA is the sole member of PACB and provides management, administrative and other supporting services to PACB. All significant intercompany transactions have been eliminated in consolidation.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Public support and revenue are reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Basis of Presentation

Under these provisions, net assets and revenues, expenses, gains and losses are classified as either unrestricted, temporarily restricted or permanently restricted based upon the following criteria.

Sistema Infantil Teletón USA, dba Children's Rehabilitation Institute of Teletón USA and Subsidiary

Notes to Consolidated Financial Statements

Unrestricted Net Assets

Unrestricted net assets consist of net assets that are not subject to donor-imposed restrictions. Unrestricted net assets result from operating revenues, unrestricted contributions and other revenues, which include unrestricted dividend and interest income. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees (the Board).

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specified event, or both. When the donor restriction expires, the 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. The Organization had no temporarily restricted net assets at December 31, 2017 and 2016.

Permanently Restricted Net Assets

Permanently restricted net assets consist of net assets that are subject to donor-imposed stipulations that are to be maintained permanently. Generally, donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2017 and 2016.

Contributions and Patient Accounts Receivable

Contributions and patient accounts receivable are stated at the amount the Organization expects to collect from outstanding donations or grants that had not been collected at year-end and the amount of net patient services revenues the Organization expects to collect at year-end, respectively. No interest is charged on outstanding accounts receivable balances. The allowance for uncollectible accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed.

The allowance for uncollectible accounts is evaluation on a regular basis by management and is based on a historical collection experience, contractual adjustments based on the terms with third-party payor contracts and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Doubtful accounts are written off against the allowance, and subsequent recoveries, if any, are credit to the allowance.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value if donated. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Depreciation is calculated on the straight-line method based on the estimated useful lives of 3 – 10 years for furniture and equipment, computer equipment, and vehicles. Leasehold improvements are depreciated over the shorter of the lease term or their estimated future life.

Sistema Infantil Teletón USA, dba Children's Rehabilitation Institute of Teletón USA and Subsidiary

Notes to Consolidated Financial Statements

Impairment of Long-Lived Assets

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. The Organization did not recognize an impairment loss during the years ended December 31, 2017 and 2016.

Functional Expense Allocation

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include building rent, utilities, general management, and public relations department, information technology department, maintenance and purchasing, contracted services, insurance, repair and maintenance, and depreciation. Building rent and utilities are allocated based on a square footage basis. General management and public relations department, information technology department, maintenance and purchasing are allocated based on a time and study of where efforts are made. Contracted services, insurance, repair, and maintenance and depreciation are allocated based on the benefit received.

Public Support and Revenue

Contributions are recorded at fair value when the Organization is in possession of or receives an unconditional promise to give. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support based on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to unrestricted net assets. The Organization's policy is to report restricted support that is satisfied in the year of receipt as restricted and then fully released in the same year. In the absence of donor restrictions, contributions are considered to be available for restricted use.

Unconditional promises to give, or pledges, are recorded in the financial statements when there is sufficient evidence in the form of verifiable documentation that a promise is made and received. Pledges receivable are discounted to an estimated present value.

Contributed services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributed goods are recorded at their fair value in the period received.

A substantial amount of volunteers have donated significant amounts of their time to the Organization. No donated services are recognized related to these volunteers in the financial statements since the services do not require specialized skills.

For additional information regarding goods and services donated by related parties, see Note 7.

Sistema Infantil Teletón USA, dba Children's Rehabilitation Institute of Teletón USA and Subsidiary

Notes to Consolidated Financial Statements

Net Patient Service Revenue

Patient service revenue is the estimated net realizable amount the Organization expects to collect from private pay patients or third-party payors.

Over 90% of the services are provided at a significant discount, with the remainder considered patient support. The Organization's policy is to bill patients a portion of the established rate based on the patient's ability to pay. The discounted fee rate is determined through a social economic study of the patient's family and ranges between \$5 and \$40 per service (ranged between \$1 and 20 per service in 2016). Because the Organization does not pursue collection of the amounts considered patient support, such amounts are not reported as revenues.

The Organization has agreements with third-party payors that provide reimbursements for services rendered. The amount reimbursed represents the Organization's established rates net of a predetermined contractual adjustment rates.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as accreditation, licensure, government healthcare program participation, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. As a result, there is ongoing government activity focused on identifying possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Management is not aware of any material noncompliance with fraud and abuse laws and regulations or other applicable government laws and regulations.

Federal Income Tax

CRIT-USA is a nonprofit organization, qualifying under Section 501(c)(3) of the IRC and corresponding Texas provisions, except to the extent it has unrelated business activities. As such, no provision for federal income taxes has been made in the accompanying financial statements.

The Organization's policy is to record interest and penalty expense related to income taxes as interest and other expense, respectively. At December 31, 2017 and 2016, no interest or penalties have been or are required to be accrued.

PACB is a nonprofit organization incorporated in the state of Texas. PACB does not have federal tax exemption and, therefore, files a United States federal income tax return with the Internal Revenue Service, as well as a franchise tax return in the state of Texas. For the years ended December 31, 2017 and 2016, PACB recorded no provision for taxes. PACB has net operating loss carryforwards of approximately \$20,000 in 2017, which is available to offset future taxable income, if any, through 2037.

Sistema Infantil Teletón USA, dba Children's Rehabilitation Institute of Teletón USA and Subsidiary

Notes to Consolidated Financial Statements

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Organization, but which will only be resolved when one or more future events occur or fail to occur. The Organization's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of liability can be estimated, then the estimated liability would be accrued in the Organization's financial statements. If the assessment indicates a potentially material loss contingency is contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Legal fees and other direct costs related to loss contingencies are accrued even when the related loss is not accrued, unless such costs are not probable or are not estimable.

Advertising

Advertising costs totaled \$387 and \$10,236 for the years ended December 31, 2017 and 2016, respectively. Advertising costs are expensed as incurred.

Reclassifications

Certain reclassifications have been made to the December 31, 2016 consolidated financial statements to conform to the presentation in the current year consolidated financial statements. These reclassifications did not have any impact on previously reported change in net assets or total unrestricted net assets.

Subsequent Events

The Organization has evaluated subsequent events through August 28, 2018, the date the financial statements were available to be issued.

**Sistema Infantil Teletón USA, dba Children’s Rehabilitation
Institute of Teletón USA and Subsidiary**
Notes to Consolidated Financial Statements

Note 2. Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2017	2016
Furniture and equipment	\$ 1,369,163	\$ 1,369,163
Leasehold improvements	227,221	227,221
Computer equipment	314,398	318,314
Computer software	194,975	-
Vehicles	58,621	58,621
	2,164,378	1,973,319
Accumulated depreciation	(1,018,175)	(666,908)
Net property and equipment	\$ 1,146,203	\$ 1,306,411

Note 3. Net Patient Service Revenue

The components of net patient service revenue consist of the following:

	Years Ended December 31,	
	2017	2016
Gross patient service revenue, net of patient support charges foregone	\$ 223,643	\$ 271,639
Less provision for contractual adjustments and allowance for uncollectible accounts	39,375	109,309
Net patient service revenue	\$ 184,268	\$ 162,330

A summary of the basis of reimbursement with major third-party payors is as follows:

Medicaid: Services rendered to Medicaid program beneficiaries are paid upon a prospectively determined reimbursement methodology. These reimbursement rates vary according to the patient’s classification, which is based on procedures, diagnostics, and other factors. Net patient support for Medicaid was approximately 57% and 45% for the years ended December 31, 2017 and 2016, respectively.

Commercial insurance: Services rendered to commercial insurance subscribers are reimbursed based on a cost reimbursement methodology, as determined by contractual agreement with the third-party payor. The reimbursement rates vary according to the patient’s classification, which is based on procedures, diagnostics, and other factors. Net patient support for commercial insurance was approximately 20% and 14% for the years ended December 2017 and 2016, respectively.

**Sistema Infantil Teletón USA, dba Children’s Rehabilitation
Institute of Teletón USA and Subsidiary**
Notes to Consolidated Financial Statements

Note 4. Patient Support

It is the Organization’s policy to provide care to patients at established rates under the patient support policy at amounts less than the established rates. Following this policy, charges foregone, based on established rates totaled approximately \$4,631,569 and \$6,257,123 for the years ended December 31, 2017 and 2016.

Note 5. Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000. At December 31, 2017, the Organization had no amounts in excess of FDIC insured limits. The Organization has not experienced any losses in such accounts.

Note 6. Leases

The Organization leases equipment pursuant to noncancelable operating lease agreements expiring through 2021. Rental expense related to these operating lease agreements totaled approximately \$13,500 and \$6,800 for the year ended December 31, 2017 and 2016.

Future minimum lease payments under noncancelable operating leases as of December 31, 2017 were as follows:

<u>Years Ending December 31,</u>	
2018	\$ 9,712
2019	5,972
2020	5,820
2021	<u>2,787</u>
	<u><u>\$ 24,291</u></u>

Note 7. Related Parties

Fundación Teletón USA (the Foundation) is a related party of the Organization whose mission is to raise critical funds and awareness, inspiring a more inclusive, accepting world for children with disabilities and their families while empowering them to live their lives to the fullest potential. During the years ended December 2017 and 2016, the Foundation and the Organization shared two common board members. Since 2012, the Foundation’s board of trustees has committed to help provide financial resources to ensure the successful performance of a new children’s rehabilitation center in the United States and in 2013, it began construction of the first children’s rehabilitation facility (the Facility) in San Antonio, Texas.

**Sistema Infantil Teletón USA, dba Children's Rehabilitation
Institute of Teletón USA and Subsidiary**
Notes to Consolidated Financial Statements

Upon completion of the Facility on November 10, 2014, the Foundation and the Organization entered into a five-year lease agreement of the Facility (for a nominal fee). The lease agreement has a cancellation right and is conditional upon the Organization performing various requirements stipulated in the statements of financial position. The fair value of the lease payments have been recorded as contributed services and rental expense in the amount of \$897,398 and \$897,398 for the years ended December 31, 2017 and 2016.

In addition, a significant amount of the Organization's contributions come from the Foundation. A donation Agreement (the Agreement) was signed with the Foundation effective October 1, 2014. The Foundation agreed to contribute up to \$5,500,000 and \$8,500,000 in 2017 and 2016, respectively, with additional amounts to be paid in excess of this amount to cover the amount by which the Organization's operating expenses exceed its revenues from sources other than the Foundation. The Foundation contributed a total of \$5,705,000 and \$7,320,000, or 79.9% and 83.1% of the total revenues in 2017 and 2016, respectively.

Further, and in accordance with the Agreement, the Foundation agrees to donate up to \$6,000,000 to cover 2018 budgeted operating expenses that exceed the Organization's revenues from sources other than the Foundation. However, the Agreement notes the amount contributed to the Organization during 2018 could be increased in order to cover all of the Organization's operating expenses for 2018. No amounts have been recorded as a receivable in the statements of financial position because there are various conditions stipulated in the Agreement which the Organization is required to meet in order to receive the 2018 Operations Grant.

Supplementary Information

Sistema Infantil Teletón USA, dba Children's Rehabilitation
Institute of Teletón USA and Subsidiary
Consolidated Schedule of Functional Expenses
Year Ended December 31, 2017

	Program Services	Supporting Services		Total Program and Supporting Services
	Patient Services	Management and General	Fundraising	
Payroll costs	\$ 4,230,391	\$ 499,678	\$ 148,100	\$ 4,878,169
Payroll processing services	24,351	1,329	443	26,123
Security services	102,090	11,891	5,085	119,066
Contract services, other	39,139	2,730	11,205	53,074
Legal and professional fees	-	118,478	7,052	125,530
Equipment and other rents	12,207	955	338	13,500
Building rent	747,601	104,927	44,870	897,398
Building and professional insurance	61,391	10,506	1,981	73,878
Repair and maintenance	60,068	7,877	3,368	71,313
Uniforms	2,933	128	53	3,114
Linens	3,640	-	-	3,640
Diesel and fuel	2,022	284	121	2,427
Travel expenses	6,789	586	3,191	10,566
Advertising	-	-	387	387
Event and ceremonies	12,321	600	6,007	18,928
Training and conferences	5,436	964	171	6,571
Fees and subscriptions	20,310	2,263	1,362	23,935
Information security	14,886	1,039	346	16,271
EMR system license	103,858	-	-	103,858
Licenses	9,039	9,209	-	18,248
Website development	-	-	19,441	19,441
Utilities	147,038	20,637	8,825	176,500
Supplies and materials	113,782	9,656	6,873	130,311
Printing and postage	3,646	284	1,388	5,318
Other operating expenses	12,531	8,777	847	22,155
Donations and sponsorships	2,857	-	2,000	4,857
Fundraising	-	-	682	682
Medical assistance fund	22,713	-	-	22,713
Total expenses before depreciation	5,761,039	812,798	274,136	6,847,973
Depreciation	293,515	41,195	17,616	352,326
	<u>\$ 6,054,554</u>	<u>\$ 853,993</u>	<u>\$ 291,752</u>	<u>\$ 7,200,299</u>

**Sistema Infantil Teletón USA, dba Children's Rehabilitation
Institute of Teletón USA and Subsidiary**
Consolidated Schedule of Functional Expenses
Year Ended December 31, 2016

	Program Services	Supporting Services		Total Program and Supporting Services
	Patient Services	Management and General	Fundraising	
Payroll costs	\$ 5,386,652	\$ 933,012	\$ 443,438	\$ 6,763,102
Payroll processing services	3,205	47,473	-	50,678
Cleaning services	262,548	54,004	-	316,552
Billing processing services	20,381	10,691	-	31,072
Security services	90,458	18,606	-	109,064
Contract services, other	44,427	14,932	122,118	181,477
Legal and professional fees	-	101,683	10,731	112,414
Equipment and other rents	9,248	6,087	1,014	16,349
Building rent	744,302	153,096	-	897,398
Building and professional insurance	32,521	5,908	-	38,429
Repair and maintenance	43,248	55,734	-	98,982
Uniforms	5,862	3,364	-	9,226
Linens	4,432	-	-	4,432
Diesel and fuel	1,158	817	136	2,111
Travel expenses	6,270	10,788	44,644	61,702
Advertising	1,693	1,493	7,050	10,236
Event and ceremonies	7,726	12,691	32,583	53,000
Speaker fees	-	18,500	-	18,500
Training and conferences	2,761	5,756	12,698	21,215
Fees and subscriptions	15,697	8,772	2,202	28,873
Meetings	-	-	2,611	2,611
EMR system license	695	-	-	695
Licenses	20,344	14,361	2,417	37,122
Website development	-	-	31,219	31,219
Media time	-	-	20,437	20,437
Utilities	123,587	25,421	-	149,008
Supplies and materials	121,472	28,565	24,533	174,570
Printing and postage	4,846	2,991	41,618	49,455
Other operating expenses	7,551	45,410	5,020	57,981
Donations and sponsorships	45,713	-	5,094	50,807
Donor recognized gifts	-	-	1,258	1,258
Fundraising	-	-	129	129
Total expenses before depreciation	7,006,797	1,580,155	810,950	9,397,902
Depreciation	272,626	38,263	16,362	327,251
	<u>\$ 7,279,423</u>	<u>\$ 1,618,418</u>	<u>\$ 827,312</u>	<u>\$ 9,725,153</u>