PRECEPT MINISTRIES OF REACH OUT, INC.

Chattanooga, Tennessee

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

JOHNSON, HICKEY & MURCHISON, P.C.
Certified Public Accountants
Chattanooga, Tennessee

TABLE OF CONTENTS

JOHNSON HICKEY MURCHISON
CERTIFIED PUBLIC ACCOUNTANTS • SINCE 1977

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Precept Ministries of Reach Out, Inc.

We have audited the accompanying financial statements of Precept Ministries of Reach Out, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2215 Olan Mills Drive jhmcpa.com 37421 423 756 0052 t
Chattanooga, Tennessee 423 267 5945 f

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Precept Ministries of Reach Out, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Johnson, Hickey & Murchison, P.C.

May 1, 2019
Chattanooga, Tennessee

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 5,562,589	$ 4,495,192
Certificates of deposit	744,480	1,981,180
Accounts receivable	11,388	18,737
Inventories	253,706	190,488
Investments	285,654	311,978
Other	99,696	75,340
Total current assets	6,957,513	7,072,915
PROPERTY AND EQUIPMENT, at cost	10,381,947	10,361,491
Less accumulated depreciation	8,385,580	8,556,405
	1,996,367	1,805,086
	$ 8,953,880	$ 8,878,001

(The accompanying notes are an integral part of these statements.)

LIABILITIES AND NET ASSETS

		2018		2017
CURRENT LIABILITIES				
Accounts payable	$	182,027	$	230,059
Accrued payroll, withholdings and accruals		95,245		74,589
Deferred revenue		-		12,000
Other		42,739		34,476
Total current liabilities		320,011		351,124
NET ASSETS				
Without donor restrictions		8,587,369		8,510,534
With donor restrictions		46,500		16,343
		8,633,869		8,526,877
	$	8,953,880	$	8,878,001

(The accompanying notes are an integral part of these statements.)

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SALES	$ 4,306,800	$ -	$ 4,306,800
COST OF SALES	1,118,451	-	1,118,451
Gross profit	3,188,349	-	3,188,349
SUPPORT, OTHER REVENUE AND RECLASSIFICATIONS			
Workshops and conferences	460,874	-	460,874
Contributions	6,345,824	1,854,118	8,199,942
Royalties	147,045	-	147,045
Investment income	35,215	-	35,215
Other	276,024	-	276,024
Net assets released from restriction	1,823,961	(1,823,961)	-
Net sales, support, other revenue, and reclassifications	12,277,292	30,157	12,307,449
EXPENSES			
Program services	8,805,014	-	8,805,014
General and administrative	1,953,116	-	1,953,116
Fundraising	1,442,327	-	1,442,327
	12,200,457	-	12,200,457
INCREASE IN NET ASSETS	76,835	30,157	106,992
NET ASSETS			
Beginning	8,510,534	16,343	8,526,877
Ending	$ 8,587,369	$ 46,500	$ 8,633,869

(The accompanying notes are an integral part of these statements.)

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
SALES	$ 4,338,315	$ -	$ 4,338,315
COST OF SALES	1,067,771	-	1,067,771
Gross profit	3,270,544	-	3,270,544
SUPPORT, OTHER REVENUE AND RECLASSIFICATIONS			
Workshops and conferences	430,246	-	430,246
Contributions	5,981,303	1,863,101	7,844,404
Royalties	144,248	-	144,248
Investment income	39,486	-	39,486
Other	267,051	-	267,051
Net assets released from restriction	1,991,978	(1,991,978)	-
Net sales, support, other revenue, and reclassifications	12,124,856	(128,877)	11,995,979
EXPENSES			
Program services	8,322,443	-	8,322,443
General and administrative	1,865,502	-	1,865,502
Fundraising	1,542,695	-	1,542,695
	11,730,640	-	11,730,640
INCREASE (DECREASE) IN NET ASSETS	394,216	(128,877)	265,339
NET ASSETS			
Beginning	8,116,318	145,220	8,261,538
Ending	$ 8,510,534	$ 16,343	$ 8,526,877

(The accompanying notes are an integral part of these statements.)

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	General and Administrative	Fundraising	Total
Development	$ 121,357	$ 2,188	$ 31,816	$ 155,361
Depreciation	137,931	62,095	43,151	243,177
Event facilities	135,362	-	24	135,386
Insurance	-	150,411	-	150,411
International support and start-up	3,539,860	-	-	3,539,860
Miscellaneous	16,069	11,483	10	27,562
Operating and program supplies	109,775	489,722	19,208	618,705
Outside services and professional fees	542,594	137,666	353,017	1,033,277
Postage and shipping	120,107	-	146,933	267,040
Printing and reproduction	60,302	-	57,123	117,425
Production cost and air time	53,407	-	-	53,407
Rental fees	-	23,313	-	23,313
Repairs, maintenance and repair supplies	163,996	24,911	-	188,907
Salaries and benefits	3,267,916	969,590	649,529	4,887,035
Taxes and licenses	-	25,960	6,769	32,729
Telephone	37,068	8,209	6,304	51,581
Utilities	187,403	-	-	187,403
Travel	311,867	47,568	128,443	487,878
	$ 8,805,014	$ 1,953,116	$ 1,442,327	$ 12,200,457

(The accompanying notes are an integral part of these statements.)

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services	General and Administrative	Fundraising	Total
Development	$ 17,392	$ 2,304	$ 28,355	$ 48,051
Depreciation	133,901	74,336	30,325	238,562
Event facilities	15,955	-	1,854	17,809
Insurance	-	158,594	-	158,594
International support and start-up	2,913,902	-	-	2,913,902
Miscellaneous	20,989	11,838	93	32,920
Operating and program supplies	468,136	75,966	51,015	595,117
Outside services and professional fees	653,813	191,396	453,314	1,298,523
Postage and shipping	111,314	33,529	144,961	289,804
Printing and reproduction	139,702	-	83,773	223,475
Production cost and air time	60,927	-	-	60,927
Rental fees	116	19,427	-	19,543
Repairs, maintenance and repair supplies	77,181	18,657	-	95,838
Salaries and benefits	3,312,493	1,187,504	611,821	5,111,818
Taxes and licenses	4	16,708	7,112	23,824
Telephone	36,784	4,093	6,588	47,465
Utilities	167,123	-	-	167,123
Travel	192,711	71,150	123,484	387,345
	$ 8,322,443	$ 1,865,502	$ 1,542,695	$ 11,730,640

(The accompanying notes are an integral part of these statements.)

PRECEPT MINISTRIES OF REACH OUT, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 106,992	$ 265,339
Adjustments to reconcile increase in net assets to cash provided by operating activities		
Depreciation	243,177	238,562
Loss on disposal of property and equipment	591	-
Investments donated	(228,148)	(279,753)
Loss on investments	211	493
Net (increase) decrease in operating assets		
Accounts receivable	7,349	(5,580)
Inventories	(63,218)	(16,082)
Other	(24,356)	147,211
Net increase (decrease) in operating liabilities		
Accounts payable	(48,032)	(35,518)
Accrued payroll, withholdings and accruals	20,656	(9,270)
Deferred revenue	(12,000)	(2,000)
Other	8,263	(40,578)
Net cash provided by operating activities	11,485	262,824
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(435,049)	(30,698)
Net change in certificates of deposit	1,236,700	498,655
Purchase of investments	(15,084)	-
Proceeds from sale of investments	269,345	225,145
Net cash provided by investing activities	1,055,912	693,102
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,067,397	955,926
Beginning	4,495,192	3,539,266
Ending	$ 5,562,589	$ 4,495,192

(The accompanying notes are an integral part of these statements.)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Organization operates under the name of Precept Ministries International and conducts Bible study conferences and tours, trains individuals to conduct Bible studies, and produces and sells Bible study materials. The Organization grants credit to customers throughout the United States.

Organization

The Organization is a not-for-profit corporation exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Accounting

The financial statements of Precept Ministries of Reach Out, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Estimates

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

Basis of presentation

The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities, Presentation of Financial Statements.* During 2018, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, which improves the current net asset classifications and the related information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Accounts receivable

In connection with the sale of its Bible study materials, the Organization grants credit to individuals, churches, and other organizations only on a limited basis at the discretion of management. Receivables are recorded at sales price when items are shipped. The Organization uses the direct write-off method to determine uncollectible accounts receivable. Individual accounts are written off only when they are determined to be uncollectible.

Property, equipment and depreciation

The Organization capitalizes significant purchases of property and equipment, including computers and related software, which are recorded at cost. Depreciation is provided over the estimated useful lives of individual assets using either the straight-line or an accelerated method. Depreciation expense of $243,177 and $238,562 was charged to operations for the years ended December 31, 2018 and 2017, respectively.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or net realizable value.

Cash equivalents

For purposes of these financial statements, the Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Donated assets

Donated property, investments, and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Advertising costs

Advertising costs consist primarily of brochures and other promotional materials, which are expensed as incurred. For the years ended December 31, 2018 and 2017, respectively, advertising costs were $122,020 and $17,183.

Functional allocation of expenses

The costs of providing various programs and other activities for the Organization have been summarized on a functional basis in the statements of activities. Most expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The basis for allocation is as follows:

Medical insurance	Allocated based on headcount
Bank fees	Allocated based on gross revenue
Telephone	Allocated based on service units
Depreciation	Any asset not pertaining to a particular department is allocated based on headcount
Development salaries & benefits	25% program and 75% fundraising

Change in accounting principle

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* which simplifies the current net asset classification requirements and improves the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The standard is effective for years beginning after December 15, 2017. The Organization has adopted the guidance and has applied the changes retrospectively to all periods presented. The financial statements include a disclosure about liquidity and availability of resources in Note 12. The new standard changes the following aspects of the Organization's financial statements:

The unrestricted net asset class has been renamed net assets without donor restrictions.

The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

Total net assets did not change as a result of adoption of this ASU. The effect of adoption on net asset classifications in the 2017 comparative information is as follows:

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

	2017
AS ORIGINALLY STATED:	
Net assets, beginning of year	
Unrestricted net assets	$ 8,116,318
Temporarily restricted net assets	145,220
Permanently restricted net assets	-
Total net assets, beginning of year	$ 8,261,538
Net assets, end of year	
Unrestricted net assets	$ 8,510,534
Temporarily restricted net assets	16,343
Permanently restricted net assets	-
Total net assets, end of year	$ 8,526,877
AS RESTATED:	
Net assets, beginning of year	
Without donor restrictions	$ 8,116,318
With donor restrictions	145,220
Total net assets, beginning of year	$ 8,261,538
Net assets, end of year	
Without donor restrictions	$ 8,510,534
With donor restrictions	16,343
Total net assets, end of year	$ 8,526,877

Financial statement presentation

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of trustees.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2018 and 2017, the Organization does not have donor restricted funds which are required to be maintained in perpetuity.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. For contributions restricted to the acquisition of property and equipment, the restrictions are released when the asset is placed in service unless the donor has provided more explicit requirements.

Uncertain tax positions

The Organization follows the requirements of professional literature in accounting for uncertain tax positions. Under this guidance, an Organization must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination with taxing authorities. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for uncertain tax positions. For the year ended December 31, 2018, there were no interest or penalties recorded or included in its financial statements. The federal information returns for the years of 2015 and beyond remain subject to examination.

(2) INVENTORIES

Inventories consist primarily of finished goods, including Precept materials, published books, CDs and DVDs, and other miscellaneous items for resale.

(3) INVESTMENTS

Investments are recorded at fair market value and consist of the following:

	2018	2017
Equities	$ 278,959	$ 304,929
Other – annuity trust	6,695	7,049
	$ 285,654	$ 311,978

Investment income is as follows:

	2018	2017
Interest and dividends	$ 35,426	$ 39,979
Realized gains (losses)	(211)	(493)
	$ 35,215	$ 39,486

In addition to these investments, approximately 12% of the Organization's cash reserves at December 31, 2018, are maintained in a pooled fund of certificates of deposit at three separate financial institutions. This pooled CD fund is managed by one financial advisory firm.

(4) FAIR VALUE MEASUREMENTS

Current accounting guidelines establish 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 the highest priority to unadjusted quoted prices in active markets and for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1
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 (1)quoted prices for similar assets or liabilities in active markets; (2)quoted prices for identical or similar assets or liabilities in inactive markets; (3)inputs other than quoted market prices that are observable for the asset or liability; (4)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 asset's or liability's 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.

Following is a description of the valuation methodologies used for assets at fair value:

Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;

Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets itemized below were measured at fair value during the year ended December 31, 2018, using the market approach.

(4) FAIR VALUE MEASUREMENTS (continued)

The preceding methods may produce a fair value calculation that may not be indicative of net realizable 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 and assumptions to determine fair value of certain instruments could result in different fair value measurement at the reporting date.

As required by fair value measurement guidelines, at December 31, 2018, the Organization's investment portfolio was classified as follows, based on fair values:

	Level 1	Level 2	Level 3	Fair Value
Certificates of deposit	$ 744,480	$ -	$ -	$ 744,480
Equities and annuity trust	285,654	-	-	285,654
	$ 1,030,134	$ -	$ -	$ 1,030,134

As required by fair value measurement guidelines, at December 31, 2017, the Organization's investment portfolio was classified as follows, based on fair values:

	Level 1	Level 2	Level 3	Fair Value
Certificates of deposit	$ 1,981,180	$ -	$ -	$ 1,981,180
Equities and annuity trust	311,978	-	-	311,978
	$ 2,293,158	$ -	$ -	$ 2,293,158

(5) PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	2018	2017
Land and land improvements	$ 514,750	$ 560,290
Buildings and improvements	6,230,758	6,255,763
Data processing equipment and software	889,529	880,803
Audio and video equipment	2,203,923	2,230,686
Furniture and equipment	542,987	433,949
	$ 10,381,947	$ 10,361,491

(6) LIABILITY FOR SELF-INSURANCE

The Organization sponsors an employee comprehensive health and life insurance plan. The plan is administered by a third party under the terms of the plan. Included in other current liabilities at December 31, 2018 and 2017, is $36,044 and $27,427 respectively, which is management's estimate of unprocessed claims.

Because of inherent uncertainties in estimating health insurance claims, it is at least reasonably possible that the estimate used will change within the near term. However, the maximum unrecorded liability at December 31, 2018 and 2017, based upon the Organization's excess liability policies, is $35,000 per covered individual, with a maximum aggregate liability of approximately $1,000,000 and $1,000,000, respectively.

(7) NET ASSETS

Net assets with donor restrictions consist of contributions restricted by the donor for specific purposes. Such contributions are reported as net assets with donor restrictions and are reclassified to net assets without donor restrictions when the restrictions have been satisfied. Net assets with donor restrictions are available to be used for the following:

	2018	2017
International work	$ 46,500	$ 16,343

(8) COMPENSATED ABSENCES

Vacation leave

Employees earn ten days annually after one year of service plus one day a year for each additional year of service, to a maximum of 20 days a year of non-cumulative, compensated vacation which is non-vesting.

Sick leave

Employees earn one day of cumulative, non-vesting sick leave for each month of service. Each full-time employee may accumulate a maximum of 20 days.

The Organization's obligation for these employee benefits is not susceptible to a reasonable estimate and therefore is not reflected in the financial statements.

(9) LEASES

The Organization leases office equipment under a under three leases for 39 months per lease. Monthly payments range from $248-$266 per month through December 2021. Included in expense is $4,105 relative to these leases. As of December 31, 2018 future minimum lease payments are as follows:

(9) LEASES (continued)

Year ending December 31,	2019	$	11,460
	2020		11,460
	2021		10,220
		$	33,140

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of the lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending December 31, 2021.

(10) DEFINED CONTRIBUTION PLAN

The Organization has adopted a 403(b) contribution plan. Employees working 20 hours or more per week may elect to contribute a percentage of their salary on a pre-tax or Roth basis. The Organization matches contributions equal to a dollar for dollar match of the first 5% of deferral contributions. Expenses under the above-described plan totaled $112,279 and $120,727 for the years ended December 31, 2018 and 2017, respectively.

(11) PROMOTIONAL AND FUNDRAISING EXPENSES

The Organization produces correspondence and newsletters that are mailed monthly to individuals requesting to receive them. These materials are intended to minister to those receiving them by discussing a topic on a personal level including references to Scripture. Particular financial needs are highlighted that are needed to further the ministry's efforts discussed in the newsletters. In accordance with generally accepted accounting principles, the total cost of producing and mailing these materials is considered fund-raising expense.

Other donor development expense and all expenses associated with stewardship development are also recorded as fund-raising expense.

(12) LIQUIDITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. It has a strict budget which is monitored throughout the year. In addition, the Organization invests cash in excess of daily requirements in short-term money market accounts. The following represents the Organization's financial assets at December 31, 2018 and 2017:

(12) LIQUIDITY (continued)

	2018	2017
Cash and cash equivalents	$ 5,562,589	$ 4,495,192
Certificate of deposit	744,480	1,981,180
Equities and annuity trust	285,654	311,978
Financial assets, without donor-imposed restrictions, available to meet cash needs for general expenditures within one year	$ 6,592,723	$ 6,788,350

(13) CONCENTRATION OF CREDIT RISK

At December 31, 2018, the Organization had cash and cash equivalents on deposit at a financial institution with an uninsured balance of approximately $850,000.

(14) LIFE ESTATE

During the year ended December 31, 2010, the Organization created a life estate for the benefit of the founding officer of the Organization. Under this agreement, the officer is given the exclusive right to live in, use and enjoy certain residential property located on the grounds of the Organization for the remainder of their life. At that time, the property reverts back to unconditional use of the Organization. Included in property and equipment is $16,984 net book value related to this residence.

(15) OPERATING RESERVE

Board policy requires that the Organization maintain a specific operating reserve. The mandate is a 90 day supply of cash on hand to meet operating expenses. The amount available is total cash less capital expenditures and restricted cash. For the year ended December 31, 2018, the Organization is in compliance with this policy.

(16) RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

(17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 1, 2019, the date which these financial statements were available for issue.