Columbus Speech & Hearing Center

Financial Report
December 31, 2018

Contents

Independent Auditor's Report

RSM US LLP

To the Board of Directors
Columbus Speech & Hearing Center

Report on the Financial Statements

We have audited the accompanying financial statements of Columbus Speech & Hearing Center, which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities and changes in net assets, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbus Speech & Hearing Center 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.

RSM US LLP

Columbus, Ohio
September 12, 2019

Columbus Speech & Hearing Center

Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	**$ 236,455**	$ 148,985
Receivables:		
Clients	**375,419**	321,978
United Way	**62,500**	75,000
Pledges	**1,283**	6,500
Other	**56,366**	15,246
	495,568	418,724
Prepaids	**40,770**	50,408
Inventory	**13,067**	11,337
	53,837	61,745
Total current assets	**785,860**	629,454
Property and equipment, net	**2,020,591**	2,197,382
Other assets:		
Deposits and other assets	**4,571**	4,810
	$ 2,811,022	$ 2,831,646
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 446,769**	$ 279,195
Revolving line of credit	**216,430**	237,000
Notes payable - current	**80,000**	75,000
Deferred revenue	**107,888**	107,851
Total current liabilities	**851,087**	699,046
Notes payable - noncurrent	**260,000**	340,000
Total liabilities	**1,111,087**	1,039,046
Net assets:		
Without donor restrictions	**1,575,237**	1,634,657
With donor restrictions	**124,698**	157,943
Total net assets	**1,699,935**	1,792,600
	$ 2,811,022	$ 2,831,646

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	**Total**
Public support:			
United Way funds	$ 76,500	$ 62,500	**$ 139,000**
Contributions and grants	533,980	26,691	**560,671**
In-kind contributions	8,594	-	**8,594**
Total public support	619,074	89,191	**708,265**
Revenue:			
Government fees for services	531,070	-	**531,070**
Clinic fees	1,961,233	-	**1,961,233**
Hearing aid and assistive listening device sales	1,370,405	-	**1,370,405**
Building rental	148,844	-	**148,844**
Investment income	863	-	**863**
Other income	16,932	-	**16,932**
Total revenue	4,029,347	-	**4,029,347**
Net assets released from restrictions	122,436	(122,436)	**-**
Total public support and revenue	4,770,857	(33,245)	**4,737,612**
Expenses:			
Program services	4,124,557	-	**4,124,557**
Supporting services - management and general	491,820	-	**491,820**
Fundraising	213,900	-	**213,900**
Total expenses	4,830,277	-	**4,830,277**
Change in net assets	(59,420)	(33,245)	**(92,665)**
Net assets:			
Beginning	1,634,657	157,943	**1,792,600**
Ending	$ 1,575,237	$ 124,698	**$ 1,699,935**

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
United Way funds	$ 75,000	$ 75,000	$ 150,000
Contributions and grants	381,172	45,184	426,356
In-kind contributions	1,424	-	1,424
Total public support	457,596	120,184	577,780
Revenue:			
Government fees for services	602,915	-	602,915
Clinic fees	1,925,338	-	1,925,338
Hearing aid and assistive listening device sales	1,167,466	-	1,167,466
Building rental	139,108	-	139,108
Investment income	984	-	984
Other income	11,907	-	11,907
Total revenue	3,847,718	-	3,847,718
Net assets released from restrictions:	117,293	(117,293)	-
Total public support and revenue	4,422,607	2,891	4,425,498
Expenses:			
Program services	4,009,878	-	4,009,878
Supporting services - management and general	483,407	-	483,407
Fundraising	221,046	-	221,046
Total expenses	4,714,331	-	4,714,331
Change in net assets	(291,724)	2,891	(288,833)
Net assets:			
Beginning	1,926,381	155,052	2,081,433
Ending	$ 1,634,657	$ 157,943	$ 1,792,600

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	**Total**
Salaries and wages	$ 2,513,028	$ 326,718	$ 132,891	**$ 2,972,637**
Payroll taxes and employee benefits	360,591	63,758	18,005	**442,354**
Total compensation	2,873,619	390,476	150,896	**3,414,991**
Hearing aid and assistive listening devices	434,016	-	-	**434,016**
Conferences, meetings and staff development	1,380	1,299	1,213	**3,892**
Bad debts	-	10,020	-	**10,020**
Consulting, legal and accounting	125,785	32,096	19,686	**177,567**
Printing	11,484	1,095	5,574	**18,153**
Telephone	15,154	844	733	**16,731**
Supplies	39,632	762	1,156	**41,550**
Utilities	67,000	7,614	1,523	**76,137**
Maintenance, building and grounds	85,604	9,728	1,946	**97,278**
Postage and shipping	6,392	456	1,218	**8,066**
Public relations and development	42,965	17,760	8,880	**69,605**
Process and service fees	64,265	2,912	2,912	**70,089**
Equipment repair	55,111	1,187	8,013	**64,311**
Insurance	34,696	2,814	1,427	**38,937**
Transportation	25,809	3,848	477	**30,134**
Interest and other financing fees	29,251	3,324	665	**33,240**
Miscellaneous	1,123	(9,092)	733	**(7,236)**
Dues and subscriptions	14,195	1,101	1,573	**16,869**
Depreciation of property and equipment	197,076	13,576	5,275	**215,927**
Total expenses	$ 4,124,557	$ 491,820	$ 213,900	**$ 4,830,277**
Percentage of total expenses	85%	10%	5%	**100%**

See notes to financial statements.

Columbus Speech & Hearing Center

Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 2,529,614	$ 327,690	$ 136,533	$ 2,993,837
Payroll taxes and employee benefits	361,683	60,261	15,842	437,786
Total compensation	2,891,297	387,951	152,375	3,431,623
Hearing aid and assistive listening devices	384,774	-	-	384,774
Conferences, meetings and staff development	1,877	658	613	3,148
Bad debts	-	20,020	-	20,020
Consulting, legal and accounting	58,647	26,879	13,048	98,574
Printing	11,481	974	3,582	16,037
Telephone	17,861	1,089	853	19,803
Supplies	50,367	1,595	775	52,737
Utilities	64,193	7,295	1,459	72,947
Maintenance, building and grounds	80,700	9,170	1,834	91,704
Postage and shipping	10,289	718	515	11,522
Public relations and development	13,019	1,876	27,933	42,828
Process and service fees	59,018	2,698	2,698	64,414
Equipment repair	54,866	1,114	5,040	61,020
Insurance	43,111	3,544	1,746	48,401
Transportation	34,266	412	292	34,970
Interest and other financing fees	17,830	2,026	405	20,261
Miscellaneous	8,319	913	755	9,987
Dues and subscriptions	14,536	1,125	1,892	17,553
Depreciation of property and equipment	193,427	13,350	5,231	212,008
Total expenses	$ 4,009,878	$ 483,407	$ 221,046	$ 4,714,331
Percentage of total expenses	85%	10%	5%	100%

See notes to financial statements.

Columbus Speech & Hearing Center

Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (92,665)	$ (288,833)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	215,927	212,008
Provision for loss on receivables	-	2,966
Change in:		
Receivables	(76,844)	74,782
Prepaid, inventory and other assets	8,147	7,770
Accounts payable and accrued liabilities	167,574	2,991
Deferred revenue	37	22,350
Net cash provided by operating activities	222,176	34,034
Cash flows from investing activities:		
Purchase of property and equipment	(39,136)	(36,873)
Cash flows from financing activities:		
Repayments of notes payable	(75,000)	(70,000)
Net change in revolving line of credit	(20,570)	107,000
Net cash (used in) provided by financing activities	(95,570)	37,000
Net increase in cash and cash equivalents	87,470	34,161
Cash and cash equivalents:		
Beginning	148,985	114,824
Ending	$ 236,455	$ 148,985
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 22,440	$ 8,328

See notes to financial statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization and background: The Columbus Speech & Hearing Center (the Center), was founded in 1923 to help all people improve communication and vocational independence for life. The Center is a nonprofit agency which provides services to people of all ages who are deaf, deaf-blind or who may have communication disorders related to speech or hearing impairment. The Center serves clients throughout Ohio and is funded through billings for services or products and grants from third party agencies.

Use of estimates: The accounting and reporting policies of the Center conform to accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Net asset classification: Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are those that are free of donor-imposed restriction, and include all revenue, expenses, gains, and losses that do not relate to net assets with donor restrictions. Net assets with donor restrictions are those net assets whose use has been limited by donors to a specific time period or purpose. There are no donor restricted net assets that must be maintained into perpetuity at December 31, 2018 and 2017.

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

Accounts receivable: The Center asks for co-pay or full fee at time of service from individuals. The Center follows up on insurance claims after 60 days. If the insurance claim is denied, the amount is due immediately from the individual. Accounts receivable are reported at the amount that reflects the consideration to which the Center expected to be entitled in exchange for providing the service. This estimate is based upon management's review of patient accounts and an assessment of the Center's historical evidence of collections. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the ability to pay are recorded as bad debt expense. Bad debt expense was approximately $10,000 and $20,000 for the years ending December 31, 2018 and 2017, respectively.

Property and equipment: Property and equipment are recorded at cost, less accumulated depreciation and amortization. Provisions for depreciation and amortization are computed using the straight-line method based on estimated useful lives of 5-30 years for buildings and improvements, 10 years for program, office and mobile equipment and 3 years for computer equipment.

The Center capitalizes the cost of all property and equipment additions in excess of $500; the fair value of donated property and equipment is similarly capitalized. When property and equipment is sold or retired, the cost and related accumulated depreciation is removed from the accounts.

Impairment of long-lived assets: The Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Measurement of any impairment would include a comparison of estimated undiscounted future cash flows to be generated during the remaining life of the asset to its net carrying value. The Center believes the carrying values of all long-lived assets at December 31, 2018 and 2017 are recoverable.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Fair value of financial instruments: The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to the short term nature of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates fluctuate with market interest rates.

Concentration of credit risk: The Center places its cash with financial institutions, and has cash on deposit from time to time in one financial institution in excess of insurance coverage provided by the Federal Deposit Insurance Corporation. The finance committee periodically reviews and approves the selection of financial institutions. The Center continually monitors these balances to minimize the risk of loss.

Revenue recognition: Effective January 1, 2018, the Center adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using a modified retrospective method of application to all contracts existing on January 1, 2018. The core principle is that an entity should recognize the amount of revenue to which it expects to be entitled for 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 the goods or services. For clinic fees and hearing aid sales this resulted in changes to the presentation and disclosure of revenue primarily related to uninsured or underinsured patients. Prior to the adoption of ASU 2014-19 the allowance for doubtful accounts related to self-pay patients, as well as co-pays, co-insurance amounts and deductibles owed to the Center by patients with insurance. Under ASU 2014-19, the estimated uncollectable amounts due from these patients are generally considered implicit price concessions that are a direct reduction to revenue. As a result of this adoption on January 1, 2018, the Center reclassified $57,666 from allowance for doubtful accounts to a direct reduction of receivables.

Revenue from clinic fees, hearing aids and assistive listening devices are reported at amounts that reflect the consideration to which the Center expects to be entitled in exchange for providing these services. These amounts are due from patients, third-party payers (including managed care payers and government programs) and others. Revenue is recognized at a point in time when the performance obligations are satisfied. As the performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided in ASC 606-10-50-14(a) and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied performance obligation for these contract are primarily related to services related to hearing aid sales. The transaction price for these contracts are based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers and implicit prices concessions based on contractual adjustments and discounts based on contractual agreements, discount policies and historical experience. The Center uses a portfolio approach as a practical expedient to account for these contracts as a collective group rather than individually.

Effective June 15, 2018, the Center adopted FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (an exchange transaction) or nonreciprocal (a contribution) and for distinguishing between conditional and unconditional contributions. The ASU was adopted January 1, 2019 using a full retrospective method. The impact of adoption on the financial statements is not material.

Grant support that is determined to be a reciprocal transaction is recognized over time when the performance obligations are satisfied. Grants received in advance of revenue being earned are recorded as deferred revenue until the performance obligations are satisfied.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The Center records contributions received, including grants that are nonreciprocal, as revenue in the period an unconditional transfer of cash or other assets, as well as unconditional promises to give are received. These amounts are recorded at their fair values. The Center reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are recorded as net assets without donor restrictions. The Center reports contributions of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services and assets: Contributed services are recorded when they meet the criteria of (1) creating or enhancing nonfinancial assets, or, (2) requiring specialized skills, and provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no donated services for the years ended December 31, 2018 and 2017. Donated assets were $8,594 and $1,424 for the years ended December 31, 2018 and 2017, respectively.

Advertising: The Center's advertising efforts are associated with nondirect-response programs. The costs are expensed as incurred. The Center had advertising expenses for the years ended December 31, 2018 and 2017 of $10,422 and $4,748, respectively.

Functional expenses: The Center allocates its expenses on a functional basis among its various programs and support services. Expenses are allocated either directly according to their natural expenditure classification or by various statistical bases including revenues, hours worked, salary expense and square footage.

Tax exempt status: The Center is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, the Center is taxed on other unrelated income, if any exists. Currently, the only unrelated business income is rental income.

The Center follows FASB guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Center may 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 by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Center, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. At December 31, 2018 and 2017, there were no material unrecognized tax benefits identified or recorded as liabilities.

The Center files Forms 990 and 990T in the U.S. federal jurisdiction. With few exceptions, the Center is no longer subject to examination by the Internal Revenue Service of tax years three to five years from the date of filing.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: Effective January 1, 2018 the Company adopted FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The ASU has been applied retrospectively to all periods presented and as a result the amounts presented as unrestricted net assets in the prior year are presented as those without donor restriction and temporarily restricted net assets are presented as those with donor restrictions. The Center has elected to apply the practical expedient and not disclose prior year liquidity and availability of resources.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its subsequently issued amendments supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. In December 2018, the FASB issued ASU 2018-20, *Narrow-Scope Improvements for Lessors*. This ASU provides an election for lessors to exclude sales and related taxes from consideration in the contract, requires lessors to exclude from revenue and expense lessor costs paid directly to a third party by lessees, and clarifies lessors' accounting for variable payments related to both lease and nonlease components. The Center is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Reclassifications: Certain amounts included in the 2017 financial statements have been reclassified for conform to the 2018 presentation. The reclassifications had no impact on the total net assets or the change in net assets.

Subsequent events: The Center has evaluated subsequent events for potential recognition and/or disclosure through September 12, 2019, the date the financials were available to be issued.

Note 2. Liquidity and Availability

The table below represents financial assets available for general expenditures, such as operating expenses and scheduled principal payments on notes payable, within one year of December 31, 2018:

Financial assets at year-end:		
Cash and cash equivalents	$	236,455
Receivables		495,568
Total financial assets		732,023
Less amounts not available to be used to meet general expenditures within one year:		
Restricted for specific purposes		62,198
Financial assets available to meet general expenditures within one year	$	669,825

The Center regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Center has various sources of liquidity at its disposal including cash and cash equivalents and a revolving line of credit. See Note 4 for information about the Center's revolving line of credit facility.

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31:

	2018	2017
Land	$ 240,000	$ 240,000
Building and improvements	5,034,325	5,025,780
Program equipment	453,095	433,854
Office equipment	855,010	845,010
Construction in progress	5,600	4,250
	6,588,030	6,548,894
Less: accumulated depreciation and amortization	(4,567,439)	(4,351,512)
Net property and equipment	$ 2,020,591	$ 2,197,382

Depreciation expense was $215,927 and $212,008 for the years ended December 31, 2018 and 2017, respectively.

Note 4. Notes Payable and Revolving Line of Credit

Notes payable consisted of the following at December 31:

	2018	2017
Revenue bonds payable	$ 340,000	$ 415,000
Less: current maturities	80,000	75,000
	$ 260,000	$ 340,000

Future maturities on notes payable are as follows for the year ending December 31:

2019	$ 80,000
2020	80,000
2021	80,000
2022	100,000
	$ 340,000

In March 2002, the Center entered into tax-exempt bonds issued by Franklin County in the amount of $1,200,000, maturing through 2022. The bonds are Health Care Facilities Revenue Bonds that bear interest at a variable rate as determined each week by the Remarketing Agent. The rate is determined by the Remarketing Agent and shall be the minimum rate necessary for the Remarketing Agent to sell the bonds. The variable rate shall not exceed the lesser of 10% per annum or the maximum rate permitted by law. At the option of the Center, with a 45-day notice, the bonds can be converted to fixed rate bonds. The interest rate at December 31, 2018 and 2017 was 1.92% and 1.71%, respectively. The bonds are secured by a standby letter of credit from a financial institution which expires in April 2020. There were no standby letters of credit outstanding at December 31, 2018 and 2017.

Note 4. Notes Payable and Revolving Line of Credit (Continued)

The Center had an available line of credit agreement in the amount of $500,000. Borrowings outstanding on the line of credit were $216,430 and $237,000 at December 31, 2018 and 2017, respectively. The line of credit bore interest at LIBOR plus 3.24%. At December 31, 2018 and 2017, the LIBOR rate was 2.50% and 1.49%, respectively. The agreement matured July 10, 2019, and as collateralized by the current assets of the Center. For the year ended December 31, 2018, the Center was not in compliance with a certain covenant within the line of credit agreement, however, the line was repaid in full during July 2019.

In July 2019, the Center entered into a new line of credit agreement in the amount of $300,000, which replaced the existing line of credit. The line bears interest at the Prime rate plus an applicable margin of .50%. The agreement requires monthly interest payments and with the principal balance due at maturity on July 12, 2020. The line is secured by the building mortgage and assignment of leases and rents on the property as well as a security interest in all business assets.

In July 2019, the Center also entered into a promissory note agreement in the amount of $400,000. The note bears interest at 6.00% until July 12, 2022, at which point the interest rate shall change to the Prime rate plus an applicable margin of .50%, not to be below 6.00%. The note requires six monthly interest payments until January 2020, at which point the note will require monthly principal and interest payments until maturity on July 12, 2034. The note is secured by the building mortgage and assignment of leases and rents on the property as well as a security interest in all business assets. The proceeds from the note were used to pay-off the balance of the old line of credit balance.

Note 5. Employee Benefit Plan

The Center maintains a 401(k) plan (the Plan) for eligible employees. Employees are eligible to participate in the Plan at the time of hire. Employees are eligible for employer contributions after completing one year of service and providing at least 1,000 hours. Participants become fully vested in employer contributions after three years. Employer contributions are generally made by the Center annually and are made at management's discretion. The Center made no employer contributions to the Plan in 2018 and 2017.

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	2018	2017
United Way allocations not yet received	$ 62,500	$ 75,000
Garage renovation	21,052	21,052
Various programs	41,146	61,891
	$ 124,698	$ 157,943

Note 7. Special Events

The Center annually sponsors the Great Communicators Golf Outing and the Speakeasy events. Contributions and grants for both events include revenue of $132,510 and $75,675 for years ended December 31, 2018 and 2017, respectively which is included in contribution and grants on the accompanying statement of activities and changes in net assets. Total expenses associated with these events were $27,914 and $26,955 for years ended December 31, 2018 and 2017, respectively, which is included in public relations and development on the accompanying statement of functional expenses.

Note 8. Leases

The Center leases a portion of its building to third parties under long-term agreements expiring at various dates through February 2022, with renewal options for additional periods in certain cases. The Center generally pays insurance and specified maintenance costs. Future minimum rentals under these non-cancelable leases are as follows:

2019	$	136,508
2020		91,915
2021		56,910
2022		3,815
	$	289,148

Rental income for the years ended December 31, 2018 and 2017 was $148,844 and $139,108, respectively.

Note 9. Commitments and Contingencies

The Center is subject to claims and lawsuits in the ordinary course of business. In the opinion of management, the Center has adequate legal defenses and/or adequate insurance coverage for such matters. If not insured, management believes that such matters will not, in the aggregate, have a materially adverse impact on the Center's financial position, results of future operations or cash flows.

Note 10. Subsequent Events

In April 2019, the Center entered into an agreement with a contractor to replace certain equipment for approximately $129,000. The Center has also entered into an agreement with a contractor to perform certain repair activities of the building for approximately $21,000.