

REMOTE AREA MEDICAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

REMOTE AREA MEDICAL, INC.
YEARS ENDED DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Remote Area Medical, Inc.

We have audited the accompanying financial statements of Remote Area Medical, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 Remote Area Medical, Inc. as of December 31, 2017 and 2016, 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.

Bible Harris Smith, P.C.

Bible Harris Smith, P.C.
Knoxville, Tennessee
August 9, 2018

REMOTE AREA MEDICAL, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 3,659,097	3,245,154
Promises to Give	598,239	290,643
Prepaid Expenses	108,159	100,769
Short Term Investments	2,422,593	2,343,030
Estimated Medical Supplies Inventory (Note 1)	200,000	-
Property and Equipment, Net	5,255,425	5,931,088
Deposits	130	6,381
TOTAL ASSETS	\$ 12,243,643	\$ 11,917,065
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 117,142	\$ 59,856
Accrued Liabilities	80,640	31,324
Due to Affiliates	-	27,957
TOTAL LIABILITIES	197,782	119,137
NET ASSETS		
Unrestricted	10,659,116	10,222,293
Temporarily Restricted	1,386,745	1,575,635
TOTAL NET ASSETS	12,045,861	11,797,928
TOTAL LIABILITIES AND NET ASSETS	\$ 12,243,643	\$ 11,917,065

The accompanying notes are an integral part of these financial statements.

REMOTE AREA MEDICAL, INC.
STATEMENTS OF ACTIVITIES

	Year Ended December 31,	
	2017	2016
UNRESTRICTED NET ASSETS		
Revenues and Other Increases:		
Public Support:		
General Contributions	2,566,422	2,632,896
Contributions of Services	2,300,000	2,300,000
Contributions of Materials, Property, and Facilities	69,306	7,593
Total Public Support	4,935,728	4,940,489
Investment Income	100,630	140,637
Net Assets Released From Restrictions	1,536,171	723,039
Total Revenues and Other Increases	6,572,529	5,804,165
Expenses and Losses:		
Program Services	5,239,631	4,552,735
Supporting Services:		
Management and General	457,824	442,948
Fund-Raising	412,233	301,998
Total Expenses	6,109,688	5,297,681
Loss on Disposition of Property	26,018	-
Total Expenses and Losses	6,135,706	5,297,681
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	436,823	506,484
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,347,281	591,728
Net Assets Released From Restrictions	(1,536,171)	(723,039)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(188,890)	(131,311)
INCREASE (DECREASE) IN NET ASSETS	247,933	375,173
NET ASSETS - BEGINNING	11,797,928	11,422,755
NET ASSETS - ENDING	\$ 12,045,861	\$11,797,928

The accompanying notes are an integral part of these financial statements.

REMOTE AREA MEDICAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2017			
	Total	Program Services	Management and General	Fund Raising
Donated Services:				
Medical Personnel	\$ 2,300,000	\$ 2,300,000	\$ -	\$ -
Direct Expedition Expenses	134,012	134,012	-	-
Salary and Benefits	1,622,043	1,020,809	327,953	273,281
Depreciation	582,239	582,239	-	-
Travel	395,147	379,451	5,035	10,661
Aviation	336,036	336,036	-	-
Office Supplies and Expenses	146,261	53,823	33,356	59,082
Insurance	83,741	50,789	32,952	-
Legal & Professional Fees	58,902	17,343	41,294	265
Miscellaneous	96,622	91,281	3,386	1,955
Public Relations and Fund Raising	47,786	353	1,500	45,933
Utilities	40,458	36,676	3,782	-
Postage and Delivery	45,994	22,952	1,986	21,056
Facilities	23,444	21,066	2,378	-
Registrations, Licenses and Fees	32,534	28,879	3,655	-
Credit Card and Other Service Fee:	14,937	14,440	497	-
Telephone	14,983	14,983	-	-
Repairs and Maintenance	24,430	24,430	-	-
Property Taxes	8,952	8,952	-	-
Conferences and Meetings	17,033	17,033	-	-
Grants to Affiliates	39,963	39,963	-	-
Equipment Rental	2,315	2,315	-	-
Contributed Materials	41,856	41,806	50	-
TOTAL EXPENSES	<u>\$ 6,109,688</u>	<u>\$ 5,239,631</u>	<u>\$ 457,824</u>	<u>\$ 412,233</u>

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The accompanying notes are an integral part of these financial statements.

REMOTE AREA MEDICAL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Continued from Page 5

	Year Ended December 31, 2016			
	Total	Program Services	Management and General	Fund Raising
Donated Services:				
Medical Personnel	\$ 2,300,000	\$ 2,300,000	\$ -	\$ -
Direct Expedition Expenses	205,100	205,100	-	-
Salary and Benefits	1,207,134	734,251	287,293	185,590
Depreciation	634,636	634,636	-	-
Travel	229,985	222,468	3,577	3,940
Aviation	147,611	147,017	594	-
Office Supplies and Expenses	124,355	49,838	34,971	39,546
Insurance	82,867	59,668	20,266	2,933
Legal & Professional Fees	62,863	-	62,863	-
Miscellaneous	55,971	50,322	4,425	1,224
Public Relations and Fund Rai	50,926	367	-	50,559
Utilities	42,037	38,184	3,853	-
Postage and Delivery	29,670	10,036	2,885	16,749
Facilities	27,337	23,748	3,589	-
Registrations, Licenses and Fe	25,620	21,740	2,852	1,028
Credit Card and Other Service	15,002	12,695	2,307	-
Telephone	14,804	12,524	2,080	200
Repairs and Maintenance	14,167	13,792	375	-
Property Taxes	13,348	13,348	-	-
Conferences and Meetings	10,650	1,376	9,045	229
Equipment Rental	3,478	1,505	1,973	-
Contributed Materials	120	120	-	-
	<u>120</u>	<u>120</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u><u>\$ 5,297,681</u></u>	<u><u>\$ 4,552,735</u></u>	<u><u>\$ 442,948</u></u>	<u><u>\$ 301,998</u></u>

The accompanying notes are an integral part of these financial statements.

REMOTE AREA MEDICAL, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 247,933	\$ 375,173
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) By Operating Activities		
Depreciation	582,239	634,636
Donated Property Included in Support	(27,500)	(500,000)
(Gain) or Loss on Disposition of Property	25,897	-
Donated Investments Included in Support	(86,507)	(58,966)
Reinvested Investment Earnings	-	(50,475)
Unrealized (Gain) Loss on Investments	6,944	(88,579)
(Increase) Decrease in Assets		
Promises to Give	(307,596)	135,712
Medical Supplies Inventory	(200,000)	-
Deposits	6,251	7,711
Prepaid Insurance	(7,390)	(21,210)
Increase (Decrease) in Liabilities		
Accounts Payable	57,286	20,522
Accrued Liabilities	49,316	(32,505)
Net Cash Provided (Used) By Operating Activities	346,873	422,019
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	-	787,523
Proceeds from Disposition of Property	474,103	-
Purchase of Property and Equipment	(379,076)	(591,011)
Net Cash Provided (Used) By Investing Activities	95,027	196,512
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions due to Affiliate	(27,957)	(24,249)
Net Cash Provided (Used) By Financing Activities	(27,957)	(24,249)
NET INCREASE (DECREASE) IN CASH	413,943	594,282
CASH - BEGINNING	3,245,154	2,650,872
CASH - ENDING	3,659,097	3,245,154
Cash Paid for Interest	\$ -	\$ -
Cash Paid for Income Taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

REMOTE AREA MEDICAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 1 - Summary of Significant Accounting Policies

Operations - Remote Area Medical, Inc. (RAM) is a nonprofit organization with headquarters in Knoxville, Tennessee, and is committed to providing mobile medical services in medically deprived areas throughout the world and the United States. RAM provides medical, dental, veterinary and ophthalmic services through a volunteer corps of doctors, veterinarians, nurses, and technicians. These volunteers go on expeditions mostly at their own expense, treating hundreds of patients a day. In addition to the services provided by medical volunteers, RAM is dependent upon the volunteer services of expedition support staff, contributions of supplies, equipment and medicines, and monetary support to fulfill its objectives.

In addition, RAM conducts a year round project in Guyana, South America, with primary emphasis on free air ambulance service for isolated villages in the wilderness interior. RAM conducts several medical missions to the region every year utilizing volunteer medical and support personnel. Some teams, usually surgical teams, work at a local hospital and others travel to small communities throughout the rainforest.

Income Tax Status – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the accompanying financial statements as the Organization has no net unrelated business income.

The Organization has adopted the authoritative guidance related to accounting for uncertainty in income taxes included in the ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity’s financial statements and prescribe a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2017, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of December 31, 2017, the statute of limitations for tax years 2014 through 2016 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization’s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2017, the Organization had no accruals for interest and/or penalties.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (FASB) ASC 958-210 (formerly SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*). Under ASC 958-210, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates - The preparation of financial statements in accordance 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant Estimates – During 2017, the Organization increased the level of its medical supplies inventory and began purchasing in larger quantities to obtain cost savings. Because a physical inventory of supplies was not

taken at December 31, 2017, management has estimated the supplies on hand based on the result of an inventory in June, 2018. Changes in the estimate will be reported in the statement of activities of the years in which they occur. As the Organization implements a tracking system in 2018, it may find that its estimate in 2017 was under or over estimated by an amount that is material to the 2018 financial statements.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Recognition of Donor Restrictions - Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the purpose of the restriction has been accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the Statement of Activities as "Net Assets Released from Restrictions."

Cash and Cash Equivalents – The Organization’s cash and cash equivalents include money market funds and certificates of deposit held at various financial institutions. For purposes of the statement of cash flows, the Organization considers certificates of deposits and highly liquid debt instruments to be cash equivalents, unless permanently restricted. The fair value of cash equivalents does not differ materially from the carrying value due to the short maturities of the instruments.

Property and Equipment - Purchased property and equipment is recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Unless the donor has stipulated how long donated assets must be maintained, RAM reports the expiration of donor restrictions when the donated or acquired assets are placed in service; at that time, the assets are transferred from restricted net assets to unrestricted net assets.

Donated Services - The accomplishment of the Organization’s mission is entirely dependent upon volunteers. RAM requires a staff of medical professionals who provide specialized treatment to patients. These professionals include physicians, registered nurses, dentists, veterinarians, and optometrists. The value of the services provided by such individuals is recorded in the financial statements based on national averages established by the United States Department of Labor.

The Organization’s Founder and President serves the Organization virtually around the clock without compensation and is an internationally known speaker and television personality whose services would be extremely valuable in a commercial market. However, the President has not and will not accept compensation for his efforts on the Organization’s behalf. Because it is impossible to place a monetary value on his services, the value of his time which has been donated to lead expeditions, recruit volunteers, and to raise funds for the Organization has not been reflected in these financial statements.

RAM also utilizes other volunteers to assist the medical professionals in the treatment of patients and in support of office operations. These donated services are not reflected in the financial statements but have an estimated value of approximately \$577,000 and \$475,000 for the years ended December 31, 2017 and 2016, respectively.

Donated Materials - Other noncash donations totaling \$69,306 and \$7,593 for the years ended December 31, 2017 and 2016, respectively, have been recorded as contributions in-kind and expenses in the financial statements. The value of donated medical supplies and medicines are not reflected in the accompanying

financial statements since there is no objective basis available to measure the value of such materials, many of which are perishable.

Travel In-Kind - The Organization’s expeditions periodically require volunteers to travel to remote locations. In most situations, the volunteers are responsible for providing their own transportation resulting in an in-kind donation of travel costs. The value of these contributions is not reflected in the accompanying financial statements because information is not currently available to compute the amount of the expenses incurred.

Promises to Give - Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Fair Value Measurement – In determining fair value, FASB ASC 820-10 (formerly FASB No. 157, “Fair Value Measurements”), provides guidance for measuring fair value and required additional disclosures.

Note 2 – Cash and Investments

The balances in Cash and Cash Equivalents and Investments at December 31 include:

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents		
Bank Accounts	\$ 2,775,105	\$ 2,215,531
Securities Firm Cash	883,992	1,029,623
Total Cash and Cash Equivalents	<u>\$ 3,659,097</u>	<u>\$ 3,245,154</u>
Investments		
Municipal and Corporate Bonds	\$ 55,261	\$ 65,989
Common Stocks and Options	57,710	17,292
Mutual Funds and Exchange Traded Funds	2,309,622	2,259,749
Total Investments	<u>\$ 2,422,593</u>	<u>\$ 2,343,030</u>

Cash held in bank accounts in excess of the Federal Deposit Insurance (FDIC) limit totaled approximately \$2,041,000 and \$1,774,000 at December 31, 2017 and 2016, respectively. In addition, cash and cash equivalents held in Securities Firms at December 31, 2017 and 2016 totaling approximately \$884,000 and \$778,000 respectively were not federally insured. The Securities Firms are members of the Securities Investor Protection Corporation (SIPC) which protects securities accounts up to a maximum of \$500,000 per customer, including \$250,000 in cash balances.

Investments are reported at fair value in the accompanying balance sheet. The fair value framework described in FASB ASC 820-10 requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to value the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets. The fair value for Savings Certificates and Money Funds is the value

reported to the Organization by the Securities Firms.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

	Fair Value Measurement Using:			
	Fair Value	Level 1	Level 2	Level 3
<u>December 31, 2017</u>				
Bonds	\$ 55,261	\$ 55,261	\$ -	\$ -
Common Stocks	57,710	57,710	-	-
Mutual Funds and Exchange Traded Funds	<u>2,309,622</u>	<u>2,309,622</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,422,593</u>	<u>\$ 2,422,593</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2016</u>				
Bonds	\$ 65,989	65,989		
Common Stocks	17,292	17,292	-	-
Mutual Funds	<u>2,259,749</u>	<u>2,259,749</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,343,030</u>	<u>\$ 2,343,030</u>	<u>\$ -</u>	<u>\$ -</u>

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 and the level of uncertainty related to changes in the value of the investments securities, it is at least reasonably possible that changes in market values in the near term would materially affect the fair value of the investments reported in the balance sheet at December 31, 2017.

The following summarizes the investment income in the statement of activities:

	December 31,	
	2017	2016
Interest and dividends	\$ 69,152	\$ 50,475
Unrealized (losses) gains	<u>29,586</u>	<u>88,307</u>
Total Investment Return	98,738	\$ 138,782
Interest on Cash and Cash Equivalents	<u>1,891</u>	<u>1,855</u>
Total Investment Income (Loss)	<u>\$ 100,629</u>	<u>\$ 140,637</u>

Note 3 - Receivables

Promises to give at December 31, 2017 and 2016 are currently due and considered fully collectible.

Note 4 - Property and Equipment

Property and equipment are depreciated using the straight-line method over forty years for real property and five to ten years for other property. It is the Organization's policy to expense additions to property and equipment with individual costs of less than \$1,000.

The Organization also had access to the use of three aircraft for a minimal yearly lease payment. These assets are not included in property and equipment as title is retained by the donors.

A recreational vehicle owned by a board member is kept on RAM's premises. It is used for housing at away clinics.

Property and equipment consisted of the following:

	December 31,	
	2017	2016
Aircraft	\$ 2,072,765	\$ 2,072,765
Medical Equipment	1,926,098	1,782,450
Buildings	1,885,765	1,642,886
Land and Improvements	1,377,532	1,350,453
Vehicles and Mobile Equipment	1,388,915	1,367,852
Furniture	21,675	21,675
Property Held for Sale	-	500,000
Construction in Progress	9,138	37,230
Total	8,681,888	8,775,311
Less: Accumulated Depreciation	(3,426,463)	(2,844,223)
Net Book Value of Property and Equipment	<u>\$ 5,255,425</u>	<u>\$ 5,931,088</u>

Total property and equipment includes assets totaling \$27,500 and \$0 donated in fiscal years December 31, 2017 and 2016, respectively. The value of donated medical equipment is estimated by the medical professionals who work with RAM. The value of all other donated assets is determined with reference to published sources.

Note 5 – Related Party Transactions

The Organization uses companies owned by Board members to service aircraft and purchase certain supplies. Amounts paid to these companies totaled approximately \$26,000 and \$25,000 during the years ended December 31, 2017 and 2016.

The Organization works with local groups to facilitate its Mobile Clinics. These local groups ordinarily are not organized as independent entities, but are included under the auspices of local nonprofit entities. Should the local group organize as a distinct entity, it will sign an Affiliation Agreement with the Organization, under which it will be authorized to conduct activities as the Organization's representative within the local area. The Organization may accept contributions for the Affiliate. Each affiliate is expected to contribute 10% of its cash undesignated donations to the Organization. During the years ended December 31, 2017 and 2016, there was one active affiliate. The Organization collected contributions for the Affiliate totaling approximately \$88,000 and \$37,000 during the years ended December 31, 2017 and 2016, respectively. The Organization remitted to the Affiliate approximately \$40,000 and \$57,000 during the years ended December 31, 2017 and 2016, respectively.

Subsequent to December 31, 2017, the Affiliation Agreement was terminated. The Organization took over the operations of the Affiliate.

Note 6 - Restrictions on Assets

Temporarily restricted net assets consist of cash equivalents and investments. They were available to be used for the following purposes:

	December 31,	
	2017	2016
USA Reach Across America	508,177	\$ 1,036,667
Disaster	255,837	66,594
Veterinary Services and Equipment	249,102	266,547
Appalachia	228,744	153,305
RAM Rangers	85,440	-
Haiti	54,462	48,747
Philippines	4,102	3,575
Miscellaneous Designations	681	-
Africa Expedition	200	200
	\$ 1,386,745	\$ 1,575,635

Note 7 – Risks and Uncertainties Related to Foreign Operations

The Organization’s foreign operations are subject to various risks, including: compliance with foreign laws, economic or political uncertainties, oversight of the Organization’s activities, and oversight of Organization representatives.

Note 8 – Concentration

Approximately 16% and 37% of contributions during the years ended December 31, 2017 and 2016, respectively, were from five donors.

Note 9 – Retirement Plan

The Organization has established a Simple IRA defined contribution pension plan. Employees are eligible to participate after six months of continuous full time employment. The Organization matches employee contributions up to 3% of compensation. Pension expense for the year ended December 31, 2017 and 2016 totaled \$20,661 and \$21,989 , respectively.

Note 10 - Subsequent Events

Management has evaluated subsequent events through August 9, 2018, the date the financial statements were available to be issued.