Julia C. Hester House, Inc.

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Julia C. Hester House, Inc.
Houston, Texas

We have audited the accompanying financial statements of Julia C. Hester House, Inc. (a nonprofit organization)(the Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, 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 audit 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 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 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 Julia C. Hester House, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, management has adopted Financial Accounting Standards Board ASU 2016-14 Not-for-Profit Entities (Topic 958); this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to that matter.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
October 16, 2019

Julia C. Hester House, Inc.
Statements of Financial Position

December 31,		**2018**		2017
Assets				
Current assets				
Cash and cash equivalents	**$**	**39,640**	$	92,851
Investment		**24,003**		29,441
Grants and pledges receivable		**43,710**		47,268
Prepaid expenses		**17,090**		17,090
Total current assets		**124,443**		186,650
Restricted cash and cash equivalents		**354,535**		373,725
Property and equipment, net		**4,464,235**		4,673,567
Total assets	**$**	**4,943,213**	$	5,233,942
Liabilities and net assets				
Current liabilities				
Accounts payable	**$**	**6,170**	$	9,137
Accrued expenses		**23,015**		15,338
Current maturities of long-term debt		**14,638**		19,112
Total current liabilities		**43,823**		43,587
Long-term debt, net of current maturities		**-**		7,564
Total liabilities		**43,823**		51,151
Commitments and contingencies				
Net assets				
Without donor restrictions		**2,067,521**		1,909,653
With donor restrictions		**2,831,869**		3,273,138
Total net assets		**4,899,390**		5,182,791
Total liabilities and net assets	**$**	**4,943,213**	$	5,233,942

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

Julia C. Hester House, Inc.
Statements of Activities

For the years ended December 31,	2018			2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
United Way allocations	**$ 207,393**	**$ -**	**$ 207,393**	$ 211,624	$ -	$ 211,624
Supporting income	**1,358,907**	**-**	**1,358,907**	1,324,734	-	1,324,734
Program	**9,698**	**-**	**9,698**	7,938	-	7,938
Rental	**63,238**	**-**	**63,238**	55,041	-	55,041
Investment earnings, net	**(4,207)**	**-**	**(4,207)**	(507)	-	(507)
Other	**32,458**	**-**	**32,458**	-	-	-
Total revenue	**1,667,487**	**-**	**1,667,487**	1,598,830	-	1,598,830
Net assets released from restrictions						
Program expenditures	**441,269**	**(441,269)**	**-**	419,089	(419,089)	-
Total support and revenue	**2,108,756**	**(441,269)**	**1,667,487**	2,017,919	(419,089)	1,598,830
Expenses						
Program services						
Early childhood services	**668,738**	**-**	**668,738**	588,916	-	588,916
Family and social services	**409,762**	**-**	**409,762**	388,219	-	388,219
Senior services	**561,196**	**-**	**561,196**	540,603	-	540,603
Total program services	**1,639,696**	**-**	**1,639,696**	1,517,738	-	1,517,738
Supporting services						
Management and general	**311,192**	**-**	**311,192**	197,151	-	197,151
Total supporting services	**311,192**	**-**	**311,192**	197,151	-	197,151
Total expenses	**1,950,888**	**-**	**1,950,888**	1,714,889	-	1,714,889
Changes in net assets	**157,868**	**(441,269)**	**(283,401)**	303,030	(419,089)	(116,059)
Net assets at beginning of year	**1,909,653**	**3,273,138**	**5,182,791**	1,606,623	3,692,227	5,298,850
Net assets at end of year	**$ 2,067,521**	**$ 2,831,869**	**$ 4,899,390**	$ 1,909,653	$ 3,273,138	$ 5,182,791

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

Julia C. Hester House, Inc.
Statement of Functional Expenses

For the year ended December 31,	2018				
	Program Services			Supporting Services	
	Early Childhood Services	Family and Social Services	Senior Services	Management and General	Total
Salaries and related expenses					
Salaries	$ 253,181	$ 161,193	$ 225,624	$ 92,513	$ 732,511
Employee fringe benefits	68,389	48,658	79,275	19,625	215,947
Payroll taxes	23,399	15,888	27,504	5,915	72,706
Total salaries and related expenses	344,969	225,739	332,403	118,053	1,021,164
Operating expenses					
Automobile expenses	6,267	39	6,883	84	13,273
Rental and maintenance	29,391	9,665	25,381	9,270	73,707
Insurance	19,960	11,391	10,735	10,081	52,167
Other expenses	555	177	333	1,723	2,788
Professional fees	36,338	11,238	29,361	64,722	141,659
Program services	63,645	31,756	21,531	30,485	147,417
Security patrol	57,000	31,500	31,500	30,000	150,000
Special events	93	51	51	49	244
Supplies	14,150	4,350	5,439	4,530	28,469
Telephone and telecommunication	1,222	676	676	643	3,217
Utilities	31,075	19,107	30,542	7,227	87,951
Total operating expenses before depreciation	259,696	119,950	162,432	158,814	700,892
Depreciation	64,073	64,073	66,361	34,325	228,832
Total expenses	**$ 668,738**	**$ 409,762**	**$ 561,196**	**$ 311,192**	**$ 1,950,888**

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

Julia C. Hester House, Inc.
Statement of Functional Expenses

For the year ended December 31,			2017		
	Program Services			Supporting Services	
	Early Childhood Services	Family and Social Services	Senior Services	Management and General	Total
Salaries and related expenses					
Salaries	$ 242,178	$ 164,030	$ 233,551	$ 56,360	$ 696,119
Employee fringe benefits	60,821	45,042	72,486	15,158	193,508
Payroll taxes	27,791	14,837	22,026	5,845	70,499
Total salaries and related expenses	330,790	223,910	328,063	77,363	960,126
Operating expenses					
Automobile expenses	6,284	2,910	7,253	89	16,536
Rental and maintenance	16,843	9,157	13,295	13,188	52,483
Insurance	21,554	12,205	13,557	10,568	57,884
Other expenses	611	204	385	997	2,197
Professional fees	31,857	12,930	21,223	13,031	79,041
Program services	16,137	5,250	22,459	5,621	49,467
Security patrol	50,635	27,983	27,983	26,650	133,251
Special events	-	-	-	277	277
Supplies	11,563	6,077	6,917	5,660	30,217
Telephone and telecommunication	9,153	5,058	5,058	4,817	24,086
Utilities	28,089	17,135	26,675	7,190	79,089
Total operating expenses before depreciation	192,726	98,909	144,805	88,088	524,529
Depreciation	65,400	65,400	67,735	31,700	230,235
Total expenses	$ 588,916	$ 388,219	$ 540,603	$ 197,151	$ 1,714,889

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

Julia C. Hester House, Inc.
Statements of Cash Flows

For the years ended December 31,		2018		2017
Operating activities				
Change in net assets	**$**	**(283,401)**	$	(116,059)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities				
Unrealized losses on investments		**5,438**		2,331
Depreciation		**228,832**		230,235
Changes in operating assets and liabilities				
Grants and pledges receivable		**3,558**		21,353
Prepaid expenses		**-**		1,736
Accounts payable		**(2,967)**		4,163
Accrued expenses		**7,677**		(3,221)
Net cash (used in) provided by operating activities		**(40,863)**		140,538
Investing activities				
Transfer of restricted cash		**19,190**		(186)
Purchase of property and equipment		**(19,500)**		(91,312)
Net cash provided by (used in) investing activities		**(310)**		(91,498)
Financing activities				
Payments on long-term debt		**(37,237)**		(43,040)
Proceeds from long-term debt		**25,199**		32,332
Net cash used in financing activities		**(12,038)**		(10,708)
Net change in cash and cash equivalents		**(53,211)**		38,332
Cash and cash equivalents at beginning of year		**92,851**		54,519
Cash and cash equivalents at end of year	**$**	**39,640**	$	92,851
Supplemental cash flow information:				
Cash paid for interest	**$**	**2,469**	$	2,547
Noncash investing and financing activities:				
Prepaid expenses financed with assumption of short-term debt	**$**	**17,090**	$	17,090

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

NOTE 1: ORGANIZATION

Organization

Julia C. Hester House, Inc. (the Organization) is a non-profit Texas corporation founded in 1943 to provide social services to residents of the Fifth Ward community in Houston, Texas. The Organization's services are primarily funded by United Way of the Texas Gulf Coast (United Way) and Harris County, Texas (the County).

Programs

Early Childhood Services
The overall goal of this program is to foster a positive, healthy learning environment for the children of the Fifth Ward community and to empower individual families. Based on Head Start Performance Standards and Texas Early Learning Standards, the program encourages each child to explore the environment in a positive way with a strong emphasis on early literacy and strong family support.

Family and Social Services
Through support and case management services, this program addresses immediate client needs while assessing root causes impacting the client's ability to maintain and/or achieve self-sufficiency. The elimination of these obstacles allows families to achieve personal, educational, and economic independence, which ultimately enhances the quality of life in the Fifth Ward and surrounding communities. The Organization has partnered with two service providers, Wesley Community Center and Career and Recovery Resources, Inc., to operate a food pantry and support workforce development.

Senior Services
The Senior Services program empowers seniors to live independently and with dignity. Critical services for the elderly are provided in a community-based environment promoting health and nutrition, social activities, recreation, and supportive services. The program seeks to decrease loneliness and isolation, improve and maintain health conditions, and provide linkage to critical resources to help sustain at-risk seniors within their homes. Ultimately, the impact will result in an increase in lifestyle changes, which supports the Organization's mission of promoting quality of living in the Fifth Ward community.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statement of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statement accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statement:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The financial statement include a new disclosure about liquidity and availability of resources (Note 3) and expanded disclosures regarding to functional allocation of expenses (Note 2).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial statements are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets with Donor Restrictions –Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor imposed stipulations even though their use may be limited in other respects, such as by contract or board designation.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid financial instruments with original maturities of three months or less. Restricted cash is limited in use to payment of costs to construct and repair long-term assets, as required by donors.

Investment

The Organization’s investment in an equity security is reported at fair value. Investment return is reported in the statements of activities as an increase in net assets without donor restrictions as the use of the income is not limited by donor-imposed restrictions.

Grants and Pledges Receivable

Grants and pledges receivable that are expected to be collected within one year are reported at a net realizable value. Grants and pledges receivable that are expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. Grants and pledges receivable at December 31, 2018 were collected in 2019.

An allowance for uncollectible pledges is provided when management identifies individual pledges that may not be collected in full. As of December 31, 2018 and 2017, no allowance was considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Property is reported at cost, if purchased. The Organization capitalizes all expenditures for property and equipment with a cost greater than $1,000. In mid-year of 2017, the capitalization policy was revised to capitalize expenditures in excess of $5,000. Routine maintenance and repair costs are charged to expense in the year incurred.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must by maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies such donations with donor restrictions to net assets without donor restrictions at that time.

Depreciation is computed using the straight-line method over estimated useful lives of the respective classes of assets. The estimate useful lives are as follows:

Building and leasehold improvements	25 years
Furniture and equipment	5 – 15 years

Long-Lived Assets

Long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. Management believes no impairment has occurred with respect to long-lived assets as of December 31, 2018 and 2017.

Fair Value Considerations

The Organization uses fair value to measure financial and certain nonfinancial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Organization did not elect the fair value option for the measurement of any eligible assets or liabilities.

Financial instruments (primarily cash and cash equivalents, investments, various receivables and liabilities, and debt) are carried in the accompanying statements of financial position at amounts which reasonably approximate fair value.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

Donated Materials and Services

Donated materials and services are recognized at fair value as contributions without restrictions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. For the years ended December 31, 2018 and 2017, the Organization received donated materials and supplies for its programs and other building related costs totaling $231,248 and $209,876 from the County, respectively.

A substantial amount of unpaid volunteers make significant contributions of their time to develop the Organization's programs. The value of the contributed time is not reflected in these statements because it does not require a specialized skill or create or enhance a nonfinancial asset.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Costs are either charged directly to program or supporting services based on specific identification or allocated among the program and supporting services benefited. Allocated expenses include salaries and related expenses which are allocated based upon estimated time and effort, depreciation which is allocated based on square footage, and program services which is allocated based on usage of benefits.

Income Taxes

The Organization is exempt from income taxes under 501(c)(3) of the Internal Revenue Code and a similar provision of state law, and is further classified as a public charity. Therefore, no provision for federal income tax has been made in these financial statements. The Organization has determined there are no uncertain tax positions that require recognition or disclosure in the accompanying financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The Organization uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Subsequent Events

The Organization has evaluated subsequent events through the date the financial statements are available for issuance on October 16, 2019. No matters were identified affecting the financial statements and related disclosures except as disclosed in Note 8.

Recent Financial Accounting Pronouncement

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the Organization serves as a resource recipient for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

NOTE 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has $107,353 of financial assets consisting of cash of $39,640, short-term investments of $24,003, and grants and pledges receivable of $43,710. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization and the County entered into a Joint Agreement in May 2013 to mutually benefit each party to the agreement. In return for the County's use of the Organization's facility to "accomplish, fulfill, and hold any program, activity meeting, or service to the County", the County determined to provide in-kind services for the operations of the Organization's programs as well as provide administrative overhead (see Note 8). Assistance to the Organization is established annually with the County's operating budget in March of each year. A substantial portion of the Organization's budget is supported by the County. Any change in the County's assistance would result in a change in program services provided by the Organization. The Organization operates with a balanced budget and anticipates collecting sufficient revenues to cover general expenditures not covered by the County's participation within one year of December 31, 2018.

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three tier fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity.

The Organization utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The value of the assets measured at fair value on a recurring basis is as follows:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
December 31, 2018:				
Equity security	**$ 24,003**	**$ -**	**$ -**	**$ 24,003**
December 31, 2017:				
Equity security	$ 29,441	$ -	$ -	$ 29,441

NOTE 5: PROPERTY AND EQUIPMENT

Property consists of the following:

December 31,	**2018**	2017
Land	**$ 11,000**	$ 11,000
Building and leasehold improvements	**6,159,220**	6,139,720
Furniture and equipment	**385,317**	385,317
Total property and equipment	**6,555,537**	6,536,037
Accumulated depreciation	**(2,091,302)**	(1,862,470)
Total property and equipment, net	**$ 4,464,235**	$ 4,673,567

Included in property and equipment is $4,142,426 of contributed building (Wellness Center) which was contributed in 2014. If the Organization does not continue to use such building in its operations for a period of no less than 10 years, either the title to the building or the proceeds from the sale of the building will revert to the original donor.

Depreciation expense for the years ended December 31, 2018 and 2017 totaled $228,832 and $230,235, respectively.

NOTE 6: LONG-TERM DEBT

Long-term debt consists of the following:

December 31,	**2018**	2017
Uncollateralized, note payable to a financial institution in monthly installments of $966, including interest at 3.5%; matured August 2019	**$ 6,643**	$ 18,681
Uncollateralized note payable to finance property insurance premiums, in monthly installments of $1,759, including interest at 14.55%; matured March 2019	**5,151**	-
Uncollateralized note payable to finance liability insurance premiums, in monthly installments of $776, including interest at 17.98%; matured August 2019	**1,577**	-
Uncollateralized note payable to finance automobile insurance premiums, in monthly installments of $584, including a $6 fee; matured August 2019	**1,267**	-
Uncollateralized note payable to finance property insurance premiums, in monthly installments of $1,912, including interest at 13.2%; matured February 2018	**-**	3,761
Uncollateralized note payable to finance liability insurance premiums, in monthly installments of $767, including interest at 16.7%; matured August 2018	**-**	2,412
Uncollateralized note payable to finance automobile insurance premiums, in monthly installments of $546, including a $6 fee; matured August 2018	**-**	1,822
Total long-term debt	**14,638**	26,676
Less: current portion	**(14,638)**	(19,112)
Total long-term debt, net of current maturities	**$ -**	$ 7,564

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

December 31,	**2018**	2017
Wellness Center	**$ 2,485,456**	$ 2,899,699
Capital expenditures	**346,413**	373,439
	$ 2,831,869	$ 3,273,138

NOTE 8: COMMITMENTS AND CONTINGENCIES

Joint Participation Agreement

Beginning June 1, 2013, the Organization and the County entered into an initial four year joint participation agreement; provided, however that the agreement will renew for subsequent four year terms automatically unless either party provides notice at least sixty (60) days prior to subsequent term start date that the party will not renew for a subsequent term. In accordance with the agreement, the Organization will maintain ownership of its land and facilities and continue to operate the Wellness Center; and the County will use its resources to integrate into the current operations offered by the Organization or separately run programs, activities, meetings, and other services at the Organization's facilities.

In July 2014, the joint participation agreement was amended to extend the initial term from four years to ten years; provided however, that the agreement will renew for subsequent ten-year terms automatically unless either party provides notice at least sixty (60) days prior to the subsequent term start date that the party will not renew for a subsequent term. A term period begins on June 1 and ends with the expiration of May 31 ten years later.

Operating Lease

The Organization has a lease agreement with a third party for the rental of 30,000 square feet of land for the purpose of the Early Head Start Child Development Program. The land with a cost amount of $11,000 is included in property and equipment in the statements of financial position. The lease has a termination date of June 30, 2019 or 30 days after lessee's notice to the Organization that the lessee is no longer receiving certain funding for its services. Rental income is recorded over the lease term, and approximates straight-line recognition. Rental income under the operating lease for 2018 and 2017 was $63,238 and $55,041, respectively. Future minimum rental income for 2019 is $30,551. Subsequent to year end, the Organization and the third party extended the lease agreement for 90 days while a new agreement is formalized.

Concentrations of Credit Risk

Financial instruments, which subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents and investments in marketable securities. Cash and investments are maintained with financial institutions and brokerage firms in the United States. Deposits with financial institutions may exceed the amount of insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. Investments held at brokerage firms are not insured. In monitoring this credit risk, the Organization periodically evaluates the stability of the financial institutions and brokerage firms.

The Organization receives a large portion of its funding from United Way and the County. As of December 31, 2018 and 2017, United Way and the County contributions comprised 100% of grants and pledges receivable. United Way and the County contributions were approximately 81% of total support and revenue for each of the years ended December 31, 2018 and 2017. During 2018 and 2017, supporting income included $965,994 and $872,394 of labor and benefits, which represent the cost of staff and security used for the Organization's programs of which the County does not request reimbursement.

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Funding sources may suspend payments, require reimbursement of expenses or return of funds, or both, as a result of noncompliance with the terms of a funding agreement. This could result in a liability or decrease of revenues for the Organization. In addition, grants and pledges are funded annually and subject to annual funding renewals. In management’s opinion, the risk of these events occurring is minimal, and would not have a material adverse effect on the Organization’s financial position or results of its operations. Should any of these events occur, management’s contingency plan includes raising funds through other sources, including but not limited to alumni, foundations and corporations, small businesses, professional associations, faith communities, and other individuals.