JULIETTE FOWLER COMMUNITIES

Faithfully caring for generations.

JULIETTE FOWLER COMMUNITIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Mueller Prost
CPAs + Business Advisors

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Mueller Prost
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To the Board of Directors and Management
Juliette Fowler Communities
Dallas, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of Juliette Fowler Communities, Inc., Juliette Fowler Properties, Inc., and Juliette Fowler Foundation (collectively *"the Organization")* which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, consolidated statements of cash flows and the related notes to the consolidated financial statements for the years then ended, and consolidated statement of functional expenses and notes to the consolidated financial statements as necessary for the adoption of the new financial statement standard as noted below for the year ended December 31, 2018.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, and the results of its operations, 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.

Emphasis of Matter

With the adoption of Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14 Not-for-Profit Entities (Topic 958), the Organization is presenting the Consolidated Statement of Functional Expense and Liquidity and Availability for the year ended December 31, 2018 only. The Consolidated Statement of Activities for the year ended December 31, 2018 reflects these changes.

Mueller Prost LC

August 1, 2019
St. Louis, Missouri

Certified Public Accountants

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JULIETTE FOWLER COMMUNITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

		2018		(Restated) 2017
ASSETS				
Current Assets				
Cash and cash equivalents	$	2,900,409	$	1,901,114
Marketable securities		15,843,280		16,926,761
Resident accounts receivable, net		1,023,713		922,761
Related party receivables, net		545,645		395,515
Other receivables		98,072		43,756
Prepaid expenses		112,801		90,280
Total Current Assets		20,523,920		20,280,187
Property and Equipment, Net		21,214,332		22,390,260
Other Assets				
Beneficial interest in perpetual trusts		2,450,357		2,806,054
Split-interest agreements		879,724		1,100,560
Mineral interests		1,995,543		1,887,037
Real estate		36,719		36,719
Other assets		808,284		867,201
Total Other Assets		6,170,627		6,697,571
Total Assets	**$**	**47,908,879**	**$**	**49,368,018**
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	$	152,648	$	147,691
Accrued expenses		300,598		414,144
Total Current Liabilities		453,246		561,835
Other Liabilities				
Resident funds held in trust		9,461		12,634
Total Other Liabilities		9,461		12,634
Total Liabilities		462,707		574,469
Net Assets				
Without donor restrictions		42,432,100		43,821,715
With donor restrictions		5,014,072		4,971,834
Total Net Assets		47,446,172		48,793,549
Total Liabilities and Net Assets	**$**	**47,908,879**	**$**	**49,368,018**

The notes to the consolidated financial statements are an integral part of these statements.

JULIETTE FOWLER COMMUNITIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Patient fees, net	$ 5,940,372	$ -	$ 5,940,372
Medicare/Medicaid, net	1,610,009	-	1,610,009
Total Operating Revenue	7,550,381	-	7,550,381
Other Support			
Individual and foundation donations	681,885	465,721	1,147,606
Other income	556,508	-	556,508
Net assets released from restrictions	423,483	(423,483)	-
Total Other Support	1,661,876	42,238	1,704,114
Total Operating Revenue and Other Support	9,212,257	42,238	9,254,495
Expenses			
Program Services			
Healthcare and rehabilitation	4,785,958	-	4,785,958
Assisted living	2,084,114	-	2,084,114
Independent living	1,491,788	-	1,491,788
Foster and youth programs	292,979	-	292,979
Total Program Services	8,654,839	-	8,654,839
Supporting Services			
General and administrative	1,422,485	-	1,422,485
Fundraising	458,522	-	458,522
Total Supporting Services	1,881,007	-	1,881,007
Total Expenses	10,535,846	-	10,535,846
Change in Net Assets Before Investment Gains (Losses) and Other Changes	(1,323,589)	42,238	(1,281,351)
Investment Income, Net	528,994	-	528,994
Change in Beneficial Interest in Perpetual Trusts and Split-Interest Agreements	(576,533)	-	(576,533)
Loss on Sale of Property and Equipment	(18,487)	-	(18,487)
Change in Net Assets	(1,389,615)	42,238	(1,347,377)
Net Assets, 12/31/2017, as Restated	43,821,715	4,971,834	48,793,549
Net Assets, 12/31/2018	**$ 42,432,100**	**$ 5,014,072**	**$ 47,446,172**

The notes to the consolidated financial statements are an integral part of these statements.

JULIETTE FOWLER COMMUNITIES
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	(Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue			
Patient fees, net	$ 5,973,831	$ -	$ 5,973,831
Medicare/Medicaid, net	2,585,344	-	2,585,344
Total Operating Revenue	8,559,175	-	8,559,175
Other Support			
Individual and foundation donations	751,655	243,059	994,714
Other income	411,397	-	411,397
Net assets released from restrictions	1,309,295	(1,309,295)	-
Total Other Support	2,472,347	(1,066,236)	1,406,111
Total Operating Revenue and Other Support	11,031,522	(1,066,236)	9,965,286
Expenses			
Program Services			
Healthcare and rehabilitation	5,423,274	-	5,423,274
Assisted living	1,814,158	-	1,814,158
Independent living	1,345,977	-	1,345,977
Foster and youth programs	353,606	-	353,606
Specific purpose expenditures	262,608	-	262,608
Depreciation	1,194,181	-	1,194,181
Bad debts	144,000	-	144,000
Total Program Services	10,537,804	-	10,537,804
Supporting Services			
General and administrative	447,582	-	447,582
Depreciation	62,556	-	62,556
Fundraising	373,439	-	373,439
Total Supporting Services	883,577	-	883,577
Total Expenses	11,421,381	-	11,421,381
Change in Net Assets Before Investment Gains (Losses) and Other Changes	(389,859)	(1,066,236)	(1,456,095)
Interest and Dividends	293,554	-	293,554
Change in Value of Investments	1,928,386	-	1,928,386
Investment Gains	(166)	-	(166)
Change in Value of Mineral Interest	963,020	-	963,020
Oil and Gas Royalties	916,267	-	916,267
Change in Beneficial Interest in Perpetual Trusts and Split-Interest Agreements	352,125	-	352,125
Change in Net Assets	4,063,327	(1,066,236)	2,997,091
Net Assets, 12/31/2016, as Originally Stated	39,905,566	6,038,070	45,943,636
Prior Period Adjustment	(147,178)	-	(147,178)
Net Assets, 12/31/2016, as Restated	39,758,388	6,038,070	45,796,458
Net Assets, 12/31/2017, as Restated	**$ 43,821,715**	**$ 4,971,834**	**$ 48,793,549**

The notes to the consolidated financial statements are an integral part of these statements.

JULIETTE FOWLER COMMUNITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services					Management and General	Fundraising	Total
	Healthcare and Rehabilitation	Assisted Living	Independent Living	Foster and Youth Programs	Total Program Expenses			
Compensation and Related Expenses								
Salaries and wages	$ 2,112,335	$ 992,889	$ 395,455	$ 83,584	$ 3,584,263	$ 899,596	$ 270,170	$ 4,754,029
Payroll taxes	142,433	62,318	32,693	4,273	241,717	106,332	23,532	371,581
Employee benefits	281,217	69,427	30,759	11,017	392,420	144,562	24,408	561,390
Dietary expenses	46,456	10,985	59,970	13,675	131,086	24	-	131,110
Dues and subscriptions	5,860	4,365	-	-	10,225	-	-	10,225
Equipment expense	43,326	17,449	6,586	2,534	69,895	1,328	-	71,223
Fees and licenses	31,102	9,424	-	-	40,526	-	-	40,526
Insurance	106,736	56,258	60,524	19,161	242,679	69,509	1,326	313,514
Marketing	6,578	386	68,642	-	75,606	-	-	75,606
Meals and other activities	-	10,799	-	-	10,799	-	-	10,799
Office expense	13,441	2,304	5,880	3,174	24,799	23,607	-	48,406
Professional fees	90,160	39,351	40,824	2,849	173,184	44,377	36,618	254,179
Property taxes	13,844	4,765	6,508	807	25,924	1,977	18	27,919
Rent	-	-	-	3,433	3,433	-	-	3,433
Repairs and maintenance	83,580	84,513	169,807	52,161	390,061	-	3,750	393,811
Special events	-	-	-	-	-	-	85,188	85,188
Supplies	673,495	164,205	2,415	1,170	841,285	1,149	-	842,434
Travel	1,010	5,909	13,726	1,583	22,228	13,196	91	35,515
Utilities	171,310	177,731	236,229	37,606	622,876	23,035	12,553	658,464
Other Expenses								
Bad debt expense	165,000	3,600	-	-	168,600	-	-	168,600
Depreciation expense	656,682	226,043	308,747	38,278	1,229,750	93,793	868	1,324,411
Expenditures of specific donations	141,393	141,393	53,023	17,674	353,483	-	-	353,483
Total Expenses	**$ 4,785,958**	**$ 2,084,114**	**$ 1,491,788**	**$ 292,979**	**$ 8,654,839**	**$ 1,422,485**	**$ 458,522**	**$ 10,535,846**

The notes to the consolidated financial statements are an integral part of this statement

JULIETTE FOWLER COMMUNITIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	(Restated) 2017
Cash Flows from Operating Activities		
Change in net assets	$ (1,347,377)	$ 2,997,091
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	1,324,411	1,256,737
Disposal of property and equipment	18,487	-
Unrealized and realized gain (loss) on investments	985,599	(1,928,386)
Increase in mineral interests	(108,506)	(963,016)
Change in assets - (increase) decrease		
Resident accounts receivable	(100,952)	252,294
Related party receivables	(150,130)	(164,522)
Other receivables	(54,316)	(7,435)
Prepaid expenses	(22,521)	(5,292)
Beneficial interest in perpetual trusts	355,697	(240,912)
Split-interest agreements	220,836	(111,213)
Other assets	58,917	15,271
Change in liabilities - increase (decrease)		
Accounts payable	4,957	(411,971)
Accrued expenses	(113,546)	95,441
Resident funds held in trust	(3,173)	(7,998)
Total Adjustments	2,415,760	(2,221,002)
Net Cash Provided by Operating Activities	1,068,383	776,089
Cash Flows from Investing Activities		
Payments for property, equipment, and construction in progress	(166,970)	(1,990,086)
Purchase of investments	(336,852)	(329,094)
Proceeds from sale of investments	434,734	1,498,477
Net Cash Used in Investing Activities	(69,088)	(820,703)
Net Increase (Decrease) in Cash	999,295	(44,614)
Cash - Beginning of Year	1,901,114	1,945,728
Cash - End of Year	**$ 2,900,409**	**$ 1,901,114**

The notes to the consolidated financial statements are an integral part of these statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In fulfilling its responsibility for the preparation of *Juliette Fowler Communities* (the "Organization") consolidated financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts this method for their application. The application of accounting principles requires estimating, matching and timing of revenue and costs in the determination of support and expenditures. It is also necessary for management to determine, measure, allocate and make certain assumptions regarding resources and obligations within the financial process according to these principles. Below are certain significant accounting policies selected by management.

Nature of Business

The Organization is comprised of three related not-for-profit corporations which are consolidated for financial statement reporting purposes in accordance with accounting principles generally accepted in the United States of America. Effective January 1, 2003, the Organization reorganized into Juliette Fowler Homes, Inc. d/b/a Juliette Fowler Communities, Inc., Juliette Fowler Properties, Inc. ("JFP"), and Juliette Fowler Foundation ("JFF"). During the year ended December 31, 2018, Juliette Fowler Homes, Inc. was formally renamed as Juliette Fowler Communities, Inc. ("JFC"). All significant intercompany accounts and transactions have been eliminated in consolidation. JFC is the primary beneficiary of the related companies. The consolidated entities are related institutions of the Christian Church (Disciples of Christ) in the United States and Canada, and are so listed in its yearbook under the heading Christian Church (Disciples of Christ) in the Southwest. JFC and JFF are 501(c)(3)'s and JFP is a 501(c)(2). All income of each corporation is dedicated to the operating entity, JFC. The mission of JFC is to provide dignity of choice, build community and create beneficial connections for children, youth, and elders.

Juliette Fowler Communities, Inc. ("JFC")

Juliette Fowler Communities, Inc. is an operating not-for-profit corporation with approximately 164 employees working on the sixteen-acre campus in Dallas, Texas. JFC provides residential care as a 30-bed skilled and intermediate care nursing facility, a 20-unit assisted living memory care facility, a 23-unit assisted living facility, and a 54-unit independent living facility.

Juliette Fowler Properties, Inc. ("JFP")

Juliette Fowler Properties, Inc. is a not-for-profit corporation that holds and manages all buildings and real estate on and off the sixteen-acre campus. JFP collects rent from JFC. The rent collected during each of the years ended December 31, 2018 and 2017 was $584,520, and has been eliminated from the consolidated financial statements. Depreciation expense for the building and equipment has been included in the consolidated statements of activities.

Juliette Fowler Foundation ("JFF")

Juliette Fowler Foundation is a not-for-profit corporation that manages investments and the mineral and royalty interests. This corporation also handles the investment assets, including stocks and bonds, and makes distributions in the form of grants to JFC and JFP for operating needs. During the year, JFF issued grants and other distributions to JFC and JFP.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Juliette Fowler Foundation ("JFF") – (Continued)

For the years ended December 31, 2018 and 2017, grants and other distributions in the amounts of $2,830,835 and $6,783,408, respectively, were eliminated in the accompanying consolidated financial statements.

Net Assets

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *"Financial Statements of Not-for-Profit Entities."*

Net assets, revenue, 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 certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. The Board designated endowments are intended to have the principal held in investments and the amount of the earnings to be utilized are determined during the budget process, which is approved by the Board. The amounts designated are $11,296,995 and $11,288,795 for the years ended December 31, 2018 and 2017, respectively.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released 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. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Income Taxes

JFC, JFF and JFP are organized as Texas nonprofit corporations and have been recognized by the IRS under IRC Section 50l(a) as organizations described in IRS Section 501(c)(3) or 501(c)(2) of the Internal Revenue Code and are exempt from federal income taxes under the IRS group ruling #1125 issued to the General Assembly of the Christian Church in July 1951. As exempt organizations, each of the consolidated entities file annual information returns with the Internal Revenue Service. The returns of the Organization for 2018 (when filed), 2017, 2016, and 2015 are subject to examination by the respective taxing authorities generally for three years after they were filed in the form of Form 990s. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes.

At December 31, 2018 and 2017, management has determined that JFF and JFP are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax return (Form 990-T with the IRS).

JFC is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. JFC files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income, when applicable. For the year ended December 31, 2018, unrelated business income totaled $10,641. There was no unrelated business income noted for the year ended December 31, 2017.

Management believes that JFC has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. JFC would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Revenue Recognition

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Net assets with donor restrictions whose restrictions are met in the year the contribution is received are reported as net assets without donor restrictions. Expirations of restrictions on net assets in a year subsequent to the receipt of the contribution are reported as net assets released from restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Resident service revenue is reported at the estimated net realizable amounts from residents, third party payers and others for services rendered. In the normal course of business, the Organization provides a certain amount of charity care. Management's policy is to address charity care on a case-by-case basis only after services have been provided and it has been determined the resident does not have the ability to pay. Because a majority of the residents are covered by Medicare/Medicaid or third-party insurers, the amount of charity care cases and their cost is nominal. Pursuant to Accounting Standards Update (ASU) No. 2010-23, *Health Care Entities, Measuring Charity Care for Disclosure*, the Organization uses cost to measure charity care. For the years ended December 31, 2018 and 2017, management estimates the cost of charity care provided was $2,357 and $15,169, respectively. Such cost is subsidized by gifts and grants.

Allowance for Doubtful Accounts

The allowance method is used in accounting for bad debts. Management periodically reviews accounts receivable on an account-by-account basis. In determining the allowance, management utilizes historical experience, assessment of economic conditions and review of subsequent collections. Accounts are written off when it appears collection efforts will not be successful. As of December 31, 2018 and 2017, the allowance for doubtful resident accounts totaled $90,497 and $79,997, respectively.

Investments and Investment Income

Donated investments are reported at estimated fair value at the date of receipt. Funds are classified as with donor restrictions or without donor restrictions in accordance with the wishes of the donor. The general policy of the Organization is to preserve the corpus of funds in which the donor has imposed perpetual restrictions.

Investment income (expenses) and investment gains (losses) are added to or (subtracted from) all funds unless otherwise instructed by the donor. In the event that such allocations would reduce the balance of any perpetually restricted fund below the corpus, such allocation would instead be applied to funds without donor restrictions. Three investment firms manage all significant investments.

Beginning in 2018, net investment income (loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, oil and gas royalties, and change in value of mineral interests, less external and internal investment expenses. Net investment income, along with change in beneficial interest in perpetual trusts and split-interest agreements and loss on sale of property and equipment, is reported after change in net assets before investment gains (losses) and other changes in the consolidated statement of activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Organization maintains the majority of its cash balances in two financial institutions. At various times throughout the years ended December 31, 2018 and 2017, the Organization may have had balances in excess of the federally insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced credit losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by the Organization and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization. Management does not believe the solvency of the financial institution is of concern.

Pledges Receivable

Pledges receivable are unconditional promises to give that are expected to be collected within one year at net realizable value and are included as other receivables in the consolidated statements of financial position. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities. The allowance for uncollectable pledges are determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance was determined necessary for years ended December 31, 2018 and 2017.

Property and Equipment

Property and equipment are stated at cost or fair market value at time of the donation. Depreciation is provided for on the straight-line method over the estimated useful lives of the respective assets.

Estimated useful lives used in computing depreciation for consolidated financial statement purposes are as follows:

	Useful Lives
Buildings and Improvements	5-40 Years
Automobiles	4-5 Years
Furniture and Equipment	3-20 Years

Costs of repairs and maintenance that do not improve or extend the useful lives of the respective assets are expensed when incurred. It is the Organization's policy to capitalize property and equipment over $5,000. Additionally, building improvements over $7,500 are capitalized.

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount, or estimated fair value, less costs to sell. There were no indicators of asset impairment during the years ended December 31, 2018 and 2017.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Perpetual Trusts and Split-Interest Agreements

The Organization has been named as an irrevocable beneficiary of perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Organization; however, the Organization will never receive the assets of the trusts. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statements of activities, and a beneficial interest in perpetual trust is recorded in the consolidated statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the consolidated statements of financial position, with trust distributions and changes in fair value recognized in the consolidated statements of activities.

Over the years, the Organization has also received, as contributions, various types of split-interest agreements for which the Organization is not the Trustee of the assets.

The fair value of the contribution is measured at the present value of the estimated future cash receipts from the trust's assets, and that value may generally be measured by the fair value of the assets contributed to the trust, unless facts and circumstances indicate that the fair value of the assets contributed to the trust differs from the present value of the expected future cash flows. Distributions from the trust are reported as investment income that increases the appropriate net asset class. Adjustments to the amount reported as an asset, based on periodic review, are recognized as unrealized gains or losses on beneficial interest in perpetual trusts in net assets with donor restrictions. The discount rates and actuarial assumptions used in calculating present values have been based on Internal Revenue Service guidelines and actuarial tables. Pursuant to FASB ASC 958, *"Financial Statements of Not-for-Profit Entities,"* split-interest agreements held by others, net of expected cash flows, are revalued to fair value at each year end using a current risk-free rate of return. For 2018 and 2017, the discount rates utilized were 1.17% and 0.64%, respectively.

Mineral Interests

Mineral interests are carried at estimated fair value based on 36 months of undiscounted income based on the most recent 12-month income history as adjusted to remove unusual fluctuations. Unrealized gains and losses are calculated at the estimated current fair value at the end of the year less estimated current fair value at the beginning of the year. Investment income consists of mineral interest royalties net of related expenses.

Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services / In-kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2018 and 2017, respectively.

Functional Allocation of Expenses

The nature of operations of the Organization is to provide residential care to seniors requiring aid for healthcare and rehabilitation, assisted living, independent living, and foster and youth programs. The Organization, through its faith based foundation, serves children, youth and elders. Older adults live in various settings which include independent living, assisted living, memory care, and skilled nursing and rehabilitation. Children are served through foster care, adoption services and young women at risk for homelessness who have experienced abuse, neglect or abandonment. Beginning in 2018, the Organization has presented these services as four programs on the Statement of Functional Expenses.

The costs of providing program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among program services and supporting services benefited, which includes management and general and fundraising expenses. Such allocations are determined by management on an equitable basis. The consolidated financial statements report certain categories of expenses that are attributed to more than one category or function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include:

1. Insurance, maintenance, utilities, depreciation, and property taxes, which are allocated based upon square footage of the buildings;

2. Purchased services and professional fees, which are allocated on a full time equivalent;

3. All other expenses presented on the consolidated statement of functional expenses, including salaries and wages, employee benefits, and general and administrative expenses, are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents

For the purposes of these consolidated statements, the Organization considers all highly liquid investments with original maturities of three months or less as cash equivalents. For each of the years ended December 31, 2018 and 2017, there were no payments made for interest and taxes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly for the year ended December 31, 2018 for the consolidated statement of activities, consolidated statement of functional expenses, and liquidity and availability footnote (Note 2).

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers, which is effective for fiscal years beginning after December 15, 2018. ASU 2014-09 supersedes most current revenue recognition guidance, including industry-specific guidance, and outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and reward. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. ASU 2014-09 can be applied either retrospectively to each prior period presented or as a cumulative-effect adjustment as of the date of adoption. Management is currently evaluating the impact of adopting ASU 2014-09 on the Organization's consolidated financial statements and related disclosures.

On June 21, 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard is intended to address questions stemming from FASB ASU No. 2014-09, Revenue from Contracts with Customers, regarding its implications on the grants and contracts of not-for-profit organizations. The Organization should apply the amendments in this ASU on contributions received to annual periods beginning after June 15, 2019, including interim periods within those annual periods. For nonreciprocal transactions (contributions), the next point to consider for both parties is whether conditions have been placed on the resources provided. The presence of conditions affects the timing of revenue and expense recognition by the resource recipient and resource provider, respectively. Management is currently evaluating the impact of adopting ASU 2018-08 on the Organization's consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases: Amendments to the FASB Accounting Standards Codification, which amends the existing guidance on accounting for leases, and is effective for fiscal years beginning after December 15, 2019 for entities other than public business entities. This ASU requires the recognition of lease assets and liabilities on the consolidated statements of financial position and the disclosure of key information about leasing arrangements. Early adoption is permitted and modified retrospective application is required for leases that exist or are entered into after the beginning of the earliest comparative period in the consolidated financial statements. Management is currently evaluating the impact of adopting ASU 2016-02 on the Organization's consolidated financial statements and related disclosures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the consolidated statements of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year-ending December 31, 2021. Management is currently evaluating the impact of adopting ASU 2016-13 on the Organization's consolidated financial statements and related disclosure.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018:

Financial Assets:	
Cash and cash equivalents	$ 2,900,409
Marketable Securities	15,843,280
Resident accounts receivable, net	1,023,713
Related party receivables, net	545,645
Other receivables	98,072
Total Financial Assets	20,411,119
Less Financial Assets Not Available to be Used Within One Year:	
Funds held for residents	9,461
Funds held for donor restricted endowment	1,614,843
Funds held for donor restricted quasi endowment	3,399,229
Funds held for board designated endowments	11,296,995
Funds held for renovations to project, committed during 2018	1,800,000
Total Financial Assets Not Available to be Used Within One Year	18,120,528
Financial Assets Available to Meet General Expenditures Within One Year	**$ 2,290,591**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization, as part of its liquidity plan, puts its excess cash into marketable securities. Marketable securities include money market funds, equity securities, bond securities and mutual funds, which have been invested based upon projected cash needs and investments into endowment. The beneficial interests and split interest agreements are not included in financial assets since it is part of the endowment perpetual restrictions. Therefore, only the amount expected to be distributed in the next year is added to the financial assets. Mineral interests and other long term assets are intended to be long term investments, and any distributions are based upon net cash flow and cannot be easily predicted. The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. JFC's program revenue from healthcare and rehab, assisted living, and independent living cover their ongoing expenditures as they relate to those particular programs to meet expected cash needs. The foster and youth programs are supported by donations with and without restrictions. Any specific purpose expenditures are only spent if funds have been received. General expenditures include supporting services which are expected to be paid in the subsequent year.

The Organization manages its cash available to meet general expenditures following three guiding principles:

1. Operating within a prudent range of financial soundness and stability,

2. Maintaining adequate liquid assets, and

3. Maintaining sufficient reserves to provide reasonable assurance that long term commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

JFF's executive committee meets annually to review and approve grant requests for JFC and JFP. Due to this timing, JFF strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses.

NOTE 3 RESIDENT ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of December 31, 2018 and 2017:

	2018	2017
Resident accounts receivable	$ 1,114,210	$ 1,002,758
Less: allowance for doubtful accounts	(90,497)	(79,997)
Resident Accounts Receivable, Net	**$ 1,023,713**	**$ 922,761**

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable, included in other receivables, were as follows as of December 31, 2018 and 2017:

	2018	2017
Operating, maturing less than one year	$ 84,280	$ 17,785

NOTE 5 FAIR VALUE MEASUREMENTS

As stated in FASB ASC 958, not-for-profit organizations are required to report certain investments, such as marketable securities, at estimated fair value. FASB ASC 820, *Fair Value Measurements,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means;
- If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds: Valued at the net asset value (NAV) per unit at year end.

Equity Securities: Quoted market prices.

Debt Securities: Valued using quoted prices for investments with similar yields and bond ratings.

Mutual Funds: Quoted market prices.

Real Estate: The Organization has given consideration to the market, income, and cost approaches of estimating property value and has determined that the market approach provides the best estimate of fair value.

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The methods described above may produce fair value estimates that may not be indicative of net realized value or reflective of future fair values. Furthermore, although the Organization 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 are the major categories of assets and liabilities measured at estimated fair value on a recurring basis during the years ended December 31, 2018 and 2017, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	2018		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 2,900,409	$ -	$ -
Debt securities	-	2,620,949	-
Equity securities	11,498,674	-	-
Mutual funds	1,723,657	-	-
Investment in risk retention group	-	-	808,284
Investment in real estate	-	-	36,719
Beneficial interest in perpetual trusts and split-interest agreements	-	-	3,330,081
Mineral interests	-	-	1,995,543
Total	**$ 16,122,740**	**$ 2,620,949**	**$ 6,170,627**

	2017		
	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,901,114	$ -	$ -
Debt securities	-	2,488,041	-
Equity securities	12,348,390	-	-
Mutual funds	2,090,330	-	-
Investment in risk retention group	-	-	867,201
Investment in real estate	-	-	36,719
Beneficial interest in perpetual trusts and split-interest agreements	-	-	3,906,614
Mineral interests	-	-	1,887,037
Total	**$ 16,339,834**	**$ 2,488,041**	**$ 6,697,571**

The following table sets forth the activity in the Organization’s Level 3 assets for the years ended December 31, 2018 and 2017:

	2018	2017
Beginning balance	$ 6,697,571	$ 5,397,701
Change in value of beneficial interests	(576,533)	352,125
Change in value of mineral interests	108,506	963,016
Change in value of risk retention group	(58,917)	(15,271)
Ending balance	**$ 6,170,627**	**$ 6,697,571**

The fair value of accounts/pledges receivable and accounts payable approximates book value due to the short-term nature of these accounts.

NOTE 6 INVESTMENT INCOME

Beginning in 2018, investment income and losses are presented net of investment fees as follows for the year ended December 31, 2018:

	2018
Realized gain (loss)	$ 103
Unrealized gain (loss)	(1,046,658)
Interest and dividends	336,111
Oil and gas royalties	1,318,203
Change in value of mineral interests	108,502
Investment fees	(187,267)
Total Investment Income (Loss), Net	**$ 528,994**

NOTE 7 PROPERTY AND EQUIPMENT, NET

A summary of property and equipment, net as of December 31, 2018 and 2017 is as follows:

	2018	2017
Land	$ 1,116,029	$ 1,116,029
Building and improvements	35,313,541	35,416,587
Furniture and equipment	2,404,164	2,880,198
Automobiles	176,402	176,402
Construction in progress	13,022	-
	39,023,158	39,589,216
Accumulated depreciation	(17,808,826)	(17,198,956)
Property and Equipment, Net	**$ 21,214,332**	**$ 22,390,260**

Depreciation expense for the years ended December 31, 2018 and 2017 was $1,324,411 and $1,256,737, respectively.

NOTE 8 THIRD PARTY PAYERS

For the years ended December 31, 2018 and 2017, net revenue from governmental programs, such as Medicare and Medicaid, was $1,610,009 and $2,585,344, respectively. As of December 31, 2018 and 2017, the balances due from these programs amounted to $496,588 and $368,109, respectively, and are included in accounts receivable in the accompanying consolidated statements of financial position.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at December 31, 2018 and 2017:

	2018	2017
Subject to expenditure of time and specific purpose:		
Promises to give	$ 24,280	$ 17,785
Subject to expenditure of time and perpetual restriction:		
Promises to give	60,000	-
Subject to expenditure for specific purpose:		
Aged resident care	78,234	78,234
Youth resident care	3,202,749	3,228,806
Scholarships for employees	93,966	93,966
Total Subject to Expenditure for Specific Purpose	3,374,949	3,401,006
Subject to perpetual restriction:		
Aged resident care	819,595	819,595
Scholarships for employees	30,535	30,535
Care of garden and landscaping	26,382	24,582
Unrestricted use	678,331	678,331
Total Subject to Perpetual Restriction	1,554,843	1,553,043
Total Net Assets with Donor Restrictions	**$ 5,014,072**	**$ 4,971,834**

Net assets subject to perpetual restriction consist of endowment funds restricted by donors for investment in perpetuity. Earnings on endowment funds are available for purposes specified by the donors, or in certain cases, for unrestricted use by the Organization. The perpetually restricted net assets balances, classified by restriction on the use of earnings, are identified above at December 31, 2018 and 2017.

Net assets released from restrictions as follows during the years ended December 31, 2018 and 2017:

	2018	2017
Expiration of time restrictions and purpose	$ 17,785	$ -
Satisfaction of purpose restrictions		
Renovations to JLC building	-	995,000
Youth resident care	405,698	314,295
Total Satisfaction of Purpose Restrictions	405,698	1,309,295
Total Net Assets Released from Restrictions	**$ 423,483**	**$ 1,309,295**

NOTE 10 ENDOWMENT FUNDS

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds the Board has designated for specific use, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of JFF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, JFF classifies as perpetually restricted assets:

1. The original value of the gift, if known. If the original value cannot be determined, the value in the books and records as of January 1, 2008 is used; and

2. The original value of subsequent gifts to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets is classified as subject to expenditure for specific purposes until those amounts are appropriated for expenditure by JFF in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, JFF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;

2. The purposes of JFF and the donor-restricted endowment fund;

3. General economic conditions;

4. The possible effect of inflation and deflation;

5. The expected total return from income and the appreciation of investments;

6. Other resources of JFF; and

7. The investment policies of JFF.

JFF has adopted investment and spending policies for endowment assets, the objective of which is to preserve and enhance the purchasing power of assets held for the benefit of the Organization while providing a stream of income to provide necessary financial support for those entities as needed.

In order to achieve this objective, JFF selects one or more investment advisors and instructs those advisors as to the proper allocation of the assets under their individual management.

In general, assets are allocated among stocks, exchange traded funds, bonds and cash or cash equivalents.

JFF has a policy of appropriating for distributions the net interest and dividends of its endowment funds. In establishing this policy, JFF considered the long-term expected return on its endowment. This is consistent with JFF’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts.

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Endowment net asset compositions by type of fund as of December 31, 2018 and 2017 were as follows:

	2018		
	With Donor Restrictions	Without Donor Restrictions	Total
	$ 5,014,072	$ 11,296,995	$ 16,311,067

	2017		
	With Donor Restrictions	Without Donor Restrictions	Total
	$ 4,971,834	$ 11,288,795	$ 16,260,629

	With Donor Restrictions	Without Donor Restrictions	Total
Balance as of January 1, 2017	$ 6,038,070	$ 10,222,559	$ 16,260,629
Contributions	243,059	3,054,431	3,297,490
Released from restrictions/ designation	(1,309,295)	(1,988,195)	(3,297,490)
Balance as of December 31, 2017	4,971,834	11,288,795	16,260,629
Contributions	465,721	782,905	1,248,626
Released from restrictions/ designation	(423,483)	(774,705)	(1,198,188)
Balance as of December 31, 2018	$ 5,014,072	$ 11,296,995	$ 16,311,067

NOTE 11 RELATED PARTY TRANSACTIONS

The Organization provides various services to and receives funds from unconsolidated related parties through common management, Fowler Christian Apartments, Inc. ("FCA") and Fowler Christian Apartments II, Inc. ("FCA II") and Fowler Christian Apartments III, Inc. ("FCA III"). For the years ended December 31, 2018 and 2017, the Organization was reimbursed by FCA, FCA II, and FCA III for services totaling the following:

	2018	2017
FCA	$ 609,712	$ 660,704
FCA II	44,244	32,561
FCA III	53,679	51,427
Total Billings	$ 707,635	$ 744,692

NOTE 11 RELATED PARTY TRANSACTIONS (CONTINUED)

As of December 31, 2018 and 2017, the Organization reported total accounts receivable from FCA, FCA II, and FCA III as follows:

	2018	2017
Accounts receivable	$ 551,830	$ 401,700
Less: allowance for doubtful accounts	(6,185)	(6,185)
Accounts Receivable, Net	**$ 545,645**	**$ 395,515**

NOTE 12 SELF-INSURED MALPRACTICE INSURANCE

The Organization self-insures for malpractice insurance with a captive insurance company in South Carolina, Communities of Faith Risk Retention Group, Inc. (CF RRG). CF RRG is owned by twelve (12) Texas nursing homes and the Organization has an original investment in the captive insurance company of $75,000. The Organization adjusts its investment based on the value of the net income allocation account and the paid-in capital account provided by the insurance company. At December 31, 2018 and 2017, the total investment reported as other assets was $808,284 and $867,201, respectively.

NOTE 13 PENSION PLAN

The Organization has a defined-benefit pension plan (the Plan), which is administered through the Pension Fund of the Christian Church. The pension fund is a church plan as defined in IRS Code 414(e) and in Title 1 of the Employee Retirement Income Security Act of 1974, as amended. The Plan has not elected to be subject to ERISA. By virtue of the Plan's inclusion in the group exemption ruling of the General Assembly of the Christian Church (Disciples of Christ), the pension fund is exempt from federal income taxes under IRS Code 501(c)(3).

The pension fund is ordinarily thought of as the insuring instrumentality of the Christian Church (Disciples of Christ), providing contractual pensions and other benefits upon a fully funded and actuarially sound basis. It also serves as the church's unit extending ministerial relief and assistance in times of need for those without contractual benefits or for whom such benefits are low because of low salaries or lack of church support during previous days of active ministry. The pension fund also serves as the Board of Ministerial Relief and Assistance for the Christian Church (Disciples of Christ). The pension fund administers the church wide retirement program on behalf of the Christian Church (Disciples of Christ).

Full-time employees under the age of sixty-five (65) may enroll in the pension plan after twelve (12) months of employment. The Plan provides for retirement benefits, generally at age 65, based upon such accrued pension credits and includes provisions for early retirement, disability and death benefits. Certain members of the plan are fully vested immediately while others vest after two years of participation. The cost of this pension plan is 14% of the employee's annual salary. Employees choosing to participate contribute 3% of their annual salary through payroll deductions.

The Organization contributes 11% of the employee's salary for those employees who participate. For the years ended December 31, 2018 and 2017, the Organization's contributions to the Plan totaled $185,550 and $154,517, respectively. According to the Pension Fund of the Christian Church, the plan is fully funded, which means fund assets exceed the benefit obligations, as of December 31, 2018 and 2017.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Litigation

In the normal course of business, the Organization becomes subject to various claims, litigation and lawsuits. At December 31, 2018, the Organization is defending its position on any such claims or believes such claims, litigation or lawsuits are without merit, the amounts are recoverable, or are within its insured limits.

Geographic Concentration

The Organization operates entirely within the Dallas, Texas metropolitan area. Therefore, results of operations and collectability of receivables are subject to the economic conditions of the area.

Leases

Juliette Fowler Communities, Inc. leases its building from Juliette Fowler Properties, Inc. with a lease that expires November 1, 2042. Inter-company leases have been eliminated in the consolidated financial statements.

NOTE 15 CONCENTRATIONS

Revenue from Medicare for the year ended December 31, 2018 and 2017 amounted to approximately 16% and 24% of total operating revenue, respectively. At December 31, 2018 and 2017, receivables from Medicare amounted to approximately 37% and 24% of patient receivables, respectively.

At December 31, 2017, receivables from Medicaid amounted to approximately 13% of total receivables, respectively.

NOTE 16 PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of $147,178 was made to adjust accrued employee paid time off and vacation as of December 31, 2016. Therefore, beginning balances for 2017 net assets and accrued expenses have been adjusted to reflect this prior period adjustment. Accrued paid time off and vacation as of December 31, 2018 and 2017 was $138,668 and $155,690, respectively.

NOTE 17 RECLASSIFICATIONS

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. Total assets, total liabilities, and changes in net assets were not affected by these reclassifications.

NOTE 18 SUBSEQUENT EVENTS

As considered in liquidity calculation at Note 2, the Organization has committed to approximately $1,800,000 in renovations of JFC, of which $1,000,000 is estimated to come from grants from JFF, and the remainder to be paid from available cash on hand.

Management has evaluated subsequent events through the date of the independent auditors' report, the date the consolidated financial statements were available to be issued.