Children Today

Fostering Stability & Success

FINANCIAL STATEMENTS

DECEMBER 31, 2018

WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

YH ADVISORS
THE EXEMPT ORG EXPERTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children Today, Inc.:

We have audited the accompanying financial statements of Children Today, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 auditors consider 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.

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Auditors' Responsibility *(continued)*

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 Children Today, Inc. as of December 31, 2018, and the changes in its net assets, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 20-38 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2019, on our consideration of Children Today Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Children Today Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the financial statements of Children Today, Inc. and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

YH Advisors, Inc.

Huntington Beach, California
May 9, 2019

CHILDREN TODAY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

	December 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 597,582	$ 689,232
Accounts receivable	8,658	11,199
Contributions receivable, net	53,000	108,029
Prepaid expenses	3,426	2,310
Total Current Assets	662,666	810,770
PROPERTY AND EQUIPMENT, NET	4,297,640	4,425,188
OTHER ASSETS		
Beneficial interest in assets held by others	68,339	72,272
TOTAL ASSETS	$ 5,028,645	$ 5,308,230
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 5,198	$ 10,442
Accrued employee related expenses	47,751	48,136
Deferred revenue	7,000	10,000
Note payable, current portion	20,012	19,038
Note payable to related party, current portion	103,000	--
Total Current Liabilities	182,961	87,616
NON CURRENT LIABILITIES		
Note payable, net of current portion	641,505	661,412
Note payable to related party, net of current portion	--	380,547
Total Non Current Liabilities	641,505	1,041,959
TOTAL LIABILITIES	824,466	1,129,575
NET ASSETS		
Without donor restrictions		
Board designated for endowment purposes	35,000	35,000
Board designated for the Eco House	22,276	22,276
Undesignated	3,979,012	3,941,546
Total without donor restrictions	4,036,288	3,998,822
With donor restrictions	167,891	179,833
TOTAL NET ASSETS	4,204,179	4,178,655
TOTAL LIABILITIES AND NET ASSETS	$ 5,028,645	$ 5,308,230

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

CHILDREN TODAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARY COMPARATIVE TOTALS FOR 2017

	Without Donor Restrictions	With Donor Restrictions	December 31, 2018	December 31, 2017
REVENUE AND SUPPORT				
Government grants	$ 477,540	$ --	$ 477,540	$ 734,134
Contributions and grants	299,948	234,000	533,948	492,261
Capital campaign	971	--	971	38,796
In-kind contributions	46,073	--	46,073	36,701
Investment (loss) income, net	(3,577)	--	(3,577)	8,555
Other income	8,187	--	8,187	31,952
Net assets released from restrictions	245,942	(245,942)	--	--
	1,075,084	(11,942)	1,063,142	1,342,399
SPECIAL EVENTS				
Special events revenue	573,502	--	573,502	284,730
Special events expenses	(301,574)	--	(301,574)	(132,397)
	271,928	--	271,928	152,333
TOTAL REVENUE AND SUPPORT	1,347,012	(11,942)	1,335,070	1,494,732
EXPENSES				
Program services	964,908	--	964,908	973,987
Supporting services:				
Management and general	284,731	--	284,731	300,016
Fundraising	59,907	--	59,907	69,842
TOTAL EXPENSES	1,309,546	--	1,309,546	1,343,845
CHANGE IN NET ASSETS	37,466	(11,942)	25,524	150,887
NET ASSETS AT BEGINNING OF YEAR	3,998,822	179,833	4,178,655	4,027,768
NET ASSETS AT END OF YEAR	$ 4,036,288	$ 167,891	$ 4,204,179	$ 4,178,655

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

CHILDREN TODAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	December 31, 2018	December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 25,524	$ 150,887
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	127,548	132,119
Change in value of beneficial interest in assets held by others	3,933	(8,216)
Discount on contributions receivable	(971)	(24,796)
Change in operating assets and liabilities:		
Accounts receivable	2,541	58,524
Contributions receivable, net	56,000	1,051,000
Prepaid expenses	(1,116)	(2,310)
Accounts payable and accrued expenses	(5,244)	(2,379)
Accrued employee related expenses	93	(1,215)
Accrued interest	(478)	(2,097)
Deferred revenue	(3,000)	10,000
Net Cash Provided By Operating Activities	204,830	1,361,517
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	--	(13,721)
Net Cash Used In Investing Activities	--	(13,721)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on note payable	(18,933)	(17,999)
Repayments on note payable to related party	(277,547)	(1,217,606)
Net Cash Used In Financing Activities	(296,480)	(1,235,605)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(91,650)	112,191
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	689,232	577,041
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 597,582	$ 689,232
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ 40,496	$ 58,053
Cash paid for income taxes	NONE	NONE
Noncash investing transactions	NONE	NONE
Noncash financing transactions	NONE	NONE

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

CHILDREN TODAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARY COMPARATIVE TOTALS FOR 2017

	Program Services	Management and General	Fundraising	December 31, 2018	December 31, 2017
PERSONNEL EXPENSES					
Salaries and wages	$ 570,449	$ 138,890	$ 44,078	$ 753,417	$ 766,697
Employee benefits and taxes	96,425	21,640	7,447	125,512	118,371
TOTAL PERSONNEL EXPENSES	666,874	160,530	51,525	878,929	885,068
OTHER EXPENSES					
Advertising and outreach	4,323	--	--	4,323	1,413
Automobile	--	2,043	--	2,043	2,165
Bank and credit card fees	--	--	--	--	186
Depreciation	91,835	28,060	7,653	127,548	132,119
Dues and subscriptions	120	3,414	--	3,534	4,086
Eco House donor relations	--	--	--	--	11,921
Food supplies	25,732	--	--	25,732	30,741
In-kind expense	46,073	--	--	46,073	36,701
Insurance	50,007	490	461	50,958	47,153
Interest expense	--	40,019	--	40,019	55,956
Meetings expense	166	6,947	--	7,113	2,807
Office supplies	130	4,322	--	4,452	3,967
Payroll service fees	--	9,937	--	9,937	18,311
Permits and licenses	880	549	--	1,429	1,136
Postage and delivery	--	545	--	545	695
Professional fees	--	19,750	--	19,750	20,265
Property taxes	3,214	982	268	4,464	9,498
Repairs and maintenance	33,534	2,409	--	35,943	27,926
Staff development	4,110	1,263	--	5,373	8,935
Supplies	20,243	--	--	20,243	18,986
Telephone and internet	4,885	2,998	--	7,883	9,259
Utilities	12,041	463	--	12,504	12,847
Other	741	10	--	751	1,704
TOTAL OTHER EXPENSES	298,034	124,201	8,382	430,617	458,777
TOTAL EXPENSES	$ 964,908	$ 284,731	$ 59,907	$ 1,309,546	$ 1,343,845

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

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

NOTE 1 – Organization

Organization and Nature of Activities

Children Today, Inc. (the Organization) was founded in 1997 in Long Beach, California. The Organization's mission is to provide community-based services to children and families experiencing homelessness or who are involved in the child welfare system, fostering long-term family stability and success.

The Organization provides no-cost, high quality, early care and education through an eco-friendly and LEED certified facility entitled the Eco House. The Eco House was designed to serve children and advocate on behalf of the families. Since inception, the Organization has reached thousands of children and families in Long Beach, California.

Funding is obtained principally from state and federal government grants for specific programs, as well as from donations and fundraising activities, including a capital campaign to fund building and facility expansion.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation of Financial Statements

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (US GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a full comparison of operations year over year. Accordingly, these comparative financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with an original maturity of three months or less when purchased, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Accounts Receivable

Accounts receivable consist primarily of reimbursements due from governmental agencies under various grants, and are stated at the amount that management expects to collect from outstanding balances. Accounts receivable are written off when they are determined to be uncollectible.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. For the years ended December 31, 2018 and 2017, the Organization did not receive any conditional promises to give.

Property and Equipment

Property and equipment over $5,000 are recorded at cost, if purchased, or at fair value at the date of the gift, if donated and significant. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation has been recorded using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. Repairs, maintenance, and minor acquisitions are expensed as incurred, and the Organization uses the direct expensing method to account for planned major maintenance activities.

The carrying values of property and equipment are reviewed to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and not be recoverable. No circumstances occurred during the years ending December 31, 2018 or 2017 causing the Organization to believe there has been any impairment of the carrying value of its long-lived assets. There can be no assurance, however, that market or other conditions will not change in the future, resulting in impairment of long-lived assets.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Beneficial Interest in Assets Held by Community Foundation

The Organization's Board of Directors established an endowment fund whereby certain contributions would remain intact. In 2009, the Organization transferred $35,000 to the Long Beach Community Organization (LBCF) to establish the Children Today Endowment Fund. The funds are invested in an allocated investment pool. Net income from the fund may be distributed annually to the Organization upon request. The Organization granted LBCF variance power over the funds at the time of the transfer, but since the Organization is a nonprofit organization, who specified themselves as the beneficiary, the Organization may recognize at fair value the beneficial interest in the assets held by LBCF.

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor restrictions. Some donor-imposed restrictions are temporary in nature, for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, for example stipulating that resources be maintained in perpetuity. Law may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, laws extend to donor-imposed restrictions. The expirations of donor-imposed restrictions are recognized when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

In-Kind Contributions

Contributed goods are recorded at fair value at the date of donation. During the years ended December 31, 2018 and 2017, contributed goods totaled $126,674 and $96,744, respectively, and included clothing, supplies, and gift cards to various retail stores that were utilized as part of program services and items donated for auction which were utilized for fundraising during special events.

In addition, a substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. The donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Advertising and Outreach Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising and outreach costs are charged to operations when incurred and during the years ended December 31, 2018 and 2017 totaled $4,323 and $1,413, respectively.

Income Tax Status

The Organization has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and under Revenue and Taxation Code Section 23701d, respectively.

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

On December 22, 2017, the President of the United States signed into law *H.R. 1*, originally known as the Tax Cuts and Jobs Act. The new law (Public Law No. 115-97) includes substantial changes to the taxation of individuals, businesses, multinational enterprises and others. In addition to many generally applicable provisions, the law contains several specific provisions applicable to tax-exempt organizations and their donors. The Organization has reviewed these provisions and their potential impact and concluded the enactment of Public Law No. 115-97 will not have a material effect on operations.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principals. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from such estimates and those differences could be material.

Credit Risk

Deposit concentrations are managed by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with contributions receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations supportive of the mission.

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Accounting Pronouncements Adopted

In August of 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 985) Presentation of Financial Statements of Not-For-Profit Entities.* The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a Not-For-Profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization has adopted this pronouncement.

Recent Accounting Pronouncements

In November of 2016, Financial Accounting Standards Board (FASB) issued ASU 2016-18, *Restricted Cash, a consensus of the FASB Emerging Issues Task Force.* ASU 2016-18 requires an entity to include amounts generally described as restricted cash and restricted cash equivalents, along with cash and cash equivalents when reconciling beginning and ending balances on the statement of cash flows. ASU 2016-18 is effective for nonpublic business entities for annual reporting periods beginning after December 15, 2018. The requirements of this statement are effective for the Organization for the year ending December 31, 2019. The Organization is in the process of evaluating the impact of this statement and potential effects of the financial statements.

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Recent Accounting Pronouncements (continued)

In May of 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers, particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for nonpublic business entities for annual reporting periods beginning after December 15, 2018. The requirements of this statement are effective for the Organization for the fiscal year ending December 31, 2019. The Organization is in the process of evaluating the impact of this statement and potential effects of the financial statements.

In February of 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 15, 2019. The requirements of this statement are effective for the Organization for the year ending December 31, 2020. The Organization is in the process of evaluating the impact of this statement and potential effects of the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through May 9, 2019, the date the financial statements were available to be issued for the year ended December 31, 2018 and determined there were no items to disclose.

NOTE 3 – Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditure are as follows as of December 31:

	2018	2017
Cash and cash equivalents	$ 597,582	$ 689,232
Accounts receivable	8,658	11,199
Contributions receivable	53,000	59,000
Total	$ 659,240	$ 759,431

As part of the Organization's liquidity management plan, a portion of any operating surplus is maintained in the operating account.

NOTE 4 - Fair Value Measurements and Disclosures

The Organization applies fair value measurement of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the assets or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include 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 for the asset or liability, and market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability. These inputs are developed using the best information available in the circumstances.

NOTE 4 - Fair Value Measurements and Disclosures *(continued)*

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to an asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the assessment of the quality, risk or liquidity profile of the asset or liability.

The fair value of the beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 investments. There have been no changes in the methodologies used at December 31, 2018 and 2017.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2018:

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by others	$ 68,339	$ --	$ --	$ 68,339
Total	$ 68,339	$ --	$ --	$ 68,339

NOTE 4 - Fair Value Measurements and Disclosures *(continued)*

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2017:

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by others	$ 72,272	$ --	$ --	$ 72,272
Total	$ 72,272	$ --	$ --	$ 72,272

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using unobservable inputs (Level 3) for the years ended December 31:

	2018	2017
Interest and dividends	$ 1,717	$ 1,452
Unrealized gains	(6,128)	6,479
Realized gains	1,311	1,074
Administrative fees	(834)	(789)
Total	($ 3,934)	$ 8,216

NOTE 5 – Contributions Receivable

Contributions receivable are summarized as follows at December 31:

	2018	2017
Unconditional contributions expected to be collected in:		
Less than one year	$ 53,000	$ 59,000
Greater than one year	--	50,000
	53,000	109,000
Less discounts to net present value	--	(971)
Total	$ 53,000	$ 108,029

Contributions receivable due in greater than one year are discounted using the Daily Treasury Yield Curve Rate, which was 1.98% at December 31, 2017. There was no net present value discount deemed necessary by management at December 31, 2018 as all items were expected to be collected within one year. There was no allowance for doubtful accounts deemed necessary by management at December 31, 2018 or 2017.

NOTE 6 – Property and Equipment

Property and equipment are summarized as follows at December 31:

	2018	2017
Furniture, fixtures and equipment	$ 126,344	$ 126,344
Automobile	30,470	30,470
Building	3,813,693	3,813,693
	3,970,507	3,970,507
Less accumulated depreciation	(397,343)	(269,795)
	3,573,164	3,700,712
Land	724,476	724,476
Total	$ 4,297,640	$ 4,425,188

Depreciation expense for the years ended December 31, 2018 and 2017 was $127,548 and $132,119, respectively.

NOTE 7 – Notes Payable

Notes payable consists of the following at December 31:

	2018	2017
Note payable; secured by deed of trust on real property; principal and interest payments of $4,416 are due monthly; final principal payment due October 2038; interest at 5% for ten years, then for the remaining fifteen years interest is calculated at the prime rate plus 2% with a floor of 5% and ceiling of 9%	$ 661,517	$ 680,450
Note payable to related party; secured by second deed of trust on real property; interest payments are due monthly; balance and any unpaid interest due December 31, 2019; interest at 2%	103,000	380,547
	764,517	1,060,997
Less current portion	(123,012)	(19,038)
Total	$ 641,505	$ 1,041,959

Future maturities of the notes payable are as follows:

For the year ending December 31,	
2019	123,012
2020	21,036
2021	22,112
2022	23,243
2023	24,433
Thereafter	550,681
Total	$ 764,517

NOTE 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose:		
Program administration and supplies	$ 114,891	$ 70,833
Contributions receivable, the proceeds from which have been restricted by donors for Eco House	53,000	109,000
Total	$ 167,891	$ 179,833

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors.

	2018	2017
Expiration of time restrictions	$ 56,000	$ 1,139,796
Satisfaction of purpose restrictions		
Program administration and supplies	133,319	125,417
Administrative support and supplies	56,623	56,583
Total	$ 245,942	$ 1,321,796

NOTE 9 – Concentrations

Contingencies

The Organization has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes that any required reimbursements will not be material.

Accounts Receivable

Accounts receivable from a government entity made up 100% of accounts receivable at December 31, 2018 and 2017.

Contributions Receivable

Contributions receivable from one individual for the Eco House capital campaign made up approximately 94% and 92% of contributions receivable at December 31, 2018 and 2017, respectively.

NOTE 9 – Concentrations *(continued)*

Revenue

Revenue provided through programs funded by the California Department of Education made up approximately 45% of the Organization's total support and revenue for the year ended December 31, 2018.

Revenue provided through programs funded by the California Department of Education, County of Los Angeles, and the U.S. Department of Housing and Urban Development made up approximately 25%, 19%, and 11%, respectively, of the Organization's total support and revenue for the year ended December 31, 2017.

NOTE 10 – Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, repairs and maintenance, and depreciation which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, advertising and outreach, office expenses, information technology, travel and meetings, insurance, training and development, and other, which are allocated on the basis of estimates of time and effort.

NOTE 11 – Employee Benefits

The organization sponsors a profit sharing plan (the Plan) qualified under IRC Section 401(k) covering substantially all full-time employees. The Plan provides that employees who have attained the age of 21 and completed one year of service may voluntarily contribute from 0 to 92 percent of their earnings to the Plan, up to the maximum annual contribution allowed by the IRS. During the years ended December 31, 2018 and 2017, the organization did not offer an employer match program, resulting in zero expense related to the Plan.

NOTE 12 – Related Party Transactions

The Organization has a note payable, bearing interest at 2%, due to a former member of the Board of Directors, with a balance due of $103,000 and $380,547 at December 31, 2018 and 2017, respectively. Principal and interest payments of $277,547 and $1,217,606 were made during the years ended December 31, 2018 and 2017, respectively. See Note 7.