Julia C. Hester House, Inc.

FINANCIAL STATEMENTS

December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Julia C. Hester House, Inc.
Houston, Texas

We have audited the accompanying financial statements of Julia C. Hester House, Inc. (a nonprofit organization)(the Organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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.

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 of 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 Organization'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 Julia C. Hester House, Inc. as of December 31, 2017 and 2016, 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.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
October 17, 2018

Julia C. Hester House, Inc.
Statements of Financial Position

December 31,		**2017**		2016
Assets				
Current assets				
Cash and cash equivalents	**$**	**92,851**	$	54,519
Investment		**29,441**		31,772
Grants and pledges receivable		**47,268**		68,621
Prepaid expenses		**17,090**		18,826
Total current assets		**186,650**		173,738
Restricted cash and cash equivalents		**373,725**		373,539
Property and equipment, net		**4,673,567**		4,812,490
Total assets	**$**	**5,233,942**	$	5,359,767
Liabilities and Net Assets				
Current liabilities				
Accounts payable	**$**	**9,137**	$	4,974
Accrued expenses		**15,338**		18,559
Current maturities of long-term debt		**19,112**		18,731
Total current liabilities		**43,587**		42,264
Long-term debt, net of current maturities		**7,564**		18,653
Total liabilities		**51,151**		60,917
Commitments and contingencies				
Net assets				
Unrestricted		**1,909,653**		1,606,623
Temporarily restricted		**3,273,138**		3,692,227
Total net assets		**5,182,791**		5,298,850
Total liabilities and net assets	**$**	**5,233,942**	$	5,359,767

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

Julia C. Hester House, Inc.
Statements of Activities

For the Years Ended December 31,	**2017**			2016		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Support and revenue						
United Way allocations	**$ 211,624**	**$ -**	**$ 211,624**	$ 220,500	$ -	$ 220,500
Supporting income	**1,324,734**	**-**	**1,324,734**	1,221,653	-	1,221,653
Program	**7,938**	**-**	**7,938**	9,903	-	9,903
Rental	**55,041**	**-**	**55,041**	57,896	-	57,896
Investment (decline) return, net	**(507)**	**-**	**(507)**	5,561	-	5,561
Other	**-**	**-**	**-**	3,782	-	3,782
Total revenue	**1,598,830**	**-**	**1,598,830**	1,519,295	-	1,519,295
Net assets released from restrictions						
Program expenditures	**419,089**	**(419,089)**	**-**	466,233	(466,233)	-
Total support and revenue	**2,017,919**	**(419,089)**	**1,598,830**	1,985,528	(466,233)	1,519,295
Expenses						
Program services						
Early childhood services	**588,916**	**-**	**588,916**	611,624	-	611,624
Family and social services	**388,219**	**-**	**388,219**	379,815	-	379,815
Senior services	**540,603**	**-**	**540,603**	540,987	-	540,987
Total program services	**1,517,738**	**-**	**1,517,738**	1,532,426	-	1,532,426
Supporting services						
Fundraising	**277**	**-**	**277**	358	-	358
Management and general	**196,874**	**-**	**196,874**	283,848	-	283,848
Total supporting services	**197,151**	**-**	**197,151**	284,206	-	284,206
Total expenses	**1,714,889**	**-**	**1,714,889**	1,816,632	-	1,816,632
Changes in net assets	**303,030**	**(419,089)**	**(116,059)**	168,896	(466,233)	(297,337)
Net assets at beginning of year	**1,606,623**	**3,692,227**	**5,298,850**	1,437,727	4,158,460	5,596,187
Net assets at end of year	**$ 1,909,653**	**$ 3,273,138**	**$ 5,182,791**	$ 1,606,623	$ 3,692,227	$ 5,298,850

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

For the year ended December 31,	2017					
	Program Services			Supporting Services		
	Early Childhood Services	Family and Social Services	Senior Services	Fundraising	Management and General	Total
Salaries and related expenses						
Salaries	$ 242,178	$ 164,030	$ 233,551	$ -	$ 56,361	$ 696,119
Employee fringe benefits	60,821	45,042	72,486	-	15,158	193,507
Payroll taxes	27,791	14,837	22,026	-	5,845	70,499
Total salaries and related expenses	330,790	223,910	328,063	-	77,363	960,125
Operating expenses						
Automobile expenses	6,284	2,910	7,253	-	89	16,536
Rental and maintenance	16,843	9,157	13,295	-	13,188	52,483
Insurance	21,554	12,205	13,557	-	10,568	57,884
Other expenses	611	204	385	-	997	2,197
Professional fees	31,857	12,930	21,223	-	13,031	79,041
Program services	16,137	5,250	22,459	-	5,621	49,467
Security patrol	50,635	27,983	27,983		26,650	133,251
Special events	-	-	-	277	-	277
Supplies	11,563	6,077	6,917	-	5,660	30,217
Telephone and telecommunication	9,153	5,058	5,058	-	4,817	24,086
Utilities	28,089	17,135	26,675	-	7,190	79,089
Total operating expenses before depreciation	192,726	98,909	144,805	277	87,811	524,528
Depreciation	65,400	65,400	67,735	-	31,700	230,235
Total expenses	**$ 588,916**	**$ 388,219**	**$ 540,603**	**$ 277**	**$ 196,874**	**$ 1,714,889**

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

Julia C. Hester House, Inc.
Statement of Functional Expenses

For the year ended December 31,	2016					
	Program Services			Supporting Services		
	Early Childhood Services	Family and Social Services	Senior Services	Fundraising	Management and General	Total
Salaries and related expenses						
Salaries	$ 280,545	$ 183,666	$ 273,935	$ -	$ 149,441	$ 887,587
Employee fringe benefits	38,959	23,373	36,541	-	10,038	108,911
Payroll taxes	32,064	17,000	16,848	-	9,961	75,873
Total salaries and related expenses	351,568	224,039	327,324	-	169,440	1,072,371
Operating expenses						
Automobile expenses	3,664	2,436	6,807	-	254	13,161
Rental and maintenance	10,344	7,304	10,117	-	9,211	36,976
Insurance	24,887	13,905	13,905	-	(4,652)	48,045
Other expenses	527	257	1,148	-	1,097	3,029
Professional fees	55,624	8,478	8,585	-	39,636	112,323
Program services	8,204	2,011	23,621	-	1,217	35,053
Security patrol	35,978	26,650	45,305		25,317	133,250
Special events	-	-	-	358	-	358
Supplies	19,830	6,776	11,144	-	4,135	41,885
Telephone and telecommunication	1,190	657	657	-	627	3,131
Utilities	29,957	17,451	21,931	-	10,926	80,265
Total operating expenses before depreciation	190,205	85,925	143,220	358	87,768	507,476
Depreciation	69,851	69,851	70,443	-	26,640	236,785
Total expenses	**$ 611,624**	**$ 379,815**	**$ 540,987**	**$ 358**	**$ 283,848**	**$ 1,816,632**

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

Julia C. Hester House, Inc.
Statements of Cash Flows

For the years ended December 31,		**2017**		**2016**
Operating activities				
Change in net assets	**$**	**(116,059)**	$	(297,337)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities				
Unrealized losses (gains) on investments		**2,331**		(4,334)
Depreciation		**230,235**		236,785
Changes in operating assets and liabilities				
Grants and pledges receivable		**21,353**		(15,521)
Prepaid expenses		**1,736**		1,469
Accounts payable		**4,163**		325
Accrued expenses		**(3,221)**		2,491
Net cash provided by (used in) operating activities		**140,538**		(76,122)
Investing activities				
Transfer of restricted cash		**(186)**		24,874
Purchase of property and equipment		**(91,312)**		(24,874)
Net cash used in investing activities		**(91,498)**		-
Financing activities				
Payments on long-term debt		**(43,040)**		(47,701)
Proceeds from long-term debt		**32,332**		38,215
Net cash used in financing activities		**(10,708)**		(9,486)
Net change in cash and cash equivalents		**38,332**		(85,608)
Cash and cash equivalents at beginning of year		**54,519**		140,127
Cash and cash equivalents at end of year	**$**	**92,851**	$	54,519
Supplemental cash flow information:				
Cash paid for interest	**$**	**2,547**	$	2,959
Noncash investing and financing activities:				
Prepaid expenses financed with assumption of short-term debt	**$**	**17,090**	$	18,826

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

NOTE 1: ORGANIZATION

Organization

Julia C. Hester House, Inc. (the Organization) is a non-profit Texas corporation founded in 1943 to provide social services to residents of the Fifth Ward community in Houston, Texas. The Organization's services are primarily funded by United Way of the Texas Gulf Coast (United Way) and Harris County, Texas (the County).

Programs

Early Childhood Services
The overall goal of this program is to foster a positive, healthy learning environment for the children of the Fifth Ward community and to empower individual families. Based on Head Start Performance Standards and Texas Early Learning Standards, the program encourages each child to explore the environment in a positive way with a strong emphasis on early literacy and strong family support.

Family and Social Services
Through support and case management services, this program addresses immediate client needs while assessing root causes impacting the client's ability to maintain and/or achieve self-sufficiency. The elimination of these obstacles allows families to achieve personal, educational, and economic independence, which ultimately enhances the quality of life in the Fifth Ward and surrounding communities. The Organization has partnered with two service providers, Wesley Community Center and Career and Recovery Resources, Inc., to operate a food pantry and support workforce development.

Senior Services
The Senior Services program empowers seniors to live independently and with dignity. Critical services for the elderly are provided in a community-based environment promoting health and nutrition, social activities, recreation, and supportive services. The program seeks to decrease loneliness and isolation, improve and maintain health conditions, and provide linkage to critical resources to help sustain at-risk seniors within their homes. Ultimately, the impact will result in an increase in lifestyle changes, which supports the Organization's mission of promoting quality of living in the Fifth Ward community.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted as follows:

Unrestricted net assets – Represent those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily restricted net assets – Consist of contributions restricted by donor to use for specific purposes or requiring a specific passage of time before funds can be spent.

Permanently restricted net assets – Represent contributions donors have restricted in perpetuity, but permit expenditures of income derived from the donated assets to be expended for temporarily restricted or unrestricted purposes. At December 31, 2017 and 2016, the Organization held no permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid financial instruments with original maturities of three months or less. Restricted cash is limited in use to payment of costs to construct and repair long-term assets, as required by donors.

Investment

The Organization's investment in an equity security is reported at fair value. Investment return is reported in the statements of activities as an increase in unrestricted net assets as the use of the income is not limited by donor-imposed restrictions.

Grants and Pledges Receivable

Grants and pledges receivable that are expected to be collected within one year are reported at a net realizable value. Grants and pledges receivable that are expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. Grants and pledges receivable at December 31, 2017 were collected in 2018.

An allowance for uncollectible pledges is provided when management identifies individual pledges that may not be collected in full. As of December 31, 2017 and 2016, no allowance was considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Property is reported at cost, if purchased. The Organization capitalizes all expenditures for property and equipment with a cost greater than $1,000. In mid-year of 2017, the capitalization policy was revised to capitalize expenditures in excess of $5,000. Donated assets are capitalized, and recorded as support, at their fair value at the date of receipt. 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 Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Routine maintenance and repair costs are charged to expense in the year incurred.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is computed using the straight-line method over estimated useful lives of the respective classes of assets. The estimate useful lives are as follows:

Building and leasehold improvements	25 years
Furniture and equipment	5 – 15 years

Long-Lived Assets

Long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. Management believes no impairment has occurred with respect to long-lived assets as of December 31, 2017 and 2016.

Fair Value Considerations

The Organization uses fair value to measure financial and certain nonfinancial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Organization did not elect the fair value option for the measurement of any eligible assets or liabilities.

Financial instruments (primarily cash and cash equivalents, investments, and various receivables and liabilities) are carried in the accompanying statements of financial position at amounts which reasonably approximate fair value.

Contributions

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received are recognized as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Support that is restricted by the donor and is to be used in future periods is reported as an increase in temporarily or permanently restricted net assets in the reporting period in which the support is recognized. When restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reporting in the statements of activities as net assets released from restrictions.

Donated Materials and Services

Donated materials and services are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. For the years ended December 31, 2017 and 2016, the Organization received donated materials and supplies for its programs and other building related costs totaling $209,876 and $270,782 from the County, respectively.

A substantial amount of unpaid volunteers make significant contributions of their time to develop the Organization's programs. The value of the contributed time is not reflected in these statements because it does not require a specialized skill or create or enhance a nonfinancial asset.

Income Taxes

The Organization is exempt from income taxes under 501(c)(3) of the Internal Revenue Code and a similar provision of state law, and is further classified as a public charity. Therefore, no provision for federal income tax has been made in these financial statements. The Organization has determined there are no uncertain tax positions that require recognition or disclosure in the accompanying financial statements.

Use of Estimates

The Organization uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Subsequent Events

The Organization has evaluated subsequent events through the time the financial statements are available for issuance on October 17, 2018. No matters were identified affecting the financial statements and related disclosures.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Financial Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Underwater endowments will be included in net assets with donor restrictions and new or enhanced disclosures regarding the composition of net assets will be required. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. Absent specific donor stipulations, the Organization will use the placed-in-service approach for reporting expirations of restrictions on long-lived assets. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the Organization's financial statements. As of December 31, 2017 and 2016, the Organization did not elect to early adopt this standard.

NOTE 3: FAIR VALUE MEASUREMENTS

Fair value is defined 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 three tier fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs that may be used to measure fair value are as follows:

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

Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity.

The Organization utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

The value of the assets measured at fair value on a recurring basis is as follows:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
December 31, 2017:				
Equity securities	**$ 29,441**	**$ -**	**$ -**	**$ 29,441**
December 31, 2016:				
Equity securities	$ 31,772	$ -	$ -	$ 31,772

The following summarizes the investment return in the statements of activities:

For the Years Ended December 31,	**2017**	2016
Interest and dividends	**$ 1,824**	$ 1,227
Unrealized (losses) gains	**(2,331)**	4,334
	$ (507)	$ 5,561

NOTE 4: PROPERTY AND EQUIPMENT

Property consists of the following:

December 31,	**2017**	2016
Land	**$ 11,000**	$ 11,000
Building and leasehold improvements	**6,139,720**	6,048,408
Furniture and equipment	**385,317**	385,317
	6,536,037	6,444,725
Accumulated depreciation	**(1,862,470)**	(1,632,235)
	$ 4,673,567	$ 4,812,490

Included in property and equipment is $4,142,426 of contributed building (Wellness Center) which was contributed in 2014. If the Organization does not continue to use such building in its operations for a period of no less than 10 years, either the title to the building or the proceeds from the sale of the building will revert to the original donor.

Depreciation expense for the years ended December 31, 2017 and 2016 totaled $230,235 and 236,785.

NOTE 5: LONG-TERM DEBT

Long-term debt consists of the following:

December 31,	**2017**	2016
Uncollateralized, note payable to a financial institution in monthly installments of $966, including interest at 3.5%; matures August 2019	**$ 18,681**	$ 29,389
Uncollateralized note payable to finance property insurance premiums, in monthly installments of $1,912, including interest at 13.2%; matured February 2018	**3,761**	-
Uncollateralized note payable to finance liability insurance premiums, in monthly installments of $767, including interest at 16.7%; matured August 2018	**2,412**	-
Uncollateralized note payable to finance automobile insurance premiums, in monthly installments of $546, including a $6 fee; matured August 2018	**1,822**	-
Uncollateralized note payable to finance property insurance premiums, in monthly installments of $2,123, including interest at 12.75%; matures January 2017	**-**	2,100
Uncollateralized note payable to finance liability insurance premiums, in monthly installments of $786, including interest at 15.45%; matures June 2017	**-**	3,288
Uncollateralized note payable to finance automobile insurance premiums, in monthly installments of $552, including a $6 fee; matures September 2017	**-**	2,607
	26,676	37,384
Less: current portion	**(19,112)**	(18,731)
	$ 7,564	$ 18,653

Future maturities of long-term debt are as follows:

For the year ending December 31,	
2018	$ 19,112
2019	7,564
	$ 26,676

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

December 31,	**2017**	2016
Wellness Center	**$ 2,899,699**	$ 3,313,941
Capital expenditures	**373,439**	373,539
Fine arts program	**-**	1,808
Use in future periods	**-**	2,939
	$ 3,273,138	$ 3,692,227

NOTE 7: COMMITMENTS AND CONTINGENCIES

Joint Participation Agreement

Beginning June 1, 2013, the Organization and the County entered into an initial four year joint participation agreement; provided, however that the agreement will renew for subsequent four year terms automatically unless either party provides notice at least sixty (60) days prior to subsequent term start date that the party will not renew for a subsequent term. In accordance with the agreement, the Organization will maintain ownership of its land and facilities and continue to operate the Wellness Center; and the County will use its resources to integrate into the current operations offered by the Organization or separately run programs, activities, meetings, and other services at the Organization's facilities.

In July 2014, the joint participation agreement was amended to extend the initial term from four years to ten years; provided however, that the agreement will renew for subsequent ten year terms automatically unless either party provides notice at least sixty (60) days prior to the subsequent term start date that the party will not renew for a subsequent term. A term period begins on June 1 and ends with the expiration of May 31 ten years later.

Operating Lease

The Organization has a lease agreement with a third party for the rental of 30,000 square feet of land for the purpose of the Early Head Start Child Development Program. The land with a cost amount of $11,000 is included in property and equipment in the statements of financial position. The lease has a termination date of June 30, 2019 or 30 days after lessee's notice to the Organization that the lessee is no longer receiving certain funding for its services. Rental income is recorded over the lease term, and approximates straight-line recognition. Rental income under the operating lease for 2017 and 2016 was $55,041 and $57,896, respectively.

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum rental income is as follows:

For the year ending December 31,		
2018	$	60,213
2019		30,551
	$	90,764

Concentrations of Credit Risk

Financial instruments, which subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents and investments in marketable securities. Cash and investments are maintained with financial institutions and brokerage firms in the United States. Deposits with financial institutions may exceed the amount of insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. Investments held at brokerage firms are not insured. In monitoring this credit risk, the Organization periodically evaluates the stability of the financial institutions and brokerage firms.

The Organization receives a large portion of its funding from United Way and the County. As of December 31, 2017 and 2016, United Way and the County contributions comprised 100% of grants and pledges receivable. United Way and the County contributions were approximately 81% and 89% of total support and revenue for the years ended December 31, 2017 and 2016, respectively. During 2017 and 2016, supporting income included $872,394 and $940,287 of labor and benefits, which represent the cost of staff and security used for the Organization's programs of which the County does not request reimbursement.

Funding sources may suspend payments, require reimbursement of expenses or return of funds, or both, as a result of noncompliance with the terms of a funding agreement. This could result in a liability or decrease of revenues for the Organization. In addition, grants and pledges are funded annually and subject to annual funding renewals. In management's opinion, the risk of these events occurring is minimal, and would not have a material adverse effect on the Organization's financial position or results of its operations. Should any of these events occur, management's contingency plan includes raising funds through other sources, including but not limited to alumni, foundations and corporations, small businesses, professional associations, faith communities, and other individuals.