REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS

FOR

CHRISTIAN COMMUNITY ACTION

June 30, 2017

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Report of Independent Auditors

To the Board of Directors
Christian Community Action

Report On the Financial Statements

We have audited the accompanying financial statements of Christian Community Action (the Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

Auditor's 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 auditor's 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 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 Christian Community Action as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Dallas, Texas
November 1, 2017

	June 30, 2017	June 30, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 276,135	$ 174,348
Money market accounts - board restricted	326,440	500,953
Pledges receivable, net of allowances - current portion	-	28,703
Accounts receivable	71,249	90,809
Inventories	1,304,521	1,230,578
Prepaid expenses	46,179	52,981
Total current assets	2,024,524	2,078,372
NON-CURRENT ASSETS		
Cash and cash equivalents - restricted to capital improvements	15,646	15,638
Pledges receivable - noncurrent portion	200,000	200,000
Property and equipment, net	9,515,291	9,981,835
	9,730,937	10,197,473
Total assets	$ 11,755,461	$ 12,275,845
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 107,802	$ 120,265
Payroll and related liabilities	141,943	213,345
Other liabilities	28,754	31,097
Custodial client payables	1,598	2,671
Deferred rent expense - current portion	10,679	21,357
Notes payable - current portion	592,185	563,383
Total current liabilities	882,961	952,118
LONG-TERM LIABILITIES		
Deferred rent expense - noncurrent portion	-	10,688
Notes payable - noncurrent portion	760,000	790,179
	760,000	800,867
Total liabilities	1,642,961	1,752,985
NET ASSETS		
Unrestricted	9,795,676	10,235,204
Temporarily restricted	316,824	287,656
Total net assets	10,112,500	10,522,860
Total liabilities and net assets	$ 11,755,461	$ 12,275,845

Christian Community Action

Statement of Activities
For The Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions	$ 1,045,960	$ 300,536	$ 1,346,496
Resale	5,135,438	-	5,135,438
Donated goods and services	1,313,352	-	1,313,352
Government grants	-	217,677	217,677
United Way grants	-	30,000	30,000
Grants, foundations and other	64,000	244,946	308,946
Investment loss	(249)	-	(249)
Other income	17,989	-	17,989
	7,576,490	793,159	8,369,649
NET ASSETS RELEASED FROM RESTRICTIONS	763,991	(763,991)	-
TOTAL REVENUES AND SUPPORT	8,340,481	29,168	8,369,649
DIRECT COST - RESALE	4,610,181	-	4,610,181
EXPENSES			
Program services	2,928,372	-	2,928,372
Fundraising	889,098	-	889,098
Management and general	352,358	-	352,358
TOTAL FUNCTIONAL EXPENSES	4,169,828	-	4,169,828
TOTAL EXPENSES	8,780,009	-	8,780,009
CHANGE IN NET ASSETS	(439,528)	29,168	(410,360)
NET ASSETS, beginning of year	10,235,204	287,656	10,522,860
NET ASSETS, end of year	$ 9,795,676	$ 316,824	$ 10,112,500

 See accompanying notes.

Christian Community Action
Statement of Activities
For The Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions	$ 1,073,780	$ 229,176	$ 1,302,956
Resale merchandise	5,281,392	-	5,281,392
Donated goods and services	1,599,347	-	1,599,347
Government grants	-	183,898	183,898
United Way grants	-	30,000	30,000
Grants, foundations and other	94,842	144,487	239,329
Investment income	645	-	645
Other income	10,437	-	10,437
	8,060,443	587,561	8,648,004
NET ASSETS RELEASED FROM RESTRICTIONS	758,585	(758,585)	-
TOTAL REVENUES AND SUPPORT	8,819,028	(171,024)	8,648,004
DIRECT COST - RESALE	4,673,005	-	4,673,005
EXPENSES			
Program services	3,595,301	-	3,595,301
Fundraising	950,324	-	950,324
Management and general	397,770	-	397,770
TOTAL FUNCTIONAL EXPENSES	4,943,395	-	4,943,395
TOTAL EXPENSES	9,616,400	-	9,616,400
CHANGE IN NET ASSETS BEFORE DISCONTINUED OPERATIONS	(797,372)	(171,024)	(968,396)
DISCONTINUED OPERATIONS			
Change in net assets from operations of Clinic including loss on disposal of $46,305	(719,855)	-	(719,855)
CHANGE IN NET ASSETS	(1,517,227)	(171,024)	(1,688,251)
NET ASSETS, beginning of year	11,752,431	458,680	12,211,111
NET ASSETS, end of year	$ 10,235,204	$ 287,656	$ 10,522,860

See accompanying notes.

Christian Community Action
Statement of Functional Expenses
For The Year Ended June 30, 2017

	Program Services	Fundraising	Management & General	Total
DIRECT SUPPORT				
Permanent housing	$ 174,252	$ -	$ -	$ 174,252
Senior program expense	10,701	-	-	10,701
Utilities (includes government grants)	73,450	-	-	73,450
Food purchased and in-kind	1,157,828	-	-	1,157,828
Direct Goods and Services	248,635	-	-	248,635
Clothing and household items	83,438	-	-	83,438
Transportation	12,103	-	-	12,103
Miscellaneous	1,160	-	-	1,160
Education	1,889	-	-	1,889
Total direct support	1,763,456	-	-	1,763,456
OPERATING EXPENSES				
Compensation and benefits	961,825	536,712	239,326	1,737,863
Communications	8,302	16,773	8,189	33,264
Occupancy and equipment cost	115,535	38,729	64,429	218,693
Promotional costs	19,793	161,736	866	182,395
Professional services and other expenses	53,892	132,895	34,416	221,203
Donated goods and services	1,090	235	535	1,860
Interest expense	4,479	2,018	4,597	11,094
Total operating expenses	1,164,916	889,098	352,358	2,406,372
TOTAL FUNCTIONAL EXPENSES	$ 2,928,372	$ 889,098	$ 352,358	$ 4,169,828
Percentage of total functional expenses	70.23%	21.32%	8.45%	100%

Christian Community Action
Statement of Functional Expenses
For The Year Ended June 30, 2016

	Program Services	Fundraising	Management & General	Total
DIRECT SUPPORT				
Permanent housing	$ 192,017	$ -	$ -	$ 192,017
Senior program expense	12,341	-	-	12,341
Utilities (includes government grants)	94,496	-	-	94,496
Food purchased and in-kind	1,357,700	-	-	1,357,700
Direct Goods and Services	308,714	-	-	308,714
Clothing and household items	120,101	-	-	120,101
School supplies	30,103	-	-	30,103
Child care	25,000	-	-	25,000
Transportation	8,963	-	-	8,963
Miscellaneous	140	-	-	140
Education	15,016	-	-	15,016
Total direct support	2,164,591	-	-	2,164,591
OPERATING EXPENSES				
Compensation and benefits	1,164,317	662,055	252,107	2,078,479
Communications	10,255	15,713	7,536	33,504
Occupancy and equipment cost	142,046	36,712	69,000	247,758
Promotional costs	11,910	110,738	1,015	123,663
Professional services and other expenses	94,442	94,656	63,436	252,534
Donated goods and services	5,655	29,796	2,929	38,380
Interest expense	2,085	654	1,747	4,486
Total operating expenses	1,430,710	950,324	397,770	2,778,804
TOTAL FUNCTIONAL EXPENSES	$ 3,595,301	$ 950,324	$ 397,770	$ 4,943,395
Percentage of total functional expenses	72.73%	19.22%	8.05%	100%

Christian Community Action
Statements of Cash Flows

	For Year Ended June 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (410,360)	$ (1,688,251)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net loss on sale of property and equipment	-	70,421
Depreciation and amortization	470,954	548,461
Net realized and unrealized loss on investments	-	424
Allowance for uncollectible pledges receivable	28,703	62,000
Donated investments	-	(23,260)
Changes in assets:		
Money market account	174,513	149,386
Accounts receivable	19,560	21,296
Inventories	(73,943)	78,207
Prepaid expense	6,802	2,162
Changes in liabilities:		
Accounts payable and accrued expenses	(12,463)	(24,263)
Other accrued liabilities	(96,184)	(82,838)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	107,582	(886,255)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,410)	(22,540)
Proceeds from sale of investments	-	4,312
Change in cash restricted for purchase of property and equipment	(8)	9,237
NET CASH USED IN INVESTING ACTIVITIES	(4,418)	(8,991)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	248,000	530,525
Repayment of notes payable	(249,377)	(89,743)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,377)	440,782
NET CHANGE IN CASH AND CASH EQUIVALENTS	101,787	(454,464)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	174,348	628,812
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 276,135	$ 174,348
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 48,457	$ 40,460
SUPPLEMENTAL SCHEDULE OF NON-CASH OPERATING ACTIVITIES		
Donated goods received	$ 1,274,434	2,389,823
Donated goods distributed	$ 1,200,491	$ 2,468,030

Note 1 – Organization and Summary of Accounting Policies

The summary of significant accounting policies of Christian Community Action (the Organization) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Organization

The Organization was formed in 1973 in Lewisville, Texas. The Organization is a faith-based nonprofit agency dedicated to providing help to lower income families by providing them with a wide range of programs and services that address their needs. Current programs include housing, financial assistance, food distribution, life-skills training, ESL classes, socialization services for elderly independent low income people, and job placement. The Organization receives funding from the operation of four resale stores, donations from individuals, local churches, special events, and grants from private corporations, foundations, and federal, state, and local governments.

Cash and Cash Equivalents

The Organization considers money market accounts, not designated for future purposes by the Organization's Board of Directors (see Note 4) or restricted to capital improvements, with original maturity dates of 90 days or less, to be cash equivalents. The Organization places its cash, which, at times, may exceed federally insured limits, with high credit quality institutions. The Organization has not experienced any losses on such accounts.

Investments

Investments in cash, money market, certificates of deposit accounts, and other fixed income securities, which are held for sale, are recorded at their fair value. Securities that have been donated are recorded at fair value as of the date of the gift. Increases or decreases in fair market value are recorded as unrealized gains and losses in investment income.

Accounts Receivable

Accounts receivable represent amounts reimbursable through government grants and amounts due from credit card processing companies for Visa, MasterCard, Discover, and TeleCheck. The credit card receivable balance exists because of the two to three-day delay between the charge and the deposit in the Organization's bank account. Merchandise sales and donations primarily occur with individuals who reside in North Central Texas.

Based on management's assessment of history of government grants and credit card processing, it was concluded that bad debt losses on balances outstanding at year-end are immaterial. Therefore, no allowance for doubtful accounts was reflected.

Inventories

The Organization holds inventory which consists of housewares, clothing, furniture, food, etc. These items are obtained primarily from donations but also from purchases at discounted prices. The Organization owns and maintains drop-off locations where goods are received and collected, sent to a central warehouse, and sorted for resale, bulk sale, or disposal. The value of the inventory is based on historical averages which have been derived from sale prices of items in the various categories.

Note 1 – Organization and Summary of Accounting Policies (continued)

Contributions

Contributions are recognized when a donor makes a pledge to give to the Organization that is, in substance, unconditional. Unconditional promises to give and expected to be collected within one year, are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions (primarily restrictions as to purpose and/or time) are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specified promises made.

Property and Equipment

Property and equipment are stated at cost, or estimated fair value if donated at the date the equipment is donated, less accumulated depreciation and amortization. Major expenditures and expenditures which substantially increase useful lives are capitalized. Maintenance, repairs and replacement, which do not improve or extend the lives of the respective assets, are expensed when incurred. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is included in income. Interest incurred to finance assets under construction is capitalized as construction cost until the assets are placed in service.

Depreciation and amortization is provided for over the estimated useful lives of the assets using the straight-line method as follows:

Buildings and improvements	25 – 40 Years
Furniture and equipment	3 – 5 Years
Software	5 – 10 Years
Vehicles	5 Years

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with principles of accounting generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes thereto are classified as follows:

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulation that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted Board Designated Net Assets – Net assets not subject to donor imposed stipulations but designated for a specific purpose by the Board of Directors.

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

Note 1 – Organization and Summary of Accounting Policies (continued)

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulation. There were none at June 30, 2017 and 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Donated Goods and Services
Donated goods are recognized as revenue at their estimated fair value during the period received. Donated services are recognized as revenue at their estimated fair value, if both of the following criteria are met:

- The services require special skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased, if not donated.

Although the Organization may utilize the services of outside volunteers, the fair value of these services have not been recognized in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP.

Deferred Rent Expense
The Organization has entered into an operating lease agreement containing provisions for future rent increases and periods of reduced rent payments. In accordance with U.S. GAAP, the Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent.

Income Taxes
The Organization is a nonprofit, publicly supported organization, as defined in Section 501(c)(3) of the Internal Revenue Code (Code) that is exempt from federal income taxes under Section 501(a) of the Code. Accordingly, no federal income taxes are recorded in the accompanying financial statement. Unrelated business income, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

The Organization follows Financial Accounting Standards Board Accounting Standards of Codification (FASB ASC) No. 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest and penalties, and disclosure requirements. The Organization does not have any entity level uncertain tax positions in connection with these financial statements. The Organization files a US federal tax return.

Functional Allocation of Expenses
The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 1 – Organization and Summary of Accounting Policies (continued)

Advertising
The Organization expenses advertising costs as they are incurred. Total advertising costs charged to general and administrative expenses were approximately $182,395 and $123,663 for the years ended June 30, 2017 and 2016, respectively.

Fair Value Measurements
Fair value is the price 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. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an active market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.

Level 3 – Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the Organization’s own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls into its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Note 1 – Organization and Summary of Accounting Policies (continued)

A description of the valuation techniques applied to the Organization's major categories of assets and liabilities measured at fair value on a recurring basis as follows:

Cash and Money Market Accounts – Time deposits held by a financial institution paying a stated rate of interest. To the extent that these investments are deposits of cash and may be liquidated at the option of the Organization, they are categorized in Level 1 of the fair value hierarchy.

Use of Estimates
Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording depreciation and amortization values of donated assets or goods and the functional allocation of expenses. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

Reclassifications
Certain reclassifications have been made to the prior year's financial statement to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Recent Pronouncements
In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, Presentation of Financial Statements – Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued. This ASU also requires management to disclose certain information depending on the results of the going concern evaluation. The provisions of this ASU were effective for the Organization's year ending June 30, 2017. The adoption of ASU No. 2014-15 had no material impact on the financial statement disclosures of the Organization.

In February 2016, FASB issued its new lease accounting guidance in ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize a lease liability and a right of use asset for all leases (with the exception of short-term leases) at the commencement date of the lease, and disclose key information about leasing arrangements. Accounting by lessors is largely unchanged. This ASU will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years and is to be applied on a modified retrospective basis. The Organization is currently assessing the potential impact of this ASU on its financial statements.

Note 1 – Organization and Summary of Accounting Policies (continued)

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. ASU No. 2016-14 improves the current net asset classification requirements, as well as the information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. Specifically, the following issues are addressed: (1) net asset classification, (2) donor restrictions and without donor restrictions, (3) information about liquidity and availability of resources, (4) information about expense and investment income, and (4) presentation of operating cash flows. ASU No. 2016-15 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization is currently assessing the potential impact of this ASU on its financial statements.

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

In preparing the accompanying financial statements, the Organization has reviewed events that have occurred after June 30, 2017 through November 1, 2017, the date the financial statements were available for issuance. During this period, the Organization did not have any material subsequent events.

Note 2 – Pledges Receivable

Pledges receivable are recorded at face value. Pledges receivable totaled $200,000 and $228,703 at June 30, 2017 and 2016. All pledges are restricted to the Organization's capital campaign. Allowance for doubtful accounts were approximately $0 and $95,003 for the years ended June 30, 2017 and 2016, respectively.

Note 3 – Property and Equipment

Property and equipment at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Land	$ 1,095,800	$ 1,095,800
Buildings and improvements	12,189,447	12,196,678
Furniture and equipment	1,629,684	1,899,058
Software	162,535	188,654
Vehicles	273,053	352,293
	15,350,519	15,732,483
Accumulated depreciation	(5,835,228)	(5,750,648)
	$ 9,515,291	$ 9,981,835

Depreciation and amortization expense for the years ended 2017 and 2016 totaled $470,954 and $548,461, respectively.

Note 4 – Board Designated Net Assets

As of June 30, 2017 and 2016, money market accounts of $326,440 and $500,953, respectively, had been designated by the Organization's Board of Directors for expenditure in future periods.

Board designations do not meet the criteria for being classified as restricted net assets. Board designations are not donor-imposed restrictions and are subject to change at the Board's discretion.

Note 5 – Temporarily Restricted

Temporarily restricted net assets at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Capital campaign	$ 200,000	$ 228,703
Pantry	8,454	-
Family assistance	20,911	31,505
Training and development	4,884	4,884
Other direct support	82,575	22,564
	$ 316,824	$ 287,656

Note 6 – Fair Value Measurements

The Organization's assets at fair value as of June 30, 2017 and 2016 total $326,440 and $500,953, respectively. All such assets are categorized as Level 1 within the fair value hierarchy.

Note 7 – Commitments

Lease Agreement
The Organization leases a building under a noncancelable operating lease. The lease commenced on October 1, 2010 and expires December 31, 2017. The agreement also includes two consecutive optional terms for five years each. These optional terms are not included in the minimum future payments below. Total rent expense was $255,366 and $255,520 during the years ended June 30, 2017 and 2016, respectively.

Future minimum lease obligations under these agreements are as follows:

Years Ending June 30,	Amount
2018	$ 130,763
	$ 130,763

Note 7 – Commitments (continued)

Other Leases

The Organization, as lessee, has various noncancellable leases for equipment, all of which are classified as operating leases. Expense under these leases was approximately $61,615 and $47,853 for the years ended June 30, 2017 and 2016, respectively, and is included in the statements of activities primarily within general and administrative expenses.

The remaining annual minimum lease payments under the operating leases existing as of June 30, 2017, are as follows:

Years Ending June 30,	Amount
2018	$ 65,004
2019	61,400
2020	50,500
2021	20,807
2022	16,991
Thereafter	9,911
	$ 224,613

Note 8 – Notes Payable

The Organization is obligated under a promissory note with a financial institution for the purchase of land and construction costs. The note bears an annual interest rate of Prime, but not less than 3.5%. The rate in effect at June 30, 2017 was 4.25%. The note is secured by land and property. There are monthly interest-only payments through July 26, 2018. The loan matures on July 26, 2018. As discussed further in Note 13, the Organization extended the terms of this promissory note by one year on July 26, 2017. The amount outstanding on this loan was $760,000 on both June 30, 2017 and 2016, respectively.

The Organization is also obligated under promissory notes with a financial institution for funds that were used for operations of the Organization. The loans bear an annual interest rate of Prime, but not less than 3.5%. The rate in effect at June 30, 2017 was 4.25%. The notes are secured by land and property. There are monthly interest-only payments through June 7, 2018. The loans mature on June 7, 2018. The amounts outstanding on these loans were $563,525 and $530,525 on June 30, 2017 and 2016, respectively.

The Organization is also obligated under a car manufacturer loan for the purchase of vehicles. The loan bears an annual interest rate of 4.99% and is secured by the vehicles purchased with the proceeds. Principal and interest payments are due monthly through April 1, 2018. As of June 30, 2017 and 2016, the amount outstanding on this loan was $28,660 and $63,037, respectively.

Note 8 – Notes Payable (continued)

Future principal payments due on these notes are as follows:

Years Ending June 30,	Amount
2017	$ 592,185
2018	760,000
	$ 1,352,185

Interest expense on the above notes was charged as follows:

	2017	2016
Expenses	$ 11,094	$ 4,486
Discontinued operations	-	971
Direct cost expense	37,363	35,003
	$ 48,457	$ 40,460

Note 9 – Discontinued Operations

In May 2016, the Organization discontinued operations of the clinic and health program (the Clinic) that it had operated at its main campus. This was done in order to eliminate operating expenses associated with the Clinic in an effort to improve the Organization's liquidity, as discussed further in Note 13. Management has no plans to reopen the Clinic or sell the Organization's interest in the Clinic. The Organization recorded a loss on disposal of assets related to the Clinic of $46,305 during 2016.

A summary of the results of operations of the discontinued operations for the years ended June 30, 2016 are as follows:

2016	Unrestricted	Temporarily Restricted	Total
Revenue	$ 1,125,787	$ 242,180	$ 1,367,967
Expenses	2,087,822	-	2,087,822
Net Assets Released from Restrictions	242,180	(242,180)	-
Change in Net Assets	$ (719,855)	$ -	$ (719,855)

Note 10 – Retirement Plan

The Organization has adopted a retirement arrangement under Section 403(b) of the Internal Revenue Code of 1986, as amended (IRC). Under the plan, participating employees may contribute a portion of their compensation, pretax or after-tax, limited by an annual deferral limit prescribed by the IRC. The Organization contributes 3.0% of eligible employees' wages plus matches the employee contributions, up to 2.0% of wages. The Organization's contributions are subject to a vesting schedule which entitles the employee to a percentage of the contributions depending on the years of service. For the years ended June 30, 2017 and 2016, the Organization contributed to this retirement plan $96,937 and $134,086, respectively.

Note 11 – Significant Cash Concentration

The Organization maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

Note 12 - Related-Party Transactions

Total contributions made to the Organization from Board of Directors and other related parties amounted to $140,284 and $89,037 as of June 30, 2017 and 2016, respectively. All contributions were in the form of cash donations by the related parties.

Note 13 – Liquidity

As shown on the financial statements, the Organization has had recurring losses in the past two years. The Organization did generate positive operating cash flow for the fiscal year ended June 30, 2017. Management has taken the following actions in response to this situation:

- The Organization is in the process of outsourcing direct mail cash contribution processing to a third party, which is expected to reduce expenses by approximately $40,000 annually.
- The Organization is partnering with a marketing firm to increase its annual donations with a multi-tiered approach to digital marketing, email marketing, and website configuration.

In addition, management considered the following matters in evaluating the Organization's liquidity:

- The Organization's 2018 revenues are expected to exceed expenses, excluding interest and depreciation, by approximately $13,000. The Organization expects that cash generated from contributions, grants, and merchandise sales will be sufficient to fund operations and interest obligations for the next twelve months.
- The Organization has sufficient cash and cash equivalents, as well as board restricted money market accounts, to service its current debt obligations.