

ADULT AND TEEN CHALLENGE OF TEXAS

Financial Statement
(With Independent Auditor's Report Thereon)

December 31, 2018

ADULT AND TEEN CHALLENGE OF TEXAS

Index to Financial Statements

December 31, 2018

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Independent Auditor's Report

To the Board of Directors
Adult and Teen Challenge of Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Adult and Teen Challenge of Texas (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Adult and Teen Challenge of Texas as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

STILL BURTON LLP

Still Burton LLP

Farmers Branch, Texas
August 12, 2019

ADULT AND TEEN CHALLENGE OF TEXAS

Statements of Financial Position

December 31, 2018

Assets

Cash and cash equivalents	\$	151,028
Investments, at fair value		97,500
Grant receivable		750,000
Inventory		30,623
Note receivable		515,466
Land, buildings and equipment, net		<u>6,493,132</u>
Total assets	\$	<u>8,037,749</u>

Liabilities and Net Assets

Accounts payable and accrued liabilities	\$	367,226
Deferred revenue		750,000
Debt, net of unamortized loan costs		2,931,008
Asbestos abatement		<u>39,155</u>
Total liabilities		4,087,389
Net assets without donor restrictions		<u>3,950,360</u>
Total liabilities and net assets	\$	<u>8,037,749</u>

See accompanying notes to financial statements.

ADULT AND TEEN CHALLENGE OF TEXAS

Statements of Activities
Year Ended December 31, 2018

Support and Revenues

Contributions	\$ 1,413,343
Student tuition and fees	1,083,221
Work revenue	814,062
Crafts and services, net	145,994
Thrift store sales, net	100,340
Special events, net	647,033
Food assistance	245,696
Rent	52,474
Interest on note receivable	47,198
Loss on disposal of fixed assets	(152,644)
Other income	42,487
Total support and revenues	<u>4,439,204</u>

Expenses

Program services:	
Rehabilitation	<u>2,623,201</u>
Total program services	<u>2,623,201</u>
Supporting services:	
Management and general	1,266,113
Fundraising	<u>261,580</u>
Total supporting services	<u>1,527,693</u>
Total expenses	<u>4,150,894</u>
Change in net assets without donor restrictions	288,310
Net assets at beginning of year	<u>3,662,050</u>
Net assets at end of year	<u>\$ 3,950,360</u>

See accompanying notes to financial statements.

ADULT AND TEEN CHALLENGE OF TEXAS

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services		Supporting Services			Total
	Rehabilitation	Management and General	Fundraising	Total Supporting Services		
Salaries and benefits	\$ 997,344	\$ 687,549	\$ 243,635	\$ 931,184	\$ 1,928,528	
Curriculum	16,619	-	-	-	16,619	
Depreciation	278,420	49,718	3,315	53,033	331,453	
Housing	556,010	-	-	-	556,010	
Insurance	165,672	29,584	1,972	31,556	197,228	
Bank fees	-	37,931	-	37,931	37,931	
Interest expense	-	139,310	-	139,310	139,310	
Maintenance and repairs	205,858	38,391	4,532	42,923	248,781	
Office expense	19,517	32,745	214	32,959	52,476	
Professional fees	15,625	129,490	143	129,633	145,258	
Public relations	1,886	54,287	3,409	57,696	59,582	
Transportation	20,251	3,616	241	3,857	24,108	
Utilities	345,999	61,785	4,119	65,904	411,903	
Other	-	1,707	-	1,707	1,707	
Total expenses	\$ 2,623,201	\$ 1,266,113	\$ 261,580	\$ 1,527,693	\$ 4,150,894	

See accompanying notes to financial statements.

ADULT AND TEEN CHALLENGE OF TEXAS

Statements of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ 288,310
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	331,453
Loss on disposal of fixed assets	153,314
Changes in operating assets and liabilities:	
Inventory	15,990
Accounts payable and accrued liabilities	131,423
Net cash provided by operating activities	<u>920,490</u>
Cash flows from investing activities	
Purchase of land, buildings and equipment	(754,591)
Repayments from notes receivable	42,770
Net cash used in investing activities	<u>(711,821)</u>
Cash flows from financing activities	
Payment of debt	(112,692)
Net cash used in financing activities	<u>(112,692)</u>
Increase in cash and cash equivalents	95,977
Cash and cash equivalents at beginning of year	55,051
Cash and cash equivalents at end of year	<u>\$ 151,028</u>
Supplemental disclosures of cash flow information:	
Non-cash: grant receivable and deferred revenue	\$ 750,000
Cash paid for interest	<u>\$ 144,245</u>
Cash paid for taxes	<u>\$ -</u>

See accompanying notes to financial statements.

ADULT AND TEEN CHALLENGE OF TEXAS

Notes to the Financial Statements

December 31, 2018

NOTE 1 – ORGANIZATION

Adult and Teen Challenge of Texas (the “Organization”) operates faith-based chemical dependency treatment programs. The Organization was founded in 1968 and provides services within Texas in the San Antonio, Houston, Fort Worth, Brenham and Austin areas. The Organization’s mission is to provide youth, adults, and families with an effective and comprehensive Christian faith-based solution to life-controlling addictions in order to become productive members of society. Their vision is to put hope within reach of every addict.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Basis of Presentation - The Organization’s financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP), consistently applied.

Net Asset Classifications - In accordance with GAAP, the Organization has adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Therefore, the Organization classifies its net assets into two categories as follows:

Without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations. These may be used for any purpose or designated for specific purposes by action of the Board of Directors.

With Donor Restrictions – (1) Net assets which are subject to donor-imposed purpose restrictions or which expire by the passage of time (formerly called temporarily-restricted). (2) Net assets subject to donor-imposed stipulations that the corpus be maintained permanently (formerly called permanently-restricted). Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. These are often referred to as endowments.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments with an original maturity of three months or less at time of purchase.

Revenue Recognition - Revenues from special events consist of fundraising events such as drug awareness teams, choir services, golf tournaments, banquets, and a 5K race. Revenues from special events are recognized at the time of service.

Revenues from the thrift store sales are recognized upon acceptance of the goods by the customer and when payment is reasonably assured.

Rental income is derived from staff and re-entry residents living on the Organization’s campuses and is recognized at the time of service.

Students pay fees for tuition which is recognized over the period of service.

ADULT AND TEEN CHALLENGE OF TEXAS
Notes to the Financial Statements - Continued
December 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Revenue Recognition – Continued - The students make certain crafts, such as jewelry, crosses, plaques and candles, which are sold at the special events and on the Organization's website. The revenue is recognized at the time of sale.

Work revenue is derived from students who work in the community in addition to living and getting treatment on the campuses. The work proceeds support the Organization's overall mission. The revenue is recognized as the work is performed.

Other income is primarily from food stamps from the residents who are eligible for this government subsidy. This revenue is recognized as the food stamps are used and redeemed.

Contributions are received from individuals, churches, corporations and grants. Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor, for either purpose or time, are reported as increases in net assets without donor restrictions if the restrictions are satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated assets are recorded at their estimated fair market values at the date of receipt. Crafts, including wood crafts, clothing, and jewelry, are given to donors as thank you tokens in exchange for contributions.

The Organization reports in-kind contributions of land, buildings, and equipment as increases in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets or other assets with explicit restrictions that specify how the assets are to be used are recorded as increases in net assets with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets or other assets are placed in service.

During the year ended December 31, 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Inventory – Inventory consists of art and crafts, jewelry, candle and clothing made by the students on the various campuses. Inventory is valued at cost. At December 31, 2018, there are no reserve for obsolete items.

ADULT AND TEEN CHALLENGE OF TEXAS
Notes to the Financial Statements - Continued
December 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES - CONTINUED

Investments - The Organization initially records investments at their acquisition cost if they are purchased and at fair value if they are received as a contribution. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

As of December 31, 2018, the Organization held two church certificates of deposit for a total of \$97,500 that are redeemable in 2031 and 2033. The certificates can only be redeemed at maturity at a stated value of \$146,250. The present value of the redemption amount is not significantly different than the cost of the certificates. As such, these certificates are reported at cost and earnings will be recognized at redemption.

Fair Value of Financial Instruments - The carrying value of the financial instruments, including cash and cash equivalents, notes receivable, accounts payable and accrued liabilities, approximate their fair values due to their short maturities. The fair value of fixed-rate debt approximates the carrying amount because the rates and terms currently available to the Organization approximate the rate and terms on the existing debt.

Notes Receivable - The Organization periodically enters into note receivable arrangements which are typically associated with sales of property. Notes receivable are considered impaired when it is probable that the Organization will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the agreement. The difference between the net value of the amounts expected to be received and the note balance is recognized as an impairment of the note. No impairments were recognized on notes receivable during the year ended December 31, 2018.

Liquidity and Availability - The financial assets available within one year of the balance sheet date for general expenditures are as follows as of December 31, 2018:

Cash and cash equivalents	\$ 151,028
Grant receivable	750,000
Inventory	30,623
Note receivable-current	46,600
Financial assets available at year end	978,251
Less those unavailable for general expenditures within one year:	
Restricted for Magnolia project	(750,000)
Financial assets available to meet cash needs for general expenditures within one year	\$228,251

ADULT AND TEEN CHALLENGE OF TEXAS
Notes to the Financial Statements - Continued
December 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES – CONTINUED

Liquidity and Availability – Continued - 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.

Property and Equipment - Property and equipment greater than \$1,000 are recorded at cost and capitalized. Betterments and renewals, which add significantly to the utility or useful lives of the assets, are capitalized. Construction in progress is stated at cost and is not depreciated until the asset is placed in service. Repairs and maintenance are charged to expenses. Gains and losses from normal retirements or dispositions are credited or charged to revenue.

Depreciation of property and equipment is provided at rates intended to distribute the cost of the assets over their estimated useful lives using the straight-line method. Major categories or depreciable assets and their estimated useful lives are:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
Building and improvements	25 – 40 years
Furniture and equipment	3 – 7 years
Vehicles	5 years
Leasehold improvements	shorter of useful life or lease term

Long-lived Assets – Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Organization compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made. No indicator of impairment existed at December 31, 2018.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income, of which the Organization had none for the year ended December 31, 2018, would be subject to federal income taxes. Additionally, the Organization is exempt for state sales and franchise taxes. Accordingly, there is no provision or liability for income taxes in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by Internal Revenue Service. Management has analyzed the tax positions, and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is generally no longer subject to tax examinations relating to U.S. Federal tax returns after three years prior to the date of the last tax filing.

ADULT AND TEEN CHALLENGE OF TEXAS
Notes to the Financial Statements - Continued
December 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES - CONTINUED

Functional Allocation of Expenses - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization based on management's estimates. Those expenses include depreciation, salaries and related compensation expenses for the chief executive officer and certain staff, office expense and building cost. Depreciation, office expense and building costs are allocated on a square footage basis of the buildings used to perform program, administrative or fundraising functions. Salaries and related costs are allocated based on a review of the actual time expended.

Use of Estimates - Management makes use of estimates in the preparation of its financial statements in conformity with GAAP. The major estimates are allowance for uncollectible receivables, valuation of donated services and materials, allocation of functional expenses, lives used to depreciate fixed assets, and estimates of accrued expenses. The methods used to make such accounting estimates are believed by management to be reasonable and have been consistently applied. Actual results could differ.

Concentrations of Credit Risk - Certain financial instruments potentially subject the Organization to concentrations of credit risk. These financial instruments consist primarily of cash deposits and notes receivable. The cash policy of the Organization limits the amount of credit exposure and requires that cash be placed with high credit quality financial institutions. At December 31, 2018, the Organization held no cash balances in financial institutions that exceeded the Federal Deposit Insurance Corporation insurance coverage of \$250,000. Notes receivable are collateralized by the property sold to limit credit exposure.

Recent Accounting Pronouncements - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The objective of the revenue standard is to provide a single, comprehensive revenue recognition model for all contracts to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and the timing of revenue recognition. FASB deferred the effective date for fiscal years beginning after December 15, 2018 for non-profit entities, though these entities can early adopt if they so elect. The Organization has elected not to early adopt this ASU as of December 31, 2018. The Organization is required to implement for the year ended December 31, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies the definition of an exchange transaction. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. The ASU is effective for years beginning after December 15, 2019. Early adoption is permitted. The

ADULT AND TEEN CHALLENGE OF TEXAS
Notes to the Financial Statements - Continued
December 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES - CONTINUED

Recent Accounting Pronouncements - Continued – The Organization has elected not to early adopt this ASU as of December 31, 2018. Implementation will be required for the Organization’s year ended December 31, 2020.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for periods beginning after December 15, 2019. Early adoption is permitted. The Organization has elected not to early adopt this ASU as of December 31, 2018. The Organization is required to implement this ASU for the year ended December 31, 2020.

NOTE 3 – NOTE RECEIVABLE

In August 2012, the Organization sold its property in Driscoll, Texas for \$650,000. In conjunction with this sale, the buyer entered into a \$625,000 note receivable agreement, which bears interest at 7.5% and matures in 5 years from the date of the note. In 2017, this note was amended thereby extending the maturity date through 2026, modifying the interest rate to be 8.75%, and requiring monthly payments of principal and interest equal to \$7,492 through the maturity date.

The aggregate future principal collections on this note receivable are as follows:

2019	\$	46,600
2020		50,845
2021		55,477
2022		60,530
2023		66,003
Thereafter		236,011
Total	\$	<u>515,466</u>

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings, and equipment as of December 31, 2018 are as follows:

Land	\$	<u>654,842</u>
Buildings and improvements		6,151,090
Leasehold improvements		22,685
Furniture and equipment		849,394
Vehicles		762,834
Construction in progress		457,798
Total land, buildings and equipment		<u>8,898,643</u>
Less accumulated depreciation		<u>(2,405,511)</u>
Net land, buildings and equipment	\$	<u><u>6,493,132</u></u>

Depreciation expense was \$331,452 for the year ended December 31, 2018.

ADULT AND TEEN CHALLENGE OF TEXAS
Notes to the Financial Statements - Continued
December 31, 2018

NOTE 5 – LONG TERM DEBT

Debt consisted of the following at December 31, 2018:

Note payable to a lender, due in monthly installments of \$10,810, including interest; final balloon payment due June 2033, interest at 4.99%, collateralized by the assets of the Organization	\$ 1,837,478
Note payable to a lender, due in monthly installments of \$1,723, including interest; final payment due April 2026, interest at 4.99%, collateralized by the assets of the Organization	126,743
Note payable to a lender, due in monthly installments of \$2,132, including interest; final payment due September 2020, interest at 4.99%, collateralized by the assets of the Organization	42,786
Unsecured note payable to two individuals, due in monthly installments of \$626, including interest; final payment due May 2025, interest at 0% and collateralized by certain property of the Organization	47,695
Note payable to a lender, due in monthly installments of \$4,659, including interest; final payment due May 2037, interest at 3% and collateralized by certain property of the Organization	790,277
Note payable to a lender, due in monthly installments of \$281, including interest; final payment due December 2022, interest at 16.55% and collateralized by certain property of the Organization	9,188
Note payable to a lender, due in monthly installments of \$347, including interest; final payment due December 2022, interest at 14.7% and collateralized by certain property of the Organization	12,553
Note payable to a lender, interest at 3%; final payment due May 2033, and collateralized by certain property of the Organization	97,852
Total debt	<u>2,964,572</u>
Less: Unamortized loan costs	<u>(33,564)</u>
Debt, net of unamortized loan costs	<u>\$ 2,931,008</u>

Long term debt is net of unamortized loan costs. Loan financing costs are costs incurred in connection with the issuance of debt and are capitalized and amortized on a straight-line basis over the life of the debt.

ADULT AND TEEN CHALLENGE OF TEXAS
Notes to the Financial Statements - Continued
December 31, 2018

NOTE 5 – LONG TERM DEBT - CONTINUED

The aggregate future maturities of the long-term debt are as follows:

2019	\$	126,160
2020		122,943
2021		112,019
2022		116,291
2023		113,941
Thereafter		<u>2,373,219</u>
Total	\$	<u><u>2,964,572</u></u>

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization is a chapter of Teen Challenge USA. The Organization is required to pay Teen Challenge USA an accreditation fee of \$150 per center per month. During the year ended December 31, 2018, the Organization paid approximately \$12,600 to Teen Challenge USA.

During the year ended December 31, 2018, various members of the Board of Directors and their affiliated organizations, made contributions of approximately \$16,000 to the Organization.

NOTE 7 – STORE SALES, CRAFTS AND SPECIAL EVENTS

The Organization operates thrift stores, sells crafts and services and conducts special events to raise funds for operations. The revenues from these are reported net of related costs in the statements of activities as follows:

	Year Ended December 31, 2018		
	Revenue	Cost	Net
Crafts and services	\$ 206,030	\$ 60,036	\$145,994
Thrift store sales	183,803	83,463	100,340
Special events	799,311	152,278	647,033
Total	\$1,189,144	\$295,777	\$893,367

ADULT AND TEEN CHALLENGE OF TEXAS
Notes to the Financial Statements - Continued
December 31, 2018

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Leases - The Organization has various equipment leases and leases a portion of its facilities, primarily thrift stores, pursuant to non-cancellable operating lease agreements. Lease expense was approximately \$98,000 for the year ended December 31, 2018.

Minimum future rentals for non-cancellable office space and equipment leases are as follows:

Year Ending December 31,	Operating Leases
2019	\$ 49,861
2020	17,156
2021	16,260
2022	4,065
Future minimum lease payments	\$ 87,342

Litigation - The Organization is involved from time to time in certain legal actions arising from normal business activities. Management believes that the outcome of such proceedings will not materially affect the financial position or results of operations of the Organization.

Contingencies - In 2012, the Organization received contributed property which included a small hospital building that is abandoned due to asbestos discovered in the past. The Organization has plans for future abatement and, as such, has recorded a contingent liability. The contingent liability totaled \$39,155 at December 31, 2018.

Commitments - In October 2017, the Federal Home Loan Bank of Dallas awarded an Affordable Housing Program grant for \$500,000 for construction of a housing unit at the Azle, Texas location. This grant can be drawn on as construction progresses. Construction began in May 2018 with completion in June 2019. At December 31, 2018, approximately \$285,000 in construction cost have been completed with approximately \$215,000 remaining commitment.

In October 2018, the Federal Home Loan Bank of Dallas awarded an Affordable Housing Program grant for \$750,000 for construction of a housing unit at the Magnolia, Texas location. This grant can be drawn on as construction progresses. Construction is expected to commence in late 2019. At December 31, 2018, \$750,000 is recorded as a grant receivable.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 12, 2019, the date the financial statements were available to be issued.

A lease for the new adolescent unit building in Round Rock, Texas was signed in April 2019. This lease is for twelve months for a total of \$60,000.