Consolidated Financial Statements and Independent Auditor’s Report

The Resource Exchange, Inc. and Affiliate

June 30, 2017

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Logan, Thomas & Johnson, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Resource Exchange, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Resource Exchange, Inc. and Affiliate (the Center), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Resource Exchange, Inc. and Affiliate as of June 30, 2017 and the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center's 2016 financial statements, and our report dated February 15, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Logan, Thomas & Johnson, LLC

Broomfield, Colorado
April 17, 2018

Consolidated Financial Statements

The Resource Exchange, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2017
(With summarized financial information as of June 30, 2016)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,922,545	$ 635,613
Certificates of deposit	104,741	103,960
Investments	257,161	1,571,549
Accounts receivable		
Fees and grants from governmental agencies, net of allowance for uncollectible receivables of $216,000	2,260,998	2,107,436
Other, net of allowance for uncollectible receivables of $34,000	399,763	347,879
Prepaid expenses and other assets	162,004	72,376
Total current assets	5,107,212	4,838,813
Land, building and equipment, net	782,762	854,217
Total assets	$ 5,889,974	$ 5,693,030
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,502,547	$ 1,313,445
Accrued expenses	1,134,282	922,751
Deferred revenue	135,150	7,500
Total current liabilities	2,771,979	2,243,696
Net assets		
Unrestricted		
Net investment in land, building and equipment	782,762	854,217
Undesignated	2,335,233	2,595,117
Total unrestricted net assets	3,117,995	3,449,334
Total liabilities and net assets	$ 5,889,974	$ 5,693,030

The accompanying notes are an integral part of this statement.

The Resource Exchange, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2017
(With summarized financial information for the year ended June 30, 2016)

	Total unrestricted	
	2017	2016
Revenues and support		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund	$ 5,948,126	$ 5,795,773
Medicaid	9,119,449	7,904,460
Counties	54,219	54,772
Grants		
Part C	749,205	833,767
Other	191,558	-
Total fees and grants from governmental agencies	16,062,557	14,588,772
Public support - contributions	237,396	307,110
Fees for services	2,340,105	2,160,358
Other revenue	610,278	103,201
Total revenues and support	19,250,336	17,159,441
Expenses		
Program services		
Medicaid comprehensive	887,141	872,801
State adult supported living	697,530	754,663
Medicaid adult supported living	1,420,127	1,514,789
Children's extensive support	1,633,533	883,517
Early intervention	5,348,613	4,600,812
Family support	915,080	1,184,273
Case management	6,626,973	5,610,136
Total program services	17,528,997	15,420,991
Supporting services		
Management and general	2,052,678	1,817,882
Total expenses	19,581,675	17,238,873
CHANGE IN NET ASSETS	(331,339)	(79,432)
Net assets, beginning of year	3,449,334	3,528,766
Net assets, end of year	$ 3,117,995	$ 3,449,334

The accompanying notes are an integral part of this statement.

The Resource Exchange, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended June 30, 2017
(With summarized financial information for the year ended June 30, 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	$ (331,339)	$ (79,432)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	146,930	160,419
Realized/unrealized (gain)/loss on investments	(85,120)	24,241
Change in assets and liabilities		
Increase in certificates of deposit	(781)	(778)
Increase in accounts receivable	(205,446)	(720,683)
Increase in prepaid expenses and other	(89,628)	(30,692)
Increase in accounts payable and accrued expenses	400,633	203,669
Increase (decrease) in deferred revenue	127,650	(127,145)
Net cash used in operating activities	(37,101)	(570,401)
Cash flows from investing activities		
Purchase of land, building and equipment	(75,475)	(126,484)
Purchases of investments	(181,117)	(719,650)
Proceeds from sale of investments	1,580,625	718,446
Advance on line of credit	400,000	100,000
Payment on line of credit	(400,000)	(100,000)
Net cash provided by (used in) investing activities	1,324,033	(127,688)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,286,932	(698,089)
Cash and cash equivalents, beginning of year	635,613	1,333,702
Cash and cash equivalents, end of year	$ 1,922,545	$ 635,613
Supplemental data		
Cash paid for interest	$ 3,573	$ 197

The accompanying notes are an integral part of this statement.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This description of The Resource Exchange, Inc.'s and Affiliate (the Center) nature of activities and summary of significant accounting policies is presented to assist in understanding the Center's consolidated financial statements.

1. *Summary of Business Activities*

The Resource Exchange, Inc., a Colorado nonprofit corporation, was incorporated under the laws of the State of Colorado in 1964 for the purpose of providing a community centered board to coordinate programs through local interagency cooperation, and to provide services to persons with developmental disabilities in El Paso, Park and Teller counties. The Center's revenue comes primarily from the State of Colorado for services provided.

2. *Principles of Consolidation*

The consolidated financial statements of the Center include its affiliate, 6385 Corporate Drive, LLC, a Colorado for-profit corporation. 6385 Corporate Drive, LLC (the LLC) is an affiliate of the Center due to the fact that the Center is the sole member of the LLC. All material intercompany accounts and transactions have been eliminated.

3. *Description of Services Provided*

The major program services or supports and functional activities directly provided or purchased by the Center are:

Program Services or Supports

<u>Comprehensive</u> (Medicaid) refers to residential services, adult day services or supports and transportation activities as specified in the eligible person's Individualized Plan (IP). Included are a number of different types of residential settings, which provide an array of training, learning, experiential and support activities provided in residential living alternatives designed to meet individual needs. Additionally, adult day services provide opportunities for individuals to experience and actively participate in valued roles in the community. These services and supports enable individuals to access and participate in typical community activities such as work, recreation, and senior citizen activities. Finally, transportation activities refer to "Home to Day Program transportation" services relevant to an individual's work schedule as specified in the IP. For these purposes, "work schedule" is defined broadly to include adult and retirement activities such as education, training, community integration and employment.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. *Description of Services Provided (Continued)*

Program Services or Supports (Continued)

Adult Supported Living (State and Medicaid) provides individualized living services for persons who are responsible for their own living arrangements in the community, or are living with family.

Children's Extensive Support is a deeming waiver (only the child's income is considered in determining eligibility) intended to provide needed services and supports to eligible children under the age of eighteen years in order for the children to remain in or return to the family home. Waiver services are targeted to children having extensive support needs, which require constant line-of-sight supervision due to significantly challenging behaviors and/or coexisting medical conditions. Available services include personal assistance, household modification, specialized medical equipment and supplies, professional services and community connection services.

Early Intervention is for children from birth through age two which offer infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional development, and self-help skills; parent-child or family interaction; and early identification, screening and assessment services.

Family Support provides an array of supportive services to the person with a developmental disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement, which is unwanted by the person or the family.

Case Management is the determination of eligibility for services and supports, service and support coordination, and the monitoring of all services and supports delivered pursuant to the IP, and the evaluation of results identified in the IP.

Supporting Services

Management and General includes those activities necessary for planning, coordination, and overall direction of the Center, financial administration, general board activities and other related activities indispensable to the Center's corporate existence.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. *Basis of Accounting*

Financial statements of the Center have been prepared on the accrual basis, whereby revenues are recorded when services are performed and expenses are recognized when incurred.

5. *Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

6. *Subsequent Events*

The Center has evaluated events and transactions occurring subsequent to the end of the fiscal year for potential recognition or disclosure through April 17, 2018, the date on which the financial statements were issued. Except as disclosed in Note D and I, the Center did not identify any events or transactions that would have a material impact on the financial statements.

7. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Center considers cash to be cash on hand, cash on deposit and money market accounts, subject to immediate withdrawal, and considers cash equivalents to be certificates of deposit with an original maturity of three months or less. The Center maintains its cash balances in financial institutions located in Colorado Springs, Colorado, which at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

8. *Accounts Receivable*

The majority of the Center's accounts receivable are due from the State of Colorado. Accounts receivable are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. The Center determines its allowance for uncollectible receivables by considering a number of factors, including the length of time accounts receivable are past due and the Center's previous collection history. The Center writes off accounts receivable to bad debt expense when they become uncollectible. Payments subsequently received on such receivables, if any, are recorded as other revenue.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. *Investments*

The Center records its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the statement of financial position as determined by quoted market prices. Partnership investments are valued at estimated fair value based on the net asset valuation pursuant to fair market value appraisals of each underlying property on an annual basis. The carrying amounts for certificates of deposit approximate their fair values due to the short period of time until maturity. The valuation methodologies are believed to be consistent with accepted practice in the market for partnership investments and certificates of deposit. Unrealized gains and losses are reported in investment income. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

10. *Land, Building and Equipment*

Land, building, and equipment are reported at cost for purchased assets and at estimated fair value, at date of receipt, for donated property. Any asset valued in excess of $500 with a life expectancy of more than one year is capitalized. Depreciation is provided on the straight-line method over the following estimated useful lives:

	Years
Administrative equipment	3 – 5
Program equipment	3 – 5
Building	25

11. *Accounting for Contributions*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. *Accounting for Contributions (Continued)*

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are reported as unrestricted revenues rather than temporarily restricted. Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity, and only the income from investment thereof be expended for either general purposes or a purpose specified by the donor.

12. *Income Taxes*

The Center is operated as a nonprofit organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Center recognizes tax liabilities when, despite the Center's belief that its tax return positions are supportable, the Center believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The Center has concluded there is no tax liability or benefit required to be recorded as of June 30, 2017. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Center believes it is no longer subject to income tax examinations for the years prior to the year ended June 30, 2014.

13. *Fair Value Measurements*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established under accepted accounting principles, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and mutual funds that are traded in an active exchange market.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. *Fair Value Measurements (Continued)*

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government agency debt securities, corporate-debt securities and certificates of deposit.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. The disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed. Management recognizes transfers between fair value hierarchy levels at the time of fair value measurement.

14. *Prior Year Summarized Information and Reclassifications*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements as of and for the year ended June 30, 2016, from which the summarized information was derived. Certain financial information as of and for the year ended June 30, 2016 has been reclassified to conform with the presentation for the current year.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. *Recent Accounting Pronouncements*

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (US GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Center has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale or whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. 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. The ASU will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Center is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB’s improvements to net asset classification requirements and the information presented about a not-for-profit organization’s liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Center is in the process of evaluating the impact of this new guidance.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. *Recent Accounting Pronouncements (Continued)*

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update clarify the guidance regarding the classification of operating, investing and financing activities for certain types of cash receipts and payments. The amendments in this update are effective for the annual periods, and the interim periods within those years, beginning after December 15, 2018, and should be applied using a retrospective transition method to each period presented. Early adoption is permitted. The Center is evaluating the impact of adoption, if any, to the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU will be effective for fiscal years beginning after December 15, 2018. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Center is in the process of evaluating the impact of this new guidance.

NOTE B – INVESTMENTS

The following table presents the Center's fair value hierarchy for those assets measured at fair value as of June 30, 2017:

	Fair value	Level 1	Level 2	Level 3
Financial assets:				
Partnerships	$ 257,161	$ -	$ -	$ 257,161
	$ 257,161	$ -	$ -	$ 257,161

The reconciliation of Level 3 investments consist of the following components:

Balance, July 01, 2016	$ 257,161
Purchases	-
Sales	-
Unrealized gain on investment	-
Balance, June 30, 2017	$ 257,161

NOTE B – INVESTMENTS (CONTINUED)

Investment return earned on cash and cash equivalents and investments for the year ended June 30, 2017 consists of the following:

Interest income	$ 14,832
Dividend income	44,730
Realized gain on investments	85,120
	$ 144,682

Investment expense for the year ended June 30, 2017 was $16,953.

NOTE C – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at June 30, 2017:

Building	$ 1,642,282
Administrative equipment	902,506
Program equipment	387,519
	2,932,307
Less accumulated depreciation	2,244,545
	687,762
Land	95,000
	$ 782,762

Depreciation expense was $146,930 for the year ended June 30, 2017.

NOTE D – LINE OF CREDIT

The Center has a revolving line of credit from a bank with a limit of $671,250. There was no outstanding balance as of June 30, 2017. The interest rate to be charged on utilization of this line will be the Wall Street Journal Prime with a floor of 5.00% adjusting daily (Prime was 4.25% at June 30, 2017). Interest is due monthly. The line of credit is collateralized by real property. The line of credit matured on June 26, 2017 and maturity was extended on July 21, 2017 to June 26, 2018.

NOTE E – NET ASSETS

Net investment in land, building and equipment is comprised of net land, building and equipment.

NOTE F – LEASES

The Center currently leases office space and equipment under operating lease arrangements which expire at various dates through 2020. Rental expense was $93,569 plus $42,955 recorded in maintenance expense for the year ended June 30, 2017. Future minimum rental payments for all noncancelable operating leases at June 30, 2017, are as follows:

Year ending June 30,	
2018	$ 130,241
2019	70,443
2020	6,567
	$ 207,251

NOTE G – RETIREMENT PLAN

In March 1999, the Board of Directors adopted a 401(k) retirement plan covering all employees who are 21 years of age or older and have three months of service with the Center. The amount of cost recognized for the plan for the year ended June 30, 2017 was $126,716.

NOTE H – RELATED PARTY TRANSACTIONS

The Center receives a substantial amount of revenue from the State of Colorado. As of June 30, 2017, the amount of receivables the Center has from the State of Colorado is $2,228,772, which is net of the allowance. The Center has a payable to the State of Colorado in the amount of $842,077, which is recorded in accounts payable. These transactions are considered to be transactions with a related party by virtue of significant management influence exercised by the State of Colorado through contract provisions.

One of the Center's Board members is a bank officer at a financial institution that holds all the Center's deposits and investments and issued the Center's line of credit. The Board member does not participate in any voting or decision making related to the Center's banking activities.

NOTE I – SUBSEQUENT EVENTS

The Center entered into a capital lease agreement for office equipment in August 2017. The lease has a term of 36 months with monthly payments of $1,393 per month. Lease payments are $15,326 for the year ending June 30, 2018, $16,718 for the years ending June 30, 2019 and 2020, and $1,393 for the year ending June 30, 2021.

NOTE I – SUBSEQUENT EVENTS (CONTINUED)

On July 21, 2017, the Center purchased property valued at $10.4 million, which includes the value of $2.9 million of the purchase of the building the seller donated to the Center. On August 1, 2017, the Center sold their downtown property for $1.2 million. Commissions earned on the sale of the property were $187,500. The Center entered into an agreement to pay $150,000 on or before December 31, 2017 and accept the balance of $37,500 as donations.

The Center and the LLC entered into a note payable for $5,925,000 on July 21, 2017 with a financial institution for purchase of the new property described above. The note has an interest rate of 4.94% and has principal and interest payments of $34,434 due monthly and matures with a balloon payment on July 21, 2027 of $4,405,554. The note is collateralized by property held by the LLC and related rents.

The Center and the LLC entered into a note payable for $750,000 on August 15, 2017 with a financial institution to provide additional operating funds during the purchase of new property. The note has interest payments due monthly and matures with a balloon payment on August 15, 2018. Variable interest accrues at a rate of 0.50% above the Wall Street Journal Prime Rate (Prime was 4.25% at August 15, 2017) for initial interest rate of 4.75%. The note requires the line of credit at a separate financial institution to rest at a zero balance for 30 consecutive days to be eligible for renewal. The note is collateralized by property held by the LLC.

On March 20, 2018, the Center established Futures, LLC (Futures), a charitable organization to raise the social and economic awareness of the community around people of different abilities by furthering education, facilitating intentional employment and cultivating an ecosystem of enrichment. The Center is the sole member of Futures.