TOMAGWA MINISTRIES, INC.

Financial Statements for the Year Ended December 31, 2017
(with comparative totals for 2016)

Bennoch & Tipton LLC
CERTIFIED PUBLIC ACCOUNTANTS

TOMAGWA MINISTRIES, INC.

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Bennoch & Tipton LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TOMAGWA Ministries, Inc.
Tomball, Texas

We have audited the accompanying financial statements of TOMAGWA Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The Organization did not perform a physical inventory count of the pharmaceuticals and medical supplies they had on hand as of December 31, 2017. Therefore, we were unable to observe a physical inventory count as required by accounting principles generally accepted in the United States of America. We were unable to obtain sufficient appropriate audit evidence about the quantity and value of the inventory at year end by other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of TOMAGWA Ministries, Inc. 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.

Report on Summarized Comparative Information

We have previously audited the TOMAGWA Ministries, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bennoch & Tipton LLC

Bennoch & Tipton LLC
Certified Public Accountants
Houston, Texas

August 27, 2018

TOMAGWA MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 (with comparative totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 24,911	$ 415,864
Grants receivable	391,060	429,434
Promises to give, net of discount and allowance	193,909	296,004
Inventory	403,245	3,920
Property and equipment, net	2,309,526	2,325,807
Cash value of life insurance policy	267,226	259,991
Deposits	6,615	6,615
Other assets	16,766	15,857
TOTAL ASSETS	$ 3,613,258	$ 3,753,492
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 9,355	$ 1,206
Accrued expenses	54,689	57,429
Long-term debt	1,168,287	1,258,725
Total Liabilities	1,232,331	1,317,360
Net Assets		
Unrestricted	1,871,343	1,666,389
Temporarily restricted	509,584	769,743
Total Net Assets	2,380,927	2,436,132
TOTAL LIABILITIES AND NET ASSETS	$ 3,613,258	$ 3,753,492

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

TOMAGWA MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017 (with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
Public Support and Revenue				
Grants	$ 331,525	$ 566,221	$ 897,746	$ 1,052,406
Client fees	286,440	-	286,440	260,855
Special fundraising events				
Less: costs of direct benefit to donor	62,916	-	62,916	42,807
Donations	474,527	112,350	586,877	715,504
Gifts in kind	2,548,101	-	2,548,101	932,491
Other income (loss)	1,332	7,235	8,567	2,529
Total Public Support and Revenues	3,704,841	685,806	4,390,647	3,006,592
Net assets released from temporary restrictions	945,965	(945,965)	-	-
Total Public Support and Revenues, and Releases from Temporary Restrictions	4,650,806	(260,159)	4,390,647	3,006,592
Expenses				
Program services	4,047,859	-	4,047,859	2,451,169
Total Program Services	4,047,859	-	4,047,859	2,451,169
Supporting Services:				
Management and general	248,518	-	248,518	434,667
Fundraising	149,475	-	149,475	151,324
Total Supporting Services	397,993	-	397,993	585,991
Total Expenses	4,445,852	-	4,445,852	3,037,160
Change in Net Assets	204,954	(260,159)	(55,205)	(30,568)
Net Assets, Beginning of Year	1,666,389	769,743	2,436,132	2,466,700
Net Assets, End of Year	$ 1,871,343	$ 509,584	$ 2,380,927	$ 2,436,132

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

TOMAGWA MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017 (with comparative totals for 2016)

		Supporting Services			
	Program	Management & General	Fundraising	2017 Total	2016 Total
Advertising, marketing and development	$ -	$ -	$ -	$ -	$ 49
Bad debts	-	-	-	-	162,503
Bank charges	-	280	-	280	1,060
Cleaning services	24,122	-	-	24,122	24,129
Contract labor	74,119	-	6,000	80,119	128,150
Credit card processing fees	4,779	393	1,068	6,240	3,952
Depreciation	123,684	-	-	123,684	133,692
Donated volunteer services	287,692	24,494	-	312,186	379,739
Dues and subscriptions	7,710	2,811	-	10,521	145
Employee benefits	25,242	-	-	25,242	12,219
Equipment - rental & maintenance	12,518	-	-	12,518	8,232
Fundraising	-	-	6,183	6,183	6,697
Insurance - liability and malpractice	14,801	-	-	14,801	16,896
Insurance - property	-	13,730	-	13,730	11,363
Interest expense	-	48,854	-	48,854	58,657
Laboratory	311,131	-	-	311,131	414,813
Legal and accounting	-	14,650	-	14,650	16,536
Licenses, permits and user fees	-	763	-	763	451
Miscellaneous	135	184	-	319	5,608
Payroll service expense	20,894	-	-	20,894	3,071
Postage, freight and delivery	994	539	2,337	3,870	3,850
Printing and reproduction	4,264	56	3,471	7,791	5,083
Recognition reception	-	-	-	-	1,786
Rent - building	37,838	-	-	37,838	-
Repairs and maintenance	46,835	-	-	46,835	41,815
Service contracts	28,103	2,149	545	30,797	45,176
Salaries	1,205,676	122,494	117,805	1,445,975	1,141,117
Security and monitoring	-	-	-	-	2,257
Seminars	1,786	1,229	1,288	4,303	1,877
Supplies - office	8,192	2,532	1,544	12,268	13,138
Supplies - building	4,328	59	-	4,387	-
Supplies - clinical	114,360	-	-	114,360	111,527
Supplies - drugs/medications	1,550,543	-	-	1,550,543	151,328
Taxes - payroll	99,183	9,153	8,982	117,318	91,331
Taxes - property	-	3,445	-	3,445	3,457
Travel, lodging and meals	1,310	703	252	2,265	2,432
Telephone	17,473	-	-	17,473	14,963
Utilities	20,147	-	-	20,147	16,404
Vision station	-	-	-	-	1,657
TOTAL EXPENSES	$ 4,047,859	$ 248,518	$ 149,475	$ 4,445,852	$ 3,037,160

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

TOMAGWA MINISTRIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 (with comparative totals for 2016)

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	$ (55,205)	$ (30,568)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	-	162,503
In-kind inventory	(401,614)	-
Depreciation	123,684	133,692
Change in operating assets and liabilities		
Grants receivable	38,374	(142,759)
Promises to give, net of discount and allowance	102,095	(150,723)
Prepaid expenses	-	197
Inventory	2,289	1,026
Cash value of life insurance policy	(7,235)	(5,695)
Deposits	-	(6,615)
Other assets	(909)	9,558
Accounts payable	8,149	(13,801)
Accrued expenses	(2,740)	43,200
Net Cash from Operating Activities	(193,112)	15
Cash Flows from Investing Activities		
Purchase of property and equipment	(107,403)	(105,984)
Net Cash from Investing Activities	(107,403)	(105,984)
Cash Flows from Financing Activities		
Payments on long-term debt	(90,438)	(87,503)
Net Cash from Financing Activities	(90,438)	(87,503)
Net Change in Cash and Cash Equivalents	(390,953)	(193,472)
Cash and Cash Equivalents, Beginning of Year	415,864	609,336
Cash and Cash Equivalents, End of Year	$ 24,911	$ 415,864
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 48,854	$ 58,657

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

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – TOMAGWA Ministries, Inc. dba TOMAGWA Healthcare Ministries (the Organization) is a Christian-based, non-profit 501(c)(3), nominal-fee medical clinic that provides health care services to low-income, uninsured residents of Southwest Montgomery, Southeast Waller and Northwest Harris Counties who do not qualify for Medicare or Medicaid. It was started in 1989 by a group of citizens from Tomball, Magnolia, and Waller, and has expanded over the years from a part-time health care facility run by a small group of volunteers to a full-time comprehensive family practice and acute-care center utilizing a small staff along with a large number of volunteers. In April 2017, a second medical clinic was opened by the Organization in Magnolia, TX.

The Organization opened a Dental Clinic in January 2013. The clinic offers services that include routine check-ups, fillings, extractions and general cleaning, and can accommodate 2,600 visits each year. The clinic is funded by donations from the Tomball Regional Health Foundation, which covers all operating costs of the dental facility over the next two years, including salaries for a part-time dentist, a dental coordinator, furniture and equipment.

The Organization is supported through contributions and grants from individuals, corporations and foundations, fundraising events, and patient fees.

Basis of Accounting – The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation – The Organization's financial statements are presented in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205-45-4, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205-45-4, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization.

Temporarily restricted net assets – These are resources that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – These are resources that are subject to donor restrictions requiring that the principal be held in perpetuity and any income thereon be used by the Organization.

In addition, the Organization is required by FASB ASC 958-205-45-4 to present a statement of cash flows.

Revenue Recognition – Generally, grants classified as exchange transactions are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Revenues from special events are recognized when revenue is received. Interest income is recognized when earned based on passage of time. Program income and other income are recognized when received.

Contributions and Promises to Give – In accordance with FASB ASC 958-605-45-3, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions and grants classified as contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give cash or other assets are not recognized as revenues until received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions were recognized. All other donor-restricted contributions would be 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 and reported in the Statement of Activities as net assets released from restrictions.

Allowance for Uncollectible Accounts – The Organization accounts for potential losses in Unconditional Promises to Give utilizing the allowance method. Management has provided an allowance for uncollectible accounts of $15,000 and $15,000 at December 31, 2017 and 2016, respectively. In reviewing aged receivables, management considers their knowledge of the donors, historical activity and current economic conditions in establishing the allowance for doubtful accounts. An account receivable is charged to the valuation allowance when management determines the receivable is uncollectible.

Donations – Donations are recorded as contributions at fair value at the date of donation. Such donations are reported as unrestricted net assets unless the donor has restricted the donated assets 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 restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as restricted by the donor.

The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributed Services – The Organization recognizes contributed services at their fair value if the services provide value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors, as established by FASB ASC 958-605-25-26.

Cash and Cash Equivalents – The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments.

Patient Fees – The Organization charges its patients a nominal fee per office visit. Patients who are unable to pay will have their fees waived. Accordingly, the Organization does not record any patient fees receivable on the financial statements.

Inventories – Inventories are valued on an average cost basis, not in excess of market, and consist of prescription drugs and medical supplies valued at $403,245 and $3,920 as of December 31, 2017 and 2016, respectively.

Property and Equipment – The Organization capitalizes all expenditures for property and equipment in excess of $500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the asset are capitalized. Property and equipment items are depreciated using the straight-line method based on their estimated useful lives as follows:

	Years of Estimated Useful Life
Building and improvements	39 years
Furniture and fixtures	7-10 years
Machinery and equipment	5 -7 years
Dental machinery and equipment	7-10 years
Computer software	3 years

Functional Allocation of Expenses – Expenses are categorized in the Statement of Activities as program services, fundraising and management and general. The Organization's expenses are allocated on a functional basis among these benefited categories.

Program service expenses include direct and indirect (allocated) expenses for the various programs offered by the Organization. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification.

Other expenses, that are common to several functions, are allocated to program services by various reasonable bases.
Fundraising expenses represent cost incurred in connection with fundraising efforts. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes – The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code ("Code") and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not conduct any unrelated business activities in the current fiscal year. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, (formerly FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The significant estimates included in the financial statements are the estimates of useful lives used for depreciating property and equipment items.

Advertising – The Organization expenses advertising, marketing and development costs as they are incurred. Advertising, marketing and development expenses amounted to $0 and $49 for the years ended December 31, 2017 and 2016, respectively.

Compensated Absences – Vacation time earned but not used by December 31st of the current year may be carried over to the following year by eligible employees, not to exceed 80 hours per employee. Accordingly, the Organization accrues unused vacation compensation that employees have earned but not taken.

NOTE 2 – CONCENTRATION OF CREDIT RISKS

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount ($250,000), for each deposit insurance ownership category.

The Organization maintains its cash balances in various local banks. These balances are insured by the FDIC up to $250,000. As of December 31, 2017 and 2016, the Organization did not have cash balances that exceeded the maximum amount covered by FDIC insurance.

The Organization has not experienced any losses in such accounts and believes the risk of future loss is mitigated by monitoring the balances and the financial institutions where the cash is deposited.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable are summarized as follows:

	2017	2016
Tomball Hospital Authority	$ 171,060	$ 168,100
Epcor Water Inc. (formerly Hughes Natural Gas Inc.)	90,000	135,000
Houston Methodist Hospital	50,000	50,000
Trinity Lutheran Church	30,000	-
Guild of Catholic Women	20,000	23,000
CVS Health Foundation	20,000	-
Tucker Foundation	10,000	-
Fondren Foundation	-	33,334
Memorial Hermann Hospital	-	20,000
Total Grants Receivable	$ 391,060	$ 429,434

The grants receivable as of December 31, 2017 and 2016 are scheduled to be collected as follows:

	2017	2016
Less than one year	$ 331,060	$ 339,434
One to five years	60,000	90,000
Total Grants Receivable	$ 391,060	$ 429,434

NOTE 4 – PROMISES TO GIVE

Promises to give at year end are unconditional and are from the Organization's Multiple Year Giving Campaign for patient care. Pledges are discounted to their present value, assuming their respective terms, at a discount rate of 3.0%. The discounted pledges at December 31, 2017 and 2016 are scheduled to be collected as follows:

	2017	2016
Less than one year	$ 152,278	$ 175,380
One to five years	60,897	146,758
Promises to give, gross	213,175	322,138
Less: Discount to present value	(4,266)	(11,134)
Less: Allowance for uncollectible promises to give	(15,000)	(15,000)
Promises to give, net of discount and allowance	$ 193,909	$ 296,004

The Organization recorded bad debt expense of $0 and $162,503 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

As of December 31, 2017 and 2016, property and equipment consisted of the following:

	2017	2016
Land	$ 55,000	$ 55,000
Building and improvements	2,544,536	2,544,536
Leasehold improvements	142,316	66,493
Furniture and fixtures	136,008	123,509
Machinery and equipment	336,072	327,311
Dental machinery and equipment	153,227	153,227
Computer software	13,022	2,702
	3,380,181	3,272,778
Less: accumulated depreciation	(1,070,655)	(946,971)
Property and equipment, net	$ 2,309,526	$ 2,325,807

Depreciation expense charged to operations for the years ended December 31, 2017 and 2016 was $123,684 and $133,692 respectively.

NOTE 6 – MINERAL AND ROYALTY INTERESTS

Certain mineral and royalty interests located in Harris and Liberty counties were received from an unrelated private foundation as contributions at the end of 2011. The fair market value of these interests based upon county appraisals amounted to $8,463 and $8,463 at December 31, 2017 and 2016, respectively.

NOTE 7 – CASH VALUE OF LIFE INSURANCE

At the end of 2009, an individual donated a paid-up life insurance policy to the organization. The life insurance policy had a cash value on date of donation of $226,530. No principal payment on the policy loan is required. Earnings from the cash value net of fees and deductions were reported as contribution income in the financial statements. The cash value of the life insurance policy totaled $267,226 and $259,991 at December 31, 2017 and 2016, respectively.

NOTE 8 – INVESTMENTS IN TMP OWNER'S ASSOCIATION

In 2009, the Organization purchased an office building and automatically became a member in the Tomball Medical Park ("TMP") Owner's Association. The association is responsible for maintaining and administering the common areas and facilities, enforcing the covenants and restrictions, and collecting and disbursing the assessments and charges.

The investments consist of the following at December 31, 2017 and 2016:

		2017		2016	
Name of Entity	Ownership %	Capital Account Balance	Share of Income (loss)	Capital Account Balance	Share of Income (loss)
TMPOG2, LLC (General Partner in TMPOG, LTD.)	16.40%	$ 139	$ 9	$ 130	$ (64)
TMPOG, LTD.	16.40%	8,164	899	7,265	(6,412)
Total Investments		$ 8,303	$ 908	$ 7,395	$ (6,476)

NOTE 9 – LEASE OBLIGATION

On October 1, 2016, the Organization entered into a sixty-three (63) month non-cancelable lease agreement for space to operate a new clinic in Magnolia, TX expiring December 31, 2021. The terms of the lease require payments of $3,990 per month beginning January 1, 2017, with specified rate increases each year thereafter. These periodic base rate increases are reflected in the future minimum lease payments below. In addition, the Organization leases certain office equipment under a non-cancellable operating lease at $216 per month beginning June 2011 through May 2017. The lease was renewed for an additional thirty-six (36) months requiring monthly payments of $175.

Future minimum lease payments under the non-cancellable operating leases at December 31, 2017 are as follows:

Year ending December 31,		
2018	$	49,875
2019		52,395
2020		54,915
2021		57,435
2022		12,075
Thereafter		-
Total	$	226,695

For the years ended December 31, 2017 and 2016, lease expense was $40,350 and $8,232, respectively.

NOTE 10 – 403(b) SALARY REDUCTION PLAN

The Organization is the Custodian in a Section 403(b) salary reduction plan established under the "Custodial Account Agreement" of IRS Code Section 403(b)(7). The plan covers all employees and participation is voluntary. The Organization does not make employer contributions to the plan.

NOTE 11 – ACCRUED COMPENSATED ABSENCES

Beginning in 2016, the Organization changed its policy regarding the carryover of paid time off (PTO). Employees are entitled to paid vacation and personal days, which accumulate each month of employment based on the number of years the employee has been with the Organization. Employees may carry forward a maximum of 80 hours of earned PTO into the following year. At the end of employment, eligible employees will be paid for earned but unused PTO, unless state law dictates otherwise.

As of December 31, 2017 and 2016, the Organization has accrued for vacation and personal days in the amount of $33,978 and $34,967 respectively.

NOTE 12 – CAFETERIA PLAN

The Organization established a Cafeteria Plan (Premium Conversion Plan) under the provisions of Code Section 125 of the Internal Revenue Code, effective September 1, 2010. Under the plan, eligible employees may elect to contribute their share of the cost of health and dental insurance premiums via salary reduction on the pre-tax basis.

NOTE 13 – LONG-TERM DEBT

The Organization's long-term debt consists of the following:

	2017	2016
Note payable to a bank, secured by real property, improvements, furniture, fixtures and equipment. In June 2013, the Organization renegotiated the terms of the note to a fixed rate of 3.95% effective June 17, 2013, payable in 59 consecutive monthly installments of $7,808 per month, including interest, final payment of remaining principal and interest due June 2018. In June 2018, the bank extended the loan under the same terms for three months.	$ 601,312	$ 670,365
Note payable to a bank, secured by real property, improvements, furniture, fixtures and equipment. In June 2013, the Organization renegotiated the terms of the note to a fixed rate of 3.95% effective June 17, 2013, payable in 59 consecutive monthly installments of $4,372 per month, including interest, final payment of remaining principal and interest due June 2018. In June 2018, the bank extended the loan under the same terms for three months.	338,365	375,646
7% life insurance policy loan borrowed against cash surrender value of $259,991 at December 31, 2016	228,610	212,714
Total Long-term Debt	$ 1,168,287	$ 1,258,725

The long-term debt is expected to mature as follows:

Year ending December 31,	
2018	$ 1,168,287
Thereafter	-
Total	$ 1,168,287

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 and 2016 are available for the following purpose and time restrictions:

	2017	2016
Operations	$ 69,755	$ 73,000
Magnolia clinic	172,603	436,752
Cash value of life insurance policy	267,226	259,991
Total Temporarily Restricted Net Assets	$ 509,584	$ 769,743

NOTE 15 – CONTINGENCIES

Certain programs of the Organization are supported through federal, state, and local grant programs that are governed by various rules and regulations. Expenses charged to the grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

NOTE 16 – CONCENTRATIONS

The Organization is dependent on several sources of support and revenue. For the year ended December 31, 2017, grant funds from one organization provided approximately sixteen percent (16%) of the Organization’s support and revenue. Two groups donated pharmaceuticals to the Organization and provided forty-two percent (42%) of the Organization’s support and revenue. Additionally, two grants made up approximately forty-five percent (45%) of the Organization’s grants receivable as of December 31, 2017. For the year ended December 31, 2016, grant funds from one organization provided approximately twenty percent (20%) of the Organization’s support and revenue. Additionally, two grants made up forty-two percent (42%) of the Organization’s grants receivable as of December 31, 2016. A significant reduction in any of these individual grants or programs, if this were to occur, could have an adverse impact on the Organization’s programs and activities.

NOTE 17 – RELATED PARTIES

The Organization made purchases amounting to $2,285 and $1,352 from the Home Health Store during 2017 and 2016, respectively. The Home Health Store is owned by Tom Gloyer, a member of the Board of Directors.

NOTE 18 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through August 27, 2018, the date the financial statements were available to be issued. The Organization has determined that no change to the financial statements for the year ended December 31, 2017 is deemed necessary as a result of this evaluation.

As described in Note 13, the Organization's long-term debt became due in June 2018. The bank extended the loan under the same terms for three months while negotiations take place for the debt renewal. As of the date of our report, negotiations are still underway.