The Florida Center
For Early Childhood, Inc.

FINANCIAL STATEMENTS

June 30, 2018 and 2017

The Florida Center
For Early Childhood, Inc.
Table of Contents
June 30, 2018 and 2017

REPORT

Carr, Riggs & Ingram, LLC
1001 3rd Avenue West
Suite 500
Bradenton, FL 34205

(941) 747-0500
(941) 746-0202 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Florida Center for Early Childhood, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Florida Center for Early Childhood, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Florida Center for Early Childhood, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of June 30, 2017, were audited by Shinn and Company, LLC, who merged with CARR, RIGGS & INGRAM, LLC as of March 1, 2018, and whose report dated November 9, 2017, expressed an unmodified opinion on those statements.

Carr, Riggs & Ingram, L.L.C

CARR, RIGGS & INGRAM, LLC

Bradenton, Florida
February 27, 2019

FINANCIAL STATEMENTS

June 30, 2018

Assets	Unrestricted	Temporarily Restricted	Total
Current assets			
Cash and cash equivalents	$ 671,717	$ 3,500	$ 675,217
Investments	776,070	-	776,070
Receivables:			
Contracts and grants	451,200	-	451,200
Patient accounts receivable, net	52,873	-	52,873
Prepaid expenses	44,244	-	44,244
Total current assets	1,996,104	3,500	1,999,604
Property and equipment, net	186,808	-	186,808
Other assets			
Security deposit	3,186	-	3,186
Total other assets	3,186	-	3,186
Total assets	$ 2,186,098	$ 3,500	$ 2,189,598
Liabilities And Net Assets			
Current liabilties			
Accounts payable	$ 144,012	$ -	$ 144,012
Accrued payroll and benefits	244,122	-	244,122
Deferred revenue	84,474	-	84,474
Notes payable, current	9,869	-	9,869
Line of credit	178,000	-	178,000
Total current liabilties	660,477	-	660,477
Noncurrent liabilties			
Notes payable, long term	36,362	-	36,362
Total noncurrent liabilities	36,362	-	36,362
Total liabilities	$ 696,839	$ -	$ 696,839
Net assets			
Unrestricted	1,489,259	-	1,489,259
Temporarily restricted	-	3,500	3,500
Total net assets	1,489,259	3,500	1,492,759
Total liabilities and net assets	$ 2,186,098	$ 3,500	$ 2,189,598

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

The Florida Center For Early Childhood, Inc.
Statement of Financial Position

June 30, 2017

Assets		Unrestricted		Temporarily Restricted		Total
Current assets						
Cash and cash equivalents	$	653,556	$	-	$	653,556
Investments		693,987		-		693,987
Receivables:						
Contracts and grants		325,546		-		325,546
Patient accounts receivable, net		97,922		-		97,922
Prepaid expenses		39,949		-		39,949
Total current assets		1,810,960		-		1,810,960
Property and equipment, net		153,150		-		153,150
Other assets						
Security deposit		3,186		-		3,186
Total other assets		3,186		-		3,186
Total assets	$	1,967,296	$	-	$	1,967,296
Liabilities And Net Assets						
Current liabilties						
Accounts payable	$	82,557	$	-	$	82,557
Accrued payroll and benefits		212,162		-		212,162
Deferred revenue		89,187		-		89,187
Line of credit		200,000		-		200,000
Total current liabilties		583,906		-		583,906
Net assets						
Unrestricted		1,383,390		-		1,383,390
Total net assets		1,383,390		-		1,383,390
Total liabilities and net assets	$	1,967,296	$	-	$	1,967,296

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

The Florida Center For Early Childhood, Inc.
Statement of Activities

For the year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and support			
Governmental contracts and grants			
Federal and State	$ 2,303,500	$ -	$ 2,303,500
County and other	1,032,975	-	1,032,975
Private grants	573,326	-	573,326
Patient service revenue, net of contractual allowances and	775,779	-	775,779
Provision for uncollectible accounts	(24,014)	-	(24,014)
Patient service revenue, net	751,765		751,765
In-kind donations	669,456	-	669,456
YMCA - ECC	232,953		232,953
United Way	212,050	-	212,050
Contributions	116,003	-	116,003
Training Institute	25,598	-	25,598
Rental	98,810	-	98,810
Interest	2,577	-	2,577
Special events, net of expenses of $47,244	83,760	3,500	87,260
Investment Income, net	82,084	-	82,084
Total revenues, gains and support	6,184,857	3,500	6,188,357
Expenses:			
Program services:			
Healthy Families	2,416,048	-	2,416,048
Starfish Academy	922,997	-	922,997
Early Intervention Services	1,857,559	-	1,857,559
Fetal Alcohol Diagnosis Clinic	340,267	-	340,267
Supporting services:			
Management and General	386,856	-	386,856
Development and Fundraising	155,261	-	155,261
Total expenses	6,078,988	-	6,078,988
Changes in net assets	105,869	3,500	109,369
Net assets, beginning of year	1,383,390	-	1,383,390
Net assets, end of year	$ 1,489,259	$ 3,500	$ 1,492,759

For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, gains and support			
Governmental contracts and grants			
Federal and State	$ 2,303,500	$ -	$ 2,303,500
County and other	839,361	-	839,361
Private grants	403,111	-	403,111
Patient service revenue, net of contractual allowances and discounts	796,510	-	796,510
Provision for uncollectible accounts	(48,260)		(48,260)
Patient service revenue, net	748,250		748,250
In-kind donations	646,914	-	646,914
United Way	240,518	-	240,518
Contributions	85,067	-	85,067
Training Institute	8,729	-	8,729
Rental	98,810	-	98,810
Interest	2,811	-	2,811
Special events, net of expenses of $40,826	51,659	-	51,659
Investment Income, net	73,736	-	73,736
Total revenues, gains and support	5,502,466	-	5,502,466
Expenses:			
Program services:			
Healthy Families	2,405,917	-	2,405,917
Starfish Academy	844,783	-	844,783
Early Intervention Services	1,382,987	-	1,382,987
Fetal Alcohol Diagnosis Clinic	320,433	-	320,433
Supporting services:			-
Management and General	337,821	-	337,821
Development and Fundraising	166,469	-	166,469
Total expenses	5,458,410	-	5,458,410
Changes in net assets	44,056	-	44,056
Net assets, beginning of year	1,339,334	-	1,339,334
Net assets, end of year	$ 1,383,390	$ -	$ 1,383,390

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

The Florida Center For Early Childhood, Inc.
Statement of Functional Expenses

For the year ended June 30, 2018

	Program Services					Supporting Services			
	Healthy Families	Starfish Academy	Early Intervention Services	Fetal Alcohol Diagnosis Clinic	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 1,334,062	$ 511,853	$ 1,107,869	$ 188,654	$ 3,142,438	$ 385,337	$ 117,410	$ 502,747	$ 3,645,185
Fringe benefits	181,435	62,963	108,511	17,452	370,361	22,549	9,419	31,968	402,329
Payroll taxes and fees	129,477	49,706	105,113	18,887	303,183	26,462	9,461	35,923	339,106
Total compensation and benefits	1,644,974	624,522	1,321,493	224,993	3,815,982	434,348	136,290	570,638	4,386,620
Equipment rental & maint	24,073	5,733	10,030	3,618	43,454	23,055	1,617	24,672	68,126
Insurance	25,698	12,212	14,134	6,425	58,469	5,416	1,285	6,701	65,170
Supplies	60,157	7,728	15,289	12,320	95,494	28,204	2,121	30,325	125,819
Facility	83,788	47,678	46,145	5,970	183,581	31,780	-	31,780	215,361
Professional services	12,632	5,490	27,683	32,960	78,765	44,543	697	45,240	124,005
Bank charges and fees	-	-	544	-	544	20,903	1,946	22,849	23,393
Telephone	34,866	7,292	17,053	1,280	60,491	6,833	1,428	8,261	68,752
Postage and shipping	1,100	703	1,268	1,748	4,819	2,516	677	3,193	8,012
Travel	125,975	1,491	27,570	2,953	157,989	16,904	908	17,812	175,801
Training and education	6,630	1,417	21,064	555	29,666	4,324	96	4,420	34,086
Client assistance	17,812	-	501	-	18,313	2,100	-	2,100	20,413
Dues, licenses and fees	11,062	6,738	33,503	2,231	53,534	1,948	4,579	6,527	60,061
Marketing and public relations	-	-	-	-	-	4,119	17	4,136	4,136
Rent	126,083	126,600	129,720	22,320	404,723	184,560	3,600	188,160	592,883
In-kind donations	7,500	-	23,693	-	31,193	29,450	-	29,450	60,643
Depreciation	-	-	-	-	-	45,707	-	45,707	45,707
Total other expenses	537,376	223,082	368,197	92,380	1,221,035	452,362	18,971	471,333	1,692,368
Administration allocation	233,698	75,393	167,869	22,894	499,854	(499,854)	-	(499,854)	-
Total expenses	$ 2,416,048	$ 922,997	$ 1,857,559	$ 340,267	$ 5,536,871	$ 386,856	$ 155,261	$ 542,117	$ 6,078,988

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

The Florida Center For Early Childhood, Inc.
Statement of Functional Expenses

For the year ended June 30, 2017

	Program Services					Supporting Services			
	Healthy Families	Starfish Academy	Early Intervention Services	Fetal Alcohol Diagnosis Clinic	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 1,348,041	$ 456,461	$ 834,128	$ 197,727	$ 2,836,357	$ 355,065	$ 111,165	$ 466,230	$ 3,302,587
Fringe benefits	160,404	55,736	85,875	15,299	317,314	31,041	8,369	39,410	356,724
Payroll taxes and fees	117,566	40,899	71,292	19,516	249,273	24,286	9,439	33,725	282,998
Total compensation and benefits	1,626,011	553,096	991,295	232,542	3,402,944	410,392	128,973	539,365	3,942,309
Equipment rental & maint	12,018	4,120	6,592	1,260	23,990	5,296	1,371	6,667	30,657
Insurance	26,086	12,239	14,348	6,522	59,195	5,238	1,304	6,542	65,737
Supplies	67,820	11,609	12,261	8,392	100,082	4,681	424	5,105	105,187
Facility	87,578	46,435	45,541	5,457	185,011	31,895	506	32,401	217,412
Professional services	8,113	4,200	9,545	13,090	34,948	39,042	3,009	42,051	76,999
Bank charges and fees	-	-	-	-	-	18,657	219	18,876	18,876
Telephone	32,983	6,943	14,509	1,307	55,742	5,921	1,089	7,010	62,752
Postage and shipping	878	538	1,066	182	2,664	2,208	742	2,950	5,614
Travel	117,993	327	10,608	1,125	130,053	14,162	191	14,353	144,406
Training and education	3,100	750	2,590	1,520	7,960	1,880	1,258	3,138	11,098
Client assistance	26,710	-	-	-	26,710	-	-	-	26,710
Dues, licenses and fees	11,153	6,689	32,726	2,315	52,883	5,491	4,175	9,666	62,549
Marketing and public relations	-	-	228	-	228	150	1,596	1,746	1,974
Rent	126,972	126,600	129,720	22,320	405,612	184,560	3,600	188,160	593,772
In-kind donations	7,500	-	18,750	-	26,250	8,880	18,012	26,892	53,142
Depreciation	-	-	-	-	-	39,216	-	39,216	39,216
Total other expenses	528,904	220,450	298,484	63,490	1,111,328	367,277	37,496	404,773	1,516,101
Administration allocation	251,002	71,237	93,208	24,401	439,848	(439,848)	-	(439,848)	-
Total expenses	$ 2,405,917	$ 844,783	$ 1,382,987	$ 320,433	$ 4,954,120	$ 337,821	$ 166,469	$ 504,290	$ 5,458,410

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

For the year ended June 30,	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 109,369	$ 44,056
Adjustment to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	45,707	39,216
Bad debt expense	24,014	48,260
Unrealized gain in investment	(66,095)	(62,817)
(Increase) decrease in:		
Contracts and grants receivable	(125,654)	167,310
Patient accounts receivable	21,035	(54,728)
Prepaid expense	(4,295)	(6,126)
Increase (decrease) in:		
Accounts payable	61,455	13,646
Accrued payroll and benefits	31,960	13,009
Deferred revenue	(4,713)	71,668
Net cash and cash equivalents provided by operating activities	92,783	273,494
Cash flows from investing activities:		
Purchase of investments	(15,988)	(10,919)
Purchase of property and equipment	(79,365)	(16,156)
Net cash and cash equivalents used by investing activities	(95,353)	(27,075)
Cash flows from financing activities:		
Proceeds on notes payable	54,127	-
Payments on notes payable	(7,896)	-
Net payments on line of credit	(22,000)	-
Net cash and cash equivalents provided by financing activities	24,231	-
Increase in cash and cash equivalents	21,661	246,419
Cash and cash equvalents - beginning of year	653,556	407,137
Cash and cash equivalents - end of year	$ 675,217	$ 653,556
Supplemental disclosure:		
Cash paid for interest	$ 11,889	$ 9,608

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

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Florida Center for Early Childhood, Inc. ("the Center") is a not-for-profit corporation located in Sarasota, Florida. It was incorporated on June 22, 1979 for the purpose of providing mental health and developmental therapy to at-risk infants and children from the age of zero to nine. The Center also provides professional evaluation, therapy, counseling, education, diagnostic, advocacy, and consultation services for children, adolescents and adults.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America (GAAP).

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting and reporting practices promulgated by the American Institute of Certified Public Accountants for not-for-profit organizations. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

> Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
>
> Temporarily restricted net assets – Net assets that are available for use, but expendable only for those purposes specified by the donor.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenues.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of Risk - The Center maintains its cash balances at financial institutions located in Sarasota, Florida. Accounts at each financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per customer. There was $206,539 and $419,300 in excess of FDIC insurance as of June 30, 2018, and June 30, 2017, respectively.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and Equipment - Property and equipment are recorded at cost or, if donated, at the fair market value at the date of the donation. The Center capitalizes purchases over $1,000 and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Repairs that do not significantly extend the life of capitalized assets are expensed as incurred.

The estimated useful lives are as follows:

Furniture, fixtures, and equipment	3 - 15 years
Computers and software	3 years
Vehicles	3 years
Leasehold improvements	25 years

Contributions - Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services - The Center recognizes donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills. Donated services are valued at fair market value as of the date provided.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Receivables – Patient receivables consist of amounts due from patients, Medicaid, and third-party insurance carriers arising from program services provided in the ordinary course of business. The Center grants credit without collateral to its patients, most of who are local residents and are insured under their-party payor agreements. One health plan had a balance in excess of 10% of the total patient receivables, and comprised 42% of the Center's patient receivables as of June 30, 2018. Three health plans, each with balances in excess of 10% of total patient receivables, comprised 64% of the Center's patient receivables as of June 30, 2017.

The allowance for uncollectible accounts is management's best estimate of the amount of probable losses in patient receivables and is based on a number of factors, including payer collections and adjustments history and review of past due balances, with particular emphasis on past due accounts greater than 90 days old and individual patient self-pay balances. Account balances are written off against the allowance after all means of collection have been exhausted and the likelihood of potential recovery is considered remote. Patient receivables are included in the accompanying statements of financial position net of the allowance for uncollectible accounts, which includes estimated allowances for contractual adjustments and uncollectible accounts, of $4,945 and $0 at June 30, 2018 and 2017, respectively.

Contract and Grant Receivables - Contract and grant receivables consist of amounts due from Ounce of Prevention, Florida Department of Health, Sarasota County, Sarasota YMCA, and other fee for service contract arising from program services provided in the ordinary course of business. Management has determined these receivables are collectable and an allowance for doubtful accounts is not considered necessary for the years ended June 30, 2018 and 2017.

Revenue Recognition

Federal, State and Local Program Funds

Grant funds for reimbursement type grants are deemed to be earned and reported as revenue when expenditures are incurred in compliance with specific grant requirements. Funds paid in advance are recorded as deferred revenue in the statements of financial position until the revenue is earned and recognized.

Grant funds for units of service type grants are deemed to be earned and reported as revenue when a unit of service is provided in compliance with the specific grant requirements.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient and Third-Party Fees, Net

Net patient and third-party fees are reported at the estimated net realizable amounts due from patients, third-party payers and others for services rendered. Net patient and third-party fees are recognized as services are provided. The Center derives a significant portion of its revenue from Certain Medicaid Managed Care health plans operating under the State's Medicaid program. Two health plans for 2018 and one health plan for 2017, each with revenue in excess of 10% of gross patient and third-party fees, comprised 35% and 28% of the Center's gross patient and third-party fees for the years ended June 30, 2018 and 2017, respectively.

The Center bills patients without third-party insurance on a sliding scale of 0% to 100% of standard charges, based on the patient's ability to pay. Charges foregone due to a patient's inability to pay are not recognized as revenue. A portion of the cost of serving uninsured patients with no ability to pay is funded under the Centers' contracts with its funding agencies (see contract and grant receivables).

The Center has agreements with third-party payers that provide for payments at amounts different from its established rates. Medicaid and other governmental programs reimburse providers based on fee schedules, which are determined by the related government agency. The Center also has agreements with managed care and other organizations to provide services based on negotiated fee schedules. Accordingly, the revenues reported in the Centers' financial statements are recorded at the amount that is expected to be received.

The Center must estimate the total amount of contractual discounts from established charges to prepare its financial statements. The Medicaid regulations and various managed care contracts under which these discounts must be calculated are complex and subject to interpretation and adjustment. The Center estimates the allowance for contractual discounts on a payer class basis using its interpretation of the applicable regulations or contract terms. These interpretations sometimes result in payments that differ from initial estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management.

Adjustments to revenue related to changes in prior period estimates of contractual adjustments and uncollectible accounts decreased net patient and third-party fees for the year ended June 30, 2018 and 2017 by approximately $ 24,014 and $48,260, respectively.

Functional Allocation of Expenses - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office repair, salaries and professional fees, which are allocated on the basis of estimates of time and effort.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status - The Center has been determined to be an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income.

Management has evaluated the effect of accounting standards relating to accounting for uncertainty in income taxes. Management has determined that the Center had no uncertain income tax positions that could have a significant effect on the financial statements for the years ended June 30, 2018 and 2017.

Recent Accounting Pronouncements - In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14 to improve current net asset classification requirements and the information presented in financial statements and notes about a not for profit entity's liquidity. The ASU will be effective for not for profits for fiscal years beginning after December 15, 2017; and interim periods with fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is still considering the effect of this change on the financial statements but does not expect them to have a material effect on the financial statements.

Reclassifications

The Center reclassified prior-period deferred expenses of $2,250 to prepaid expenses in the financial statements to conform to the current-period presentation. The prior period temporarily restricted cash and deferred revenue amounts of $9,971 were reclassified to unrestricted to conform with the current year presentation. On the prior period Statement of Cash flows, investment purchases of $10,919 were reclassified from unrealized gain on investment. There was no effect on the statement of activities for any prior period reclassification noted above.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

June 30,	**2018**	2017
Furniture, fixtures, and equipment	**$ 1,042,527**	$ 1,022,537
Computers and software	**218,351**	216,676
Vehicles	**57,701**	18,000
Leasehold improvements	**226,912**	226,912
Total property and equipment	**1,545,491**	1,484,125
Less: accumulated depreciation	**(1,358,683)**	(1,330,975)
Net property and equipment	**$ 186,808**	$ 153,150

NOTE 3: INVESTMENTS

The components of investments at June 30, 2018 and 2017 are summarized as follows:

June 30, 2018	Cost	Fair Value	Accumulated Unrealized Gain (Loss)
Common stock	$ 596,337	$ 602,994	$ 6,657
Corporate bonds-fixed	77,338	74,146	(3,192)
Money market account	98,930	98,930	-
Total	$ 772,605	$ 776,070	$ 3,465

June 30, 2017	Cost	Fair Value	Accumulated Unrealized Gain (Loss)
Common stock	$ 236,518	$ 437,328	$ 200,810
Corporate bonds-fixed	158,738	158,450	(288)
Money market account	98,209	98,209	-
Total	$ 493,465	$ 693,987	$ 200,522

The net investment income for 2018 was $82,084, which included $15,988 and $66,095 for realized and unrealized gains, respectively. The net investment income for 2017 was $73,736, which included $10,919 and $62,817 for realized and unrealized gains, respectively.

NOTE 4: FAIR VALUE MEASUREMENT

The financial statements are prepared in accordance with ASC 820, *Fair Value Measurements*, for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the financial statements or on a recurring basis (at least annually). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value as follows:

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

Level 2: Other than quoted market prices within Level 1 that are observable for assets or liabilities either directly or indirectly.

Level 3: Unobservable inputs that are not corroborated by market data

NOTE 4: FAIR VALUE MEASUREMENT (Continued)

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodology used at June 30, 2018 and 2017.

Common stock: Comprised of common stock valued at the closing price reported in the active market in which the individual securities are traded.

Corporate bonds: Comprised of units/share held in corporate bonds. Each unit is invested in an allocation of actively traded financial instrument that are priced on a daily basis. There are no unfunded commitments within the funds and in addition there are no significant restrictions on the Center's ability to sell the investments.

Money market account: Comprised of money markets which are valued at the closing price reported in the active market in which the assets are held at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities valued on a recurring basis as of June 30, 2018 and 2017:

Description	June 30, 2018	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	$ 602,994	$ 602,994	$ -	$ -
Corporate bonds - fixed	74,146	74,146	-	-
Money market funds	98,930	98,930	-	-
Total financial assets at fair value	$ 776,070	$ 776,070	$ -	$ -

Description	June 30, 2017	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	$ 437,328	$ 437,328	$ -	$ -
Corporate bonds - fixed	158,450	158,450	-	-
Money market funds	98,209	98,209	-	-
Total financial assets at fair value	$ 693,987	$ 693,987	$ -	$ -

NOTE 4: FAIR VALUE MEASUREMENT (Continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require transfer of financial instruments from one fair value to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no such transfers in the current year.

NOTE 5: PATIENT ACCOUNTS RECEIVABLE

The Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers as of the years ended June 30, 2018 and 2017, are as follows:

	Percent	
Payor	2018	2017
Medicaid	82%	74%
Commercial	11%	9%
Patients	7%	17%
	100%	100%

NOTE 6: PATIENT SERVICE REVENUE

Patient service revenue, net of contractual allowances and discounts (before the provision for uncollectible accounts) is recognized for the years ended June 30, 2018 and 2017, respectively, as follows:

For the year ended June 30,	2018	2017
Medicaid	495,449	512,748
Commercial	7,450	15,547
Private pay	242,636	251,454
Early Steps	30,244	16,761
	775,779	796,510

NOTE 7: IN-KIND DONATIONS

The Center has annually renewable leases of $1 per year for its north Sarasota and North Port locations that provide for administrative and service facilities. In addition, the Charlotte County School Board provides space in two schools and is recorded at fair market value of the leased space. The value of the leases for the years ended June 30, 2018 and 2017 are $592,883 and $593,772, respectively, and are a portion of in-kind donations that is recognized in the statement of activities.

NOTE 8: RETIREMENT PLAN

The Center provides a contributory tax-deferred annuity plan for its employees. After one year of employment, the Center will match up to 5% of the employee's contributions to their retirement plans. Retirement expense was $75,282and $82,936 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9: WINDSTORM INSURANCE CONTINGENCY

The Center's current windstorm insurance policy contains a 5% deductible clause for named hurricanes and other wind damage. Based on the $5,004,860 insured valuation of the five buildings, approximately $250,243 would be the responsibility of the Center for a named hurricane and other wind/hail damage.

NOTE 10: LINE OF CREDIT

The Center has a revolving line of credit with a local financial institution. Terms call for interest only payable monthly with a maturity date of February 6, 2019. Interest accrues at one half percent above Prime Rate, 6.0% and 4.5% at June 30, 2018 and 2017, respectively. Collateral for the line of credit is a depository account with a balance of $192,929 and $213,948 at June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, there was $178,000 and $200,000 drawn on the line of credit, respectively.

NOTE 11: NOTES PAYABLE

The Organization signed a 48-month, $32,000 auto loan on January 3, 2018 (Loan A). The monthly loan payment is $707 per month and carries an interest rate of 4.52%. The Organization also signed a 60-month, $22,127 auto loan on March 23, 2018 (Loan B). The monthly loan payment is $462 per month and carries an annual interest rate of 9.24%. The current portion of principal payments is $3,764. The collateral on the auto loans A and B are the underlying vehicles that have a net book value of $35,574 and $22,127, respectively.

The table below shows the Organization's future commitments for future periods.

Annual Commitments						
Future periods	2019	2020	2021	2022	2023	Totals
Auto Loan A	$ 6,105	$ 6,444	$ 6,802	$ 5,933	$ -	$ 25,284
Auto Loan B	3,764	4,127	4,525	4,961	3,570	20,947
Total	$ 9,869	$ 10,571	$ 11,327	$ 10,894	$ 3,570	$ 46,231

NOTE 12: COMMITMENTS AND CONTINGENCIES

Based on the nature of the Centers' business, the Center is subject to regulatory and monitoring reviews or other investigations by various state insurance and health care regulatory authorities and other state and federal regulatory authorities. These authorities regularly scrutinize the business practices of health care companies and their reviews focus on numerous facets of the Centers' business, including claims payment practices, physician credentialing, competitive practices, privacy issues and utilization management practices, among others. Such reviews could result in future assessments of fines and/or sanctions that may be material to the financial statements. The Center did not incur fines and/or sanctions related to these reviews during the years ended June 30, 2018 and 2017.

Professional and General Liability

The Center is subject to claims and legal actions in the ordinary course of business, including claims relating to patient treatment, employment practices and personal injuries. To cover these types of claims, the Center maintains general and professional liability insurance on a claims-made basis through commercial insurance carriers in amounts that the Center believes to be sufficient for its operations. It is at least reasonably possibly that some claims may exceed the scope of coverage in effect.

NOTE 12: COMMITMENTS AND CONTINGENCIES (Continued)

Laws and Regulations

The healthcare industry is subject o numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to accreditation, licensure, and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse.

In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. To ensure accurate payments to providers, the Tax Relief and Healthcare Act of 2006 mandated the Centers for Medicare & Medicaid Services (CMS) to implement a Recovery Audit Contractor (RAC) program on a permanent and nationwide basis no later than 2010. The program uses RACs to search for potentially improper Medicare payments that may have been made to health care providers that were not dated through existing CMS program integrity efforts, on payments that have occurred at least one year ago but not longer than three years ago. Once a RAC identifies a claim it believes to be improper, it makes a deduction from the provider's Medicare/Medicaid reimbursement in an amount estimated to equal the overpayment.

The Center will deduct from revenue any amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. RAC assessments are possible; however, the outcome of such assessments is unknown and cannot be reasonably estimated.

Violations of these laws and regulations could result in exclusion from government healthcare program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Center is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Center's financial position.

NOTE 13: SUBSEQUENT EVENTS

On February 7, 2019, the $200,000 Line of Credit was renewed for one year carrying an interest rate of Prime Rate plus 1.00%; the Line of Credit carried a balance of $164,000 at the renewal date. The Auto Loan A was paid off in full on August 4, 2019. Subsequent events have been evaluated through February 27, 2019, which is the date the financial statements were available to be issued.