nonPAREIL INSTITUTE

Plano, Texas

FINANCIAL STATEMENTS

As of

DECEMBER 31, 2018 and 2017

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

Schnaufer & Walker, P.C.
Certified Public Accountants
Dallas, Texas

nonPAREIL INSTITUTE
Financial Statements
Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
nonPareil Institute
Plano, Texas

We have audited the accompanying financial statements of **nonPareil Institute** (a Texas not-for-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 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 the 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 **nonPareil Institute** as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schnaufer & Walker, P.C.

Dallas, Texas
February 19, 2019

nonPAREIL INSTITUTE
Statements of Financial Position
December 31, 2018 and 2017

		2018		2017
ASSETS:				
Current assets:				
Cash and cash equivalents	$	482,259	$	471,421
Accounts receivable		1,613		117,904
Prepaid expenses		32,931		84,527
Investments		250,590		-
Total current assets		767,393		673,852
Long-term assets:				
Property and equipment, - net of accumulated depreciation		370,872		177,418
Total long-term assets		370,872		177,418
Other assets:				
Deposits		12,000		12,000
Total other assets		12,000		12,000
TOTAL ASSETS	$	1,150,265	$	863,270
LIABILITIES:				
Current liabilities:				
Accounts payable	$	27,617	$	4,526
Accrued expenses		71,741		76,176
Refundable advances		125,821		25,848
TOTAL LIABILITIES		225,179		106,550
NET ASSETS:				
Without donor restrictions		302,013		280,119
With donor restrictions		623,073		476,601
TOTAL NET ASSETS		925,086		756,720
TOTAL LIABILITIES AND NET ASSETS	$	1,150,265	$	863,270

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

nonPAREIL INSTITUTE
Statements of Activities
For The Years Ended December 31, 2018 and 2017

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Operating:		
Revenue:		
Training fees	$ 2,194,397	$ 2,169,841
Contributed services and materials	304,637	103,192
Sales income	88,277	5,459
Fundraising	68,824	80,382
Sponsorships	50,500	45,000
Contributions	37,846	78,500
Texas Workforce Commission (TWC)	6,688	16,615
Other income	3,445	4,559
Interest income	1,837	472
Counseling fees	1,705	-
Outsourcing contracts	-	2,771
Net assets released from restrictions	703,623	516,634
Total operating revenue	3,461,779	3,023,425
Expenses:		
Program services	2,934,794	2,771,364
Supporting services:		
Management and general	240,670	109,311
Development and fundraising	264,421	302,516
Total supporting services	505,091	411,827
Total operating expenses	3,439,885	3,183,191
Excess (deficit) of operating revenue over expenses	$ 21,894	$ (159,766)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	835,214	627,411
Fundraising	12,381	66,575
Sponsorships	2,500	13,000
Net assets released from restrictions	(703,623)	(516,634)
Increase in net assets with donor restrictions	146,472	190,352
Increase in net assets	168,366	30,586
NET ASSETS AT BEGINNING OF THE YEAR	756,720	726,134
NET ASSETS AT END OF THE YEAR	$ 925,086	$ 756,720

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

nonPAREIL INSTITUTE
Statement of Functional Expenses
For The Year Ended December 31, 2018

	Program services	Supporting services				
	Programs	**Management and general**	**Development and fundraising**	**Total**		**Totals**
Payroll and related expenses:						
Compensation and benefits	$ 1,974,089	$ 142,601	$ 201,040	$ 343,641		$ 2,317,730
Unemployment taxes	4,684	553	428	981		5,665
Payroll taxes	127,646	10,549	13,281	23,830		151,476
Total payroll and related expenses	2,106,419	153,703	214,749	368,452		2,474,871
Bad debts	3,566	-	-	-		3,566
Bank charges	5,967	-	2,521	2,521		8,488
Books, subscriptions and reference	854	374	15	389		1,243
Cost of goods sold	-	-		-		-
Depreciation	79,422	96	56	152		79,574
Fundraising	-	-	7,099	7,099		7,099
Furniture	6,000	-	-	-		6,000
Hardware	46,406	1,544	-	1,544		47,950
Insurance	13,682	6,142	608	6,750		20,432
Internet services	28,536	555	93	648		29,184
Miscellaneous	14,386	1,347	778	2,125		16,511
Office supplies	18,072	262	179	441		18,513
Professional fees	47,900	64,077	612	64,689	-	112,589
Postage and mailing	1,975	50	260	310		2,285
Printing and copying	5,571	36	-	36		5,607
Repairs and maintenance	44,193	-	78	78		44,271
Rent	378,860	2,268	2,580	4,848		383,708
Software and licenses	50,606	2,837	5,296	8,133		58,739
Special events	-	-	26,987	26,987		26,987
Telephone	9,814	3,628	1,696	5,324		15,138
Travel and meetings	44,808	3,751	740	4,491		49,299
Utilities	27,757	-	74	74		27,831
Totals	$ 2,934,794	$ 240,670	$ 264,421	$ 505,091		$ 3,439,885

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

nonPAREIL INSTITUTE
Statement of Functional Expenses
For The Year Ended December 31, 2017

	Program services	Supporting services			
	Programs	Management and general	Development and fundraising	Total	Totals
Payroll and related expenses:					
Compensation and benefits	$ 1,934,960	$ 80,856	$ 172,989	$ 253,845	$ 2,188,805
Unemployment taxes	9,144	1,269	567	1,836	10,980
Payroll taxes	124,543	5,525	10,031	15,556	140,099
Total payroll and related expenses	2,068,647	87,650	183,587	271,237	2,339,884
Advertising	81,009	135	-	135	81,144
Bad debts	12,260	-	-	-	12,260
Bank charges	4,956	82	3,817	3,899	8,855
Books, subscriptions and reference	1,063	318	-	318	1,381
Cost of goods sold	1,272	-	-	-	1,272
Depreciation	92,123	353	276	629	92,752
Fundraising	-	-	100,009	100,009	100,009
Furniture	2,358	-	-	-	2,358
Hardware	21,486	156	142	298	21,784
Insurance	11,909	1,847	286	2,133	14,042
Internet services	24,214	198	123	321	24,535
Miscellaneous	18,128	420	-	420	18,548
Office supplies	18,169	233	234	467	18,636
Professional fees	5,531	10,870	100	10,970 -	16,501
Postage and mailing	968	148	1,612	1,760	2,728
Printing and copying	2,772	109	1,397	1,506	4,278
Repairs and maintenance	27,618	-	220	220	27,838
Rent	270,994	2,171	2,142	4,313	275,307
Software and licenses	31,034	2,815	5,528	8,343	39,377
Special events	12,886	-	-	-	12,886
Telephone	11,471	1,200	968	2,168	13,639
Travel and meetings	33,591	606	2,075	2,681	36,272
Utilities	16,905	-	-	-	16,905
Totals	$ 2,771,364	$ 109,311	$ 302,516	$ 411,827	$ 3,183,191

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

nonPAREIL INSTITUTE
Statements of Cash Flows
For The Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash proceeds from training fees	$ 2,410,661	$ 2,163,268
Cash proceeds from donors	1,049,030	656,260
Cash proceeds from sales	88,277	8,230
Cash proceeds from fundraising	81,205	146,957
Cash proceeds from agencies	6,688	16,615
Cash proceeds from other income	3,445	4,559
Cash proceeds from interest	1,837	472
Cash proceeds from counseling fees	1,705	-
Cash expended for employee compensation and benefits	(2,323,395)	(2,182,666)
Cash expended for rent	(383,708)	(275,307)
Cash expended for programs	(256,098)	(236,040)
Cash expended for employer payroll taxes	(151,476)	(140,099)
Cash expended for management and general	(78,356)	(21,533)
Cash expended for development and fundraising	(43,907)	(100,009)
Cash expended for insurance	(20,432)	(14,042)
Cash expended for bank fees	(8,593)	(8,855)
Cash expended for costs of good sold	-	(1,272)
NET CASH PROVIDED BY OPERATING ACTIVITIES	376,883	16,538
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(115,455)	(7,019)
Purchases of investments	(250,590)	-
NET CASH (USED IN) INVESTING ACTIVITIES	(366,045)	(7,019)
NET INCREASE (DECREASE) IN CASH	10,838	9,519
BEGINNING CASH AND CASH EQUIVALENTS	471,421	461,902
ENDING CASH AND CASH EQUIVALENTS	$ 482,259	$ 471,421
Supplemental cash flow disclosure:		
Contributed services and materials	$ 181,667	$ 103,192
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	$ 168,366	$ 30,586
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	79,574	92,752
Noncash donations of fixed assets	(154,800)	-
Net (gain) on disposition of property	(2,773)	-
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	116,291	(107,651)
Decrease (increase) in prepaid expenses	51,596	(4,324)
Increase (decrease) in accounts payable	23,091	(5,371)
(Decrease) increase in accrued liabilities	(4,435)	17,119
Increase (decrease) in refundable advances	99,973	(6,573)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 376,883	$ 16,538

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

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

nonPareil Institute (the Organization) is a Texas not-for-profit corporation headquartered in Plano, Texas. The Organization also has a training center in Houston, Texas. nonPareil is a post-secondary innovative program whose mission is to build better futures for adults with autism. The Organization offers hope to adults on the autism spectrum, enabling them to acquire skills and enhance their ability to live a more meaningful and independent life.

The Organization provides person-centered training and support in technology, vocational, life and social skills. nonPareil's goal is to help adults with autism in the program find their passion and reach their full potential.

nonPareil assists this underserved group of people and prepares them for increased independence and fulfilling lives. Some pursue employment at nonPareil upon completion of their training. Others return to college, while many transition into meaningful employment upon leaving nonPareil. The Organization has helped over 500 adults with autism and currently serves more than 220 adults with autism in Plano and Houston.

The Organization's revenue consists of training fees, free-will donations, contributed services and materials, fundraising, sponsorships, outsourcing projects, sales income and interest income.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred, irrespective of when paid. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is required to file annual reports to the Internal Revenue Service, Form 990, Return of Organizations Exempt from Federal Income Tax. nonPareil Institute is in compliance with all federal tax filings for the years ended December 31, 2018 and 2017.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with United States generally accepted accounting principles (GAAP) and include all accounts of the Organization. For financial reporting purposes, the Organization follows the reporting requirements of GAAP, which requires that resources be classified for accounting and reporting purposes based on the existence or absence of donor imposed restrictions. This is accomplished by the classification of net asset balances into two classes of net assets: without donor restrictions and with donor restrictions.

The Organization accounts for its funding in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, ASU No. 2016-14 - *Not-*

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

for-Profit Entities (Topic 958), which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to donor imposed restrictions. ASC Topic 958 requires that unconditional promises to give (pledges) be recorded as receivables and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Descriptions of the two net asset categories are as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

Training fees, contributions, contributed services and materials, sales income, fundraising income and sponsorships are recognized when earned, irrespective of when paid. Refundable advances are recorded when the revenue is earned, not received. Contributions are recognized as revenue when received or pledged and are recorded as net assets with donor restrictions and net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the contribution is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

At December 31, 2018 and 2017, net assets with donor restrictions were $623,073 and $476,601, respectively. At December 31, 2018 and 2017, net assets without donor restrictions were $302,013 and $280,119, respectively, have been designated to be used with the permission of the Board of Directors (the “Board”).

<u>Fair Value of Financial Instruments</u>

The Organization’s financial instruments consist of cash and cash equivalents, investments, accounts receivable, prepaid expenses, other assets, accounts payable, accrued expenses and refundable advances. Accounts receivable, prepaid expenses, other assets, accounts payable, accrued expenses and refundable advances are stated at cost which approximates fair value. Cash and cash equivalents and investments are stated at fair value.

<u>Cash and Cash Equivalents</u>

The Organization considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

<u>Investments</u>

Investments are recorded in the financial statements at estimated fair value. The Organization’s investments consist of three certificates of deposits with financial institutions that are federally insured. The Organization’s investment strategy is the preservation of capital.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable

Accounts receivable consists of training fees receivables and grant receivables and are recorded net of allowance for uncollectible accounts, if necessary. For the years ended December 31, 2018 and 2017, there were $3,566 and $12,260, respectively, recorded to bad debt expense. As of December 31, 2018 and 2017, there were $0, and $2,000, respectively, recorded for allowance for bad debt.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over $1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method, ranging from three to nine years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Deposits

Deposits consist of a deposit for an office lease.

Refundable Advances

Resources received in exchange transactions are recognized as refundable advances to the extent that the earnings process has not been completed. These resources are recorded as unrestricted revenues when the related obligations have been satisfied.

Noncash Donations and Contributed Services

Donated materials, fixed assets, and certain services are reflected as contributions at their estimated fair values on the date of receipt and are recorded in the appropriate asset or expense account. Services are recorded if they create or enhance nonfinancial assets or require special skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Classification of Revenue and Expense

Operating activities include items which are directly related to the Organization or are essential support elements of those programs. The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program activities and supporting services in the statements of functional expenses. Depreciation and interest expense have been allocated to the related operating activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The updated guidance addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The main provisions of this guidance include: presentation of two net asset classes versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The Organization has adjusted the presentation of these financials statements accordingly. The ASU has been applied retroactively to all periods presented.

Advertising and Marketing Costs

The Organization charges advertising and marketing costs to operations in the year the expense is incurred. During the years ended December 31, 2018 and 2017, advertising and marketing expenses incurred were $90 and $81,144.

NOTE C – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted as shown in the statements of functional expenses. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

NOTE D – INVESTMENTS

The Organization invested $250,000 and $0 into three certificates of deposits with financial institutions for the years ended December 31, 2018, and 2017, respectively. Interest income from the certificates of deposit for the years ended December 31, 2018 and 2017, was $590 and $0, respectively.

NOTE E – FAIR VALUE MEASUREMENT

FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, (“ASC 820”) provides the framework for measuring and reporting fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction

NOTE E – FAIR VALUE MEASUREMENT, continued

between market participants on the measurement date. Those fair value measurements maximize the use of observable inputs.

The fair value framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quotes prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the fair value hierarchy for the Organization's financial assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2018:

	Total	**Level 1**	**Level 2**	**Level 3**
Investments:				
Certificates of Deposit	**$ 250,590**	**$ 250,590**	**$ -**	**$ -**
Total investments	**$ 250,590**	**$ 250,590**	**$ -**	**$ -**

NOTE F – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2018 and 2017, financial assets and liquidity resources available within one year for general expenditures, such as ongoing operations and expansion efforts were as follows:

	2018	2017
Cash and cash equivalents	**$ 482,259**	$ 471,421
Investments	**250,590**	-
Accounts receivable	**1,613**	117,904
Total financial assets, at year end	**734,462**	589,325
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restriction	**(623,073)**	(476,601)
Financial assets available to meet cash needs for general expenditures within one year	**$ 111,389**	$ 112,724

Expenses for ongoing operations are covered by a combination of monthly client fees, donations, miscellaneous revenue and available financial assets. Average monthly revenue from client fees in 2018 and 2017 was $184,461 and $182,322 respectively. Average monthly expenses for ongoing operations in 2018 and 2017 was $268,415 and $262,635 respectively. Thus, average monthly revenue from client fees covered 68.7 % of average monthly expenses in 2018 and 69.4 % of average monthly expenses in 2017.

NOTE F – FINANCIAL ASSETS AND LIQUIDITY RESOURCES, continued

Expenses for expansion operations are covered by donations restricted for use in expansion activities. In addition, some ongoing operating expenses are covered by donations restricted to covering those specific operating expenses. Cash flows related to fundraising activity have seasonal variations, with most fundraising for ongoing operations occurring in the fourth quarter of the calendar year.

NOTE G – CONCENTRATION OF CREDIT RISK

As of December 31, 2018 and 2017, the Organization maintained balances at a financial institution in excess of the $250,000 insured by the Federal Deposit Insurance Corporation. The amounts at risk were approximately $43,000 and $20,000, respectively.

NOTE H – PROPERTY AND EQUIPMENT

The Organization's property and equipment consists of the following at December 31st:

Property and equipment:	**2018**	2017
Computer hardware	**$ 428,190**	$ 260,515
Computer software	**134,832**	134,832
Furniture and equipment	**156,717**	167,207
Leasehold improvements	**260,314**	157,734
	980,053	720,288
Accumulated depreciation	**(609,181)**	(542,870)
Property and equipment, net	**$ 370,872**	$ 177,418

The Organization expensed $79,574 and $92,752 to depreciation expense for the years ended December 31, 2018 and 2017, respectively.

NOTE I – CONTRIBUTED SERVICES AND MATERIALS

For the years ended December 31, 2018 and 2017, the Organization received and recognized contributed services and materials as follows:

	2018	2017
Gifts in kind - services	**$ -**	$ 80,138
Gifts in kind - goods	**181,667**	20,459
Donated use of facilities	**-**	2,595
Totals	**$ 181,667**	$ 103,192

These amounts are included in revenue as unrestricted contributions and in the applicable expense and assets categories in the accompanying financial statements.

In addition, the Organization received contributed services and materials which are not recognized as contributions in the financial statements since the recognition criteria under U.S. GAAP were not met.

NOTE J – OPERATING LEASE

In September, 2015, the Organization entered into an office lease with a partnership and then in October 2017, the lease was amended to include additional office space. The lease expires January 2028. The minimum future rental payments under the non-cancelable operating lease for the next five years and thereafter are estimated to be as follows:

Years	Base rent
2019	$ 153,489
2020	157,906
2021	161,962
2022	166,018
2023	170,074
Thereafter	736,421
Totals	$ 1,545,870

The Organization expensed $383,708 and $275,350 to rent expense for the years ended December 31, 2018 and 2017, respectively.

NOTE K – NET ASSETS

The Organization's net assets for the years ended December 31, 2018 and 2017 were as follows:

2018	Beginning Balance	Increase (Decrease)	Ending Balance
Without donor restrictions	$ 280,119	$ 21,894	$ 302,013
With donor restrictions	476,601	146,472	623,073
Totals	$ 756,720	$ 168,366	$ 925,086

2017	Beginning Balance	Increase (Decrease)	Ending Balance
Without donor restrictions	$ 439,885	$ (159,766)	$ 280,119
With donor restrictions	286,249	190,352	476,601
Totals	$ 726,134	$ 30,586	$ 756,720

NOTE L – CONTRIBUTIONS WITH DONOR RESTRICTIONS

Contributions with donor restrictions are net assets subject to restrictions imposed by the Organization or donor that may or will be met by actions of the Board and/or passage of time. When the restriction expires (i.e., when a stipulated time restriction ends or the Board fulfills the purpose for which the net assets were restricted), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. For the year ended December 31, 2018 there were $83,491 of contributions with donor restrictions given to the Organization for the location in Houston, Texas, $22,490 given for the location in Plano, Texas, $6,350 given for program extensions, $637,414 given for expansion cities, $350 given for scholarships, $100,000 given for the other. For the year ended December 31, 2017 there were $82,899 of contributions with

NOTE L – CONTRIBUTIONS WITH DONOR RESTRICTIONS, continued

donor restrictions given to the Organization for the location in Houston, Texas, $94,032 given for the location in Plano, Texas, $341,866 given for program extensions, $121,406 given for expansion cities, $66,783 given for scholarships.

NOTE M – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions of $703,623 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended December 31, 2018. The net assets with donor restrictions spent were $131,454 on the Houston location, $81,078 on the Plano location, $193,803 on program extensions, $245,564 on the expansion cities, $51,724 for scholarships. Net assets with donor restrictions of $516,634 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended December 31, 2017. The net assets with donor restrictions spent were $33,694 on the Houston location, $12,178 on the Plano location, $426,094 on program extensions, $29,259 on the expansion cities, $15,049 for scholarships.

NOTE N - NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions for the years ended December 31, 2018 and 2017 were as follows:

2018

	Beginning Balance	With donor restrictions	With donor restrictions released	Ending Balance
Houston	$ 49,205	$ 83,491	($ 131,454)	$ 1,242
Plano	83,884	22,490	(81,078)	25,296
Program extensions	187,453	6,350	(193,803)	-
Expansion cities	104,685	637,414	(245,564)	496,535
Scholarships	51,374	350	(51,724)	-
Other	-	100,000	-	100,000
Totals	$ 476,601	$ 850,095	($703,623)	$ 623,073

2017

	Beginning Balance	With donor restrictions	With donor restrictions released	Ending Balance
Houston	$ -	$ 82,899	($ 33,694)	$ 49,205
Plano	2,030	94,032	(12,178)	83,884
Program extensions	271,681	341,866	(426,094)	187,453
Expansion cities	12,538	121,406	(29,259)	104,685
Scholarships	-	66,783	(15,409)	51,374
Totals	$ 286,249	$ 706,986	($ 516,634)	$ 476,601

NOTE O – SUBSEQUENT EVENTS

FASB ASC 855-10 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. That is, whether that date represents the date the financial statements were issued or were available to be issued. The Organization has evaluated subsequent events for potential recognition and/or disclosure in these financial statements through February 19, 2019, the date that the financial statements were available to be issued.