OPEN OPTIONS, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

OPEN OPTIONS, INC.

We have audited the accompanying financial statements of Open Options, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities and changes in net assets, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Open Options, Inc. as of June 30, 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.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
October 25, 2018

OPEN OPTIONS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 132,357	$ 362,728
Accounts receivable, net	451,615	382,315
Employee advances	-	417
Prepaid expenses	48,436	28,530
TOTAL CURRENT ASSETS	632,408	773,990
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	564,221	570,436
DEPOSITS	7,685	8,769
TOTAL ASSETS	$ 1,204,314	$ 1,353,195
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 60,257	$ 75,816
Accrued liabilities	191,298	185,467
Deferred income	12,813	22,885
Current portion of long-term debt	19,191	18,044
TOTAL CURRENT LIABILITIES	283,559	302,212
LEASE PAYABLE	3,064	3,733
LONG-TERM DEBT, less current portion above	396,082	415,396
TOTAL LIABILITIES	682,705	721,341
NET ASSETS		
UNRESTRICTED	442,701	575,448
TEMPORARILY RESTRICTED	63,704	41,202
PERMANENTLY RESTRICTED	15,204	15,204
TOTAL NET ASSETS	521,609	631,854
TOTAL LIABILITIES AND NET ASSETS	$ 1,204,314	$ 1,353,195

See Notes to Financial Statements

OPEN OPTIONS, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT				
State of Missouri Medicaid	$ 3,347,342	$ -	$ -	$ 3,347,342
State of Missouri DMH	5,014	-	-	5,014
State of Kansas TCM	89,825	-	-	89,825
Kansas City Regional Center	289,296	-	-	289,296
Contributions	270,278	47,305	-	317,583
In-kind contributions	38,726	-	-	38,726
EITAS	48,027	-	-	48,027
United Way	20,000	-	-	20,000
TOTAL SUPPORT	4,108,508	47,305	-	4,155,813
OTHER REVENUE				
Resident and Senior Link Direct Pay	48,023	-	-	48,023
Clay County - Senior Link	372,164	-	-	372,164
Investment income	44	50	-	94
Miscellaneous income	15,447	-	-	15,447
Net assets released from restrictions	24,853	(24,853)	-	-
TOTAL OTHER REVENUE	460,531	(24,803)	-	435,728
TOTAL SUPPORT AND OTHER REVENUE	4,569,039	22,502	-	4,591,541
EXPENSES				
Program	3,849,426	-	-	3,849,426
Development	177,987	-	-	177,987
Management and general	674,373	-	-	674,373
TOTAL EXPENSES	4,701,786	-	-	4,701,786
CHANGE IN NET ASSETS	(132,747)	22,502	-	(110,245)
NET ASSETS, BEGINNING OF YEAR	575,448	41,202	15,204	631,854
NET ASSETS, END OF YEAR	$ 442,701	$ 63,704	$ 15,204	$ 521,609

See Notes to Financial Statements

OPEN OPTIONS, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT				
State of Missouri Medicaid	$ 3,856,015	$ -	$ -	$ 3,856,015
State of Missouri DMH	3,170	-	-	3,170
State of Kansas TCM	43,350	-	-	43,350
Kansas City Regional Center	345,742	-	-	345,742
Contributions	153,944	44,068	-	198,012
In-kind contributions	28,708	-	-	28,708
EITAS	32,537	-	-	32,537
United Way	45,000	-	-	45,000
TOTAL SUPPORT	4,508,466	44,068	-	4,552,534
OTHER REVENUE				
Resident and Senior Link Direct Pay	38,044	-	-	38,044
Clay County - Senior Link	364,362	-	-	364,362
Investment income	168	19	-	187
Miscellaneous income	5,693	-	-	5,693
Net assets released from restrictions	47,951	(47,951)	-	-
TOTAL OTHER REVENUE	456,218	(47,932)	-	408,286
TOTAL SUPPORT AND OTHER REVENUE	4,964,684	(3,864)	-	4,960,820
EXPENSES				
Program	4,181,525	-	-	4,181,525
Development	127,835	-	-	127,835
Management and general	776,772	-	-	776,772
TOTAL EXPENSES	5,086,132	-	-	5,086,132
CHANGE IN NET ASSETS	(121,448)	(3,864)	-	(125,312)
NET ASSETS, BEGINNING OF YEAR	696,896	45,066	15,204	757,166
NET ASSETS, END OF YEAR	$ 575,448	$ 41,202	$ 15,204	$ 631,854

See Notes to Financial Statements

OPEN OPTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Program Services				Supporting Services			
	Group Homes	Individualized Supported Living	Non-DMH	Total Program Services	Development	Management and General	Total Supporting Services	Total Expenses
Salaries	$ 1,425,406	$ 970,588	$ 149,269	$ 2,545,263	$ 50,000	$ 337,537	$ 387,537	$ 2,932,800
FICA and MICA	97,130	64,487	10,716	172,333	3,703	22,654	26,357	198,690
Retirement	-	-	-	-	-	12,529	12,529	12,529
Education Benefit	-	-	-	-	-	1,763	1,763	1,763
Health Insurance	174,374	-	6,824	181,198	5,930	23,229	29,159	210,357
Unemployment insurance	19,805	-	-	19,805	-	2,246	2,246	22,051
Workers' Compensation	16,848	10,005	1,786	28,639	578	4,195	4,773	33,412
Medical and Training	5,718	1,886	68	7,672	-	4,526	4,526	12,198
Maintenance and Repairs	33,223	-	-	33,223	-	10,915	10,915	44,138
Office and Program Supplies	7,476	2,936	1,649	12,061	49,409	12,223	61,632	73,693
Food Supplies	61,029	49,153	-	110,182	-	-	-	110,182
Facilities	66,572	74,318	5,916	146,806	3,444	69,344	72,788	219,594
Utilities	65,186	44,712	1,380	111,278	20	8,182	8,202	119,480
Insurance	31,544	9,453	5,171	46,168	666	14,074	14,740	60,908
Travel and Transportation	61,816	21,901	6,744	90,461	41,205	9,037	50,242	140,703
Professional Services	9,014	-	272,376	281,390	22,895	139,350	162,245	443,635
Interest	27,721	-	-	27,721	-	-	-	27,721
Subtotal	2,102,862	1,249,439	461,899	3,814,200	177,850	671,804	849,654	4,663,854
Depreciation	34,176	-	1,050	35,226	137	2,569	2,706	37,932
Total	$ 2,137,038	$ 1,249,439	$ 462,949	$ 3,849,426	$ 177,987	$ 674,373	$ 852,360	$ 4,701,786
Percentage of total expenses	45%	27%	10%	82%	4%	14%	18%	100%

See Notes to Financial Statements

OPEN OPTIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	Program Services				Supporting Services			
	Group Homes	Individualized Supported Living	Non-DMH	Total Program Services	Development	Management and General	Total Supporting Services	Total Expenses
Salaries	$ 1,429,639	$ 1,219,696	$ 97,255	$ 2,746,590	$ 50,000	$ 397,718	$ 447,718	$ 3,194,308
FICA and MICA	110,959	82,386	7,013	200,358	3,713	29,445	33,158	233,516
Retirement	4,050	1,690	1,927	7,667	-	2,625	2,625	10,292
Education Benefit	-	-	-	-	-	8,330	8,330	8,330
Health Insurance	214,247	-	15,066	229,313	5,361	21,044	26,405	255,718
Unemployment insurance	7,950	-	728	8,678	-	1,459	1,459	10,137
Workers' compensation	23,403	16,592	866	40,861	825	6,643	7,468	48,329
Medical and Training	10,008	2,856	326	13,190	-	23,116	23,116	36,306
Maintenance and Repairs	27,340	23	-	27,363	-	9,708	9,708	37,071
Facilities	74,739	90,960	11,708	177,407	4,637	75,566	80,203	257,610
Utilities	49,147	37,456	975	87,578	-	20,532	20,532	108,110
Food Supplies	45,493	66,839	-	112,332	-	-	-	112,332
Office and Program Supplies	22,456	8,883	1,294	32,633	4,735	47,630	52,365	84,998
Professional Services	4,138	1,153	272,191	277,482	43,352	102,482	145,834	423,316
Insurance	33,245	11,423	5,602	50,270	722	15,247	15,969	66,239
Travel and Transportation	57,045	37,569	5,729	100,343	14,178	13,549	27,727	128,070
Interest	30,748	-	-	30,748	-	-	-	30,748
Subtotal	2,144,607	1,577,526	420,680	4,142,813	127,523	775,094	902,617	5,045,430
Depreciation	37,521	-	1,191	38,712	312	1,678	1,990	40,702
Total	$ 2,182,128	$ 1,577,526	$ 421,871	$ 4,181,525	$ 127,835	$ 776,772	$ 904,607	$ 5,086,132
Percentage of total expenses	43%	31%	8%	82%	3%	15%	18%	100%

See Notes to Financial Statements

OPEN OPTIONS, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (110,245)	$ (125,312)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	37,932	40,702
Gain on disposal of property and equipment	(7,041)	-
Changes in operating assets and liabilities:		
Accounts receivable	(69,300)	134,190
Employee advances	417	916
Prepaid expenses	(19,906)	11,048
Deposits	1,084	-
Accounts payable	(15,559)	23,538
Accrued liabilities	5,831	(61,837)
Deferred income	(10,072)	4,845
Lease payable	(669)	(8,296)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(187,528)	19,794
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(31,717)	(20,637)
Insurance proceeds from disposal of property and equipment	7,041	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(24,676)	(20,637)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(18,167)	(15,358)
CHANGES IN CASH	(230,371)	(16,201)
CASH, BEGINNING OF YEAR	362,728	378,929
CASH, END OF YEAR	$ 132,357	$ 362,728

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Organization - Open Options, Inc. (the "Organization") is a nonprofit organization which serves individuals with an array of disabilities in Missouri and Kansas through several programs, including Targeted Case Management, Individualized Support Living, Group Living, and Community Integration. In addition, the Senior Link program coordinates services for seniors to live independently, the Kids on the Block program provides disability awareness and education, and the Kansas City Power and Speed program is a year round competitive training program designed for athletes with physical disabilities.

Basis of accounting - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes - The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, management believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization. The Organization identified no material uncertain tax positions as of June 30, 2018 or 2017.

Cash - The Organization considers cash on hand and bank checking accounts to be cash.

Accounts receivable - Accounts receivable are stated at the amounts billed to state and local contracting agencies based on amounts defined in the contracts or grants. The Organization provides for an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are typically paid by the contracting or granting agency in their normal course of business (usually within 60 days). Delinquent receivables are written off based on individual credit evaluation and specific circumstances. At June 30, 2018 and 2017, there was an allowance for uncollectable accounts of $24,725 and $30,542, respectively.

Property and equipment - Property and equipment acquired by the Organization with a useful life of more than one year and a unit cost equal to or greater than $1,000 are generally capitalized at cost and depreciated on the straight-line basis over the following estimated useful lives:

Buildings	27 Years
Automobiles	3 - 5 Years
Equipment	3 - 7 Years

Net asset classification - To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, net assets have been classified into the following:

Unrestricted net assets: Unrestricted net assets include expendable resources over which the Organization's Board of Directors has discretionary control and are used to carry out the Organization's operations in accordance with its bylaws.

(1) Summary of significant accounting policies (continued)

Net asset classification (continued) - Temporarily restricted net assets: Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of the Organization.

Permanently restricted net assets: Permanently restricted net assets include resources subject to donor imposed stipulations maintained permanently by the Organization.

Revenue recognition - The Organization is funded primarily through the State of Missouri and other governmental entities. Revenue is recognized as services are performed and reimbursement is requested.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. As of June 30, 2018 and 2017, temporarily restricted net assets are net assets subject to restrictions imposed by donors and grantors that will be met by actions of the Organization or the passage of time.

Donated rent and services - Donated rent is reflected as support in the statements of activities and changes in net assets at its estimated fair value at the date of receipt. The Organization received $19,968 in the form of in-kind rent for each of the years ended June 30, 2018 and 2017. The Organization also received $18,758 and $8,740 from other miscellaneous in-kind donations during the years ended June 30, 2018 and 2017, respectively.

No amounts are reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, fundraising events and other small projects are volunteer-operated, with the exception of a limited number of paid staff. A substantial number of volunteers have donated significant amounts of their time in the Hats Off to Mothers and Triathlon events, as well as other small projects.

Functional expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Certain costs have been allocated among the programs and supporting services benefited as depicted in the accompanying statements of functional expenses. Expenses that can be identified with a specific program and support are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management’s estimate of resources devoted to the programs or support source.

Reclassification - Certain items from the 2017 financial statements have been reclassified to conform with the 2018 presentation. Such reclassifications had no effect on the total changes in net assets.

(2) Property and equipment

	June 30, 2018	June 30, 2017
Cost		
Land and buildings	$ 780,382	$ 771,577
Automobiles	68,275	92,076
Equipment	150,840	128,126
Total cost	999,497	991,779
Accumulated depreciation	(435,276)	(421,343)
Net property and equipment	$ 564,221	$ 570,436

Depreciation expense charged to operations was $37,932 and $40,702 for the years ended June 30, 2018 and 2017, respectively.

(3) Long-term debt

	June 30, 2018	June 30, 2017
Four notes payable to a bank, collateralized by real estate, with interest from 5.50% to 7.25%. Payable in monthly installments, with final payments due from October 2024 through July 2037.	$ 415,273	$ 433,440
Less current portion	(19,191)	(18,044)
Noncurrent portion	$ 396,082	$ 415,396

Maturities of long-term debt are as follows:

Years Ending June 30,	
2019	$ 19,191
2020	20,381
2021	20,952
2022	23,090
2023	24,805
Thereafter	306,854
Total long-term debt	$ 415,273

(4) Endowments

The Organization's endowment consists of one fund and only includes donor-restricted funds. In accordance with ASC 958, *Endowments for Not-for-Profit Organizations*, net assets associated with endowment funds and funds designated by the Board of Directors are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment balance is included in cash in the statements of financial position. Permanently restricted endowment balances include the original value at the date of gift. There are no temporarily restricted funds in the endowment as immaterial amounts of earnings are appropriated and spent during the year.

(4) Endowments (continued)

There were no contributions to the endowment fund for the years ended June 30, 2018 and 2017.

Return objectives and risk parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds. In order to obtain maximum benefits from the assets of the Organization, the investment goals include achieving long-term growth of capital within specified risk constraints, production of a reasonable rate of return on the investment assets, consistent with the assumption of a prudent level of risk, and protection of the Organization's assets from inflation, so that they will be available for the long-term use.

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization's risk tolerance is low. The Organization targets an asset allocation that places a greater emphasis on fixed-income investments and cash to achieve its long-term return objectives within prudent risk constraints.

Spending policy
The purpose of the Organization's investment assets is to provide funds to supplement operating revenue for the Organization's program costs and organizational expenses that are not covered by fees for services or by donations and grants. During the years ended June 30, 2018 and 2017, all earnings on the endowment fund were appropriated for expenditure.

(5) Operating leases

The Organization leases office space and equipment from unrelated parties under operating leases expiring from March 2022 through August 2023. In the normal course of business, operating leases are generally renewed or replaced by other leases. Rental payments associated with operating leases are charged to expense as incurred. Rental payments made under these operating leases were $122,761 and $119,742 for the years ended June 30, 2018 and 2017, respectively.

The office space lease also includes scheduled rent increases which accounting principles generally accepted in the United States of America require to be recognized ratably over the life of the lease. The unamortized balance in lease payable was $3,064 and $3,733 as of June 30, 2018 and 2017, respectively. During the year ended June 30, 2018, the Organization extended its office space lease through August 2023, with rent increases scheduled throughout the remaining term of the lease.

Minimum future lease payments under non-cancelable operating leases with terms in excess of one year, including those related to the extended office space lease, are as follows:

Years Ending June 30,	
2019	$ 109,200
2020	94,300
2021	96,100
2022	96,100
2023	92,400
Thereafter	15,500
Totals	$ 503,600

(6) Retirement plan

The Organization maintains a retirement plan in which all employees who are 21 years of age or greater are eligible to participate in after one year in which they have been compensated for at least 1,000 hours of service. After the initial year of service requirement is met, employees who are employed on the last day of the plan year and who have been compensated for at least 1,000 hours of service are eligible for contribution to the plan. The Organization matches contributions equal to 50% of employee contributions up to 8% of annual compensation. Management can also contribute additional discretionary amounts to the plan on an annual basis up to statutory limitations. Participants are fully vested after three years of service.

Accrued matching employer contributions to the plan were $10,000 as of June 30, 2018 and 2017. There were no accrued employer discretionary profit sharing contributions to the plan as of June 30, 2018 and 2017.

Retirement plan expenses were $9,902 and $10,292, respectively, for the years ended June 30, 2018 and 2017.

(7) Concentrations

Approximately 83% and 90% of the Organization’s receivables at June 30, 2018 and 2017, respectively, came from the State of Missouri and the Kansas City Regional Office.

As of June 30, 2018, approximately 41% of the Organization’s payables were due to two vendors. As of June 30, 2017, approximately 44% of the Organization’s payables were due to two vendors.

Approximately 79% and 83% of the Organization’s revenue came from the State of Missouri and the Kansas City Regional Office during the years ended June 30, 2018 and 2017, respectively.

The Organization maintains cash balances in financial institutions in excess of FDIC insurance limits. Management monitors the soundness of these financial institutions and believes the Organization’s risk of loss is negligible.

(8) Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes:

	June 30, 2018	June 30, 2017
Group home furniture and renovation	$ 45,525	$ 6,138
Prader-Willi Syndrome	3,464	3,460
Direct individual financial assistance	5,144	10,577
Open Options Cares	5,940	5,429
Therap	-	8,133
Miscellaneous	3,631	7,465
	$ 63,704	$ 41,202

(8) Temporarily restricted net assets (continued)

Temporarily restricted net assets were released from restriction for the following purposes:

	June 30,	
	2018	2017
Direct individual financial assistance	$ 15,439	$ 21,169
Therap	8,133	26,032
Open Options Cares	1,031	-
Miscellaneous	250	750
	$ 24,853	$ 47,951

(9) Recent accounting pronouncements

Recent accounting pronouncements - Not-for-Profit Entities - In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This update, which amends the requirements for financial statements and notes in *Topic 958, Not-for-Profit Entities*, require a Not-for-Profit (NFP) to:

- Present on the face of the statement of financial position amounts for two classes of net assets as “net assets with donor restrictions” and “net assets without donor restrictions,” rather than for the currently required three classes.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted above) rather than that of the currently required three classes.
- Continue to present on the face of the statement of cash flows the net amount of operating cash flows using either the direct or indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- Provide enhanced disclosures about (1) amounts and purposes of governing board designations that result in self-imposed limits on the use of resources without donor-imposed restrictions (2) composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources (3) qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date (4) quantitative information, either on the face of the balance sheet or in the notes, and additional qualitative information in the notes that communicates the availability of a NFP’s financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date (5) amounts of expenses by both their natural classification and their functional classification (6) report investment return net of external and direct internal investment expenses, and no longer require disclosure of those netted expenses (7) use, in absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

This update is effective for the Organization’s June 30, 2019 financial statements. The Organization is evaluating the impact that this updated standard will have on the financial statements and related notes to the financial statements.

(9) Recent accounting pronouncements (continued)

Recent accounting pronouncements - Revenue Recognition - In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This standard supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition. This standard applies to most contracts with customers and prescribes a five-step framework in accounting for revenues from contracts, including (a) identification of the contract, (b) identification of the performance obligation under the contract, (c) determination of the transaction price, (d) allocation of the transaction price to the identified performance obligation and (e) recognition of revenue as the identified performance obligation is satisfied. This standard also prescribes additional disclosures and financial statement presentations. This standard is effective for the Organization's June 30, 2020 financial statements, and early adoption is permitted. The Organization may adopt the standard retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. The Organization is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

Recent accounting pronouncements - Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, office equipment, and vehicles. Under the current accounting model, an organization applies a classification test to determine the accounting for the lease arrangement as an operating or capital lease. The new guidance will require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by those leases. A lessee will be required to recognize assets and liabilities for leases with terms of more than twelve months. Consistent with U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a capital or operating lease. However, unlike current U.S. GAAP, the new ASU will require both types of leases to be recognized on the statements of financial position. The ASU will also require disclosure to help donors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include both qualitative and quantitative analysis. This ASU is effective for the Organization's June 30, 2021 financial statements and early adoption is permitted. The Organization is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

(10) Going concern considerations

During the years ended June 30, 2018 and 2017, the Organization had changes in net assets of ($110,245) and ($125,312), respectively. The Organization also had an operating cash flow deficit of $187,528 for the year ended June 30, 2018. However, the Organization has positive working capital and sufficient forecasted cash flows to maintain operations, including a cash reserve to cover operating cash shortfalls, if necessary. Management believes that the current positive working capital, combined with cash on hand and forecasted cash flows, is sufficient to alleviate doubt regarding the ability to continue as a going concern for a period of one year after the issuance date of the financial statements.

As such, the financial statements have been prepared assuming that the Organization will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

(11) Contingencies

At times, the Organization is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims or lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Organization.

(12) Subsequent events

The Organization has evaluated subsequent events through October 25, 2018, the date through which the financial statements were available to be issued. Subsequent to year end, the Organization entered into discussions to explore and pursue a merger with a nonprofit organization that provides similar services. Management does not anticipate this merger will impact future agreements or financial support. There have been no other subsequent events that occurred during such period that would require disclosure in the financial statements or accompanying notes.