TOMAGWA Ministries, Inc.

Financial Statements for the Year Ended December 31, 2019
(with comparative totals for 2018)

Tipton & Company
Certified Public Accountants

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
TOMAGWA Ministries, Inc.
Tomball, Texas

We have audited the accompanying financial statements of TOMAGWA Ministries, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2019, 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.

Auditors' 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 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 TOMAGWA Ministries, Inc. as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the TOMAGWA Ministries, Inc.'s 2018 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated August 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tipton & Company

Tipton & Company
Certified Public Accountants
Houston, Texas

February 15, 2021

TOMAGWA Ministries, Inc.

Statement of Financial Position

As of December 31, *(with comparative totals for 2018)*		**2019**		2018
Assets				
Cash and cash equivalents	**$**	**157,189**	$	31,042
Grants receivable		**155,889**		304,580
Promises to give, net of allowance		**76,450**		40,042
Inventory		**420,762**		669,922
Property and equipment, net		**2,144,915**		2,221,978
Cash value of life insurance policy		**282,003**		273,538
Deposits		**6,615**		6,615
Other assets		**15,370**		14,170
Total Assets	**$**	**3,259,193**	$	3,561,887
Liabilities and Net Assets				
Liabilities				
Accounts payable	**$**	**39,595**	$	74,903
Accrued expenses		**79,039**		71,473
Other liabilities		**1,200**		-
Long-term debt		**1,044,283**		1,096,488
Total Liabilities		**1,164,117**		1,242,864
Net Assets				
Without donor restriction		**1,746,298**		2,039,050
With donor restriction		**348,778**		279,973
Total Net Assets		**2,095,076**		2,319,023
Total Liabilities and Net Assets	**$**	**3,259,193**	$	3,561,887

TOMAGWA Ministries, Inc.

Statement of Activities

Year ended December 31, *(with comparative totals for 2018)*		Without Donor Restrictions	With Donor Restrictions	**2019 Total**	2018 Total
Revenue and Support					
Grants		$ 620,728	$ 658,597	**$ 1,279,325**	$ 1,397,937
Contributions		50,769	421,488	**472,257**	299,953
Patient contributions		381,492	-	**381,492**	353,343
Special events:					
Special event revenue	94,490				
Cost of direct benefit to donor	(10,972)				
Net special events revenue		83,518	-	**83,518**	52,132
Gifts in kind		1,723,298	-	**1,723,298**	1,679,575
Other income		17,262	8,465	**25,727**	11,838
Net assets released from restriction		1,019,745	(1,019,745)	**-**	-
Total Revenue and Support		3,896,812	68,805	**3,965,617**	3,794,778
Expenses					
Program Activities					
Medical		2,838,520	-	**2,838,520**	2,717,617
Dental		645,413	-	**645,413**	514,091
Total Program Activities		3,483,933	-	**3,483,933**	3,231,708
Supporting Activities					
Management and general expenses		504,525	-	**504,525**	451,212
Fundraising		201,106	-	**201,106**	173,762
Total Supporting Activities		705,631	-	**705,631**	624,974
Total Expenses		4,189,564	-	**4,189,564**	3,856,682
Change in Net Assets		(292,752)	68,805	**(223,947)**	(61,904)
Net Assets, beginning of year		2,039,050	279,973	**2,319,023**	2,380,927
Net Assets, End of Year		$ 1,746,298	$ 348,778	**$ 2,095,076**	$ 2,319,023

	Program Activities					Supporting Activities				
Year ended December 31, *(with comparative totals for 2018)*	Medical	Dental	Medical Pharmacy	Medical Patient Access	Total Program Services	Management and General	Fundraising	Total Supporting Services	**2019 Total**	2018 Total
Expenses										
Salaries and Related Expense										
Salaries	$ 440,253	$ 333,106	$ 121,372	$ 118,949	$ 1,013,680	$ 259,357	$ 124,503	$ 383,860	**$ 1,397,540**	$ 1,492,701
Payroll taxes	33,813	25,230	9,170	8,920	77,133	27,479	9,489	36,968	**114,101**	121,204
Employee benefits	7,988	6,391	2,130	2,130	18,639	5,592	2,397	7,989	**26,628**	37,258
Total Salaries and Related Expense	482,054	364,727	132,672	129,999	1,109,452	292,428	136,389	428,817	**1,538,269**	1,651,163
Other Expenses										
Bad debt expense	-	-	-	-	-	58,025	-	58,025	**58,025**	92,844
Bank charges	25	-	-	-	25	6,831	50	6,881	**6,906**	6,182
Contract labor	22,485	66,861	1,435	-	90,781	9,902	8,271	18,173	**108,954**	125,118
Depreciation	34,917	27,933	9,311	9,311	81,472	24,442	10,475	34,917	**116,389**	121,147
Donated volunteer services	448,691	17,306	-	-	465,997	13,828	-	13,828	**479,825**	232,417
Dues and subscriptions	-	131	3,263	-	3,394	1,722	6,531	8,253	**11,647**	11,786
Equipment rental and maintenance	429	1,758	-	-	2,187	6,620	-	6,620	**8,807**	15,465
Fundraising	-	-	-	-	-	500	27,597	28,097	**28,097**	10,163
Insurance	8,598	6,879	2,293	2,293	20,063	6,019	2,580	8,599	**28,662**	54,379
Interest expense	20,047	16,038	5,346	5,346	46,777	14,033	6,014	20,047	**66,824**	66,547
Legal and accounting	-	-	-	-	-	13,950	-	13,950	**13,950**	14,000
Licences permits and user fees	-	-	456	-	456	20	-	20	**476**	381
Miscellaneous	164	239	-	130	533	2,907	381	3,288	**3,821**	1,864
Payroll service	6,630	5,304	1,768	1,768	15,470	4,641	1,989	6,630	**22,100**	23,530
Postage, freight and delivery	313	-	19	-	332	295	483	778	**1,110**	2,759
Printing and reproduction	1,260	1,111	370	370	3,111	1,583	417	2,000	**5,111**	7,417
Rent	44,250	-	-	-	44,250	-	-	-	**44,250**	50,295
Repairs and maintenance	35,459	11,316	3,772	3,772	54,319	11,511	4,244	15,755	**70,074**	61,932
Seminars	-	-	-	-	-	-	-	-	**-**	10,970
Supplies - building	5	55	-	-	60	1,175	9	1,184	**1,244**	4,567
Supplies - clinical	79,362	117,579	1,468	82	198,491	-	-	-	**198,491**	50,312
Supplies - drugs & medications	58	219	1,322,261	-	1,322,538	-	-	-	**1,322,538**	1,188,401
Supplies - office	899	258	157	128	1,442	23,014	665	23,679	**25,121**	10,865
Taxes - property	-	-	-	-	-	3,279	-	3,279	**3,279**	3,830
Telephone	5,640	2,869	956	956	10,421	3,108	1,076	4,184	**14,605**	15,498
Travel, lodging and meals	-	904	-	-	904	438	3,435	3,873	**4,777**	4,196
Utilities	4,914	3,926	1,309	1,309	11,458	4,254	1,472	5,726	**17,184**	34,588
Total Other Expenses	714,146	280,686	1,354,184	25,465	2,374,481	212,097	75,689	287,786	**2,662,267**	2,221,453
Total Gross Expenses	1,196,200	645,413	1,486,856	155,464	3,483,933	504,525	212,078	716,603	**4,200,536**	3,872,616
Less: Direct Benefit to Donor	-	-	-	-	-	-	(10,972)	(10,972)	**(10,972)**	(15,934)
Total Expenses, net	$ 1,196,200	$ 645,413	$ 1,486,856	$ 155,464	$ 3,483,933	$ 504,525	$ 201,106	$ 705,631	**$ 4,189,564**	$ 3,856,682

TOMAGWA Ministries, Inc.

Statement of Cash Flows

Year Ended December 31, *(with comparative totals for 2018)*		**2019**		2018
Cash Flows From Operating Activities				
Change in net assets	**$**	**(223,947)**	$	(61,904)
Adjustments to reconcile change in net assets to cash flows from operating activities:				
Depreciation		**116,389**		121,147
Bad debt expense		**58,025**		74,844
Interest expense on life insurance policy loan		**18,123**		16,974
In-kind inventory		**249,160**		(266,677)
Changes in assets and liabilities:				
Grants receivable		**148,691**		86,480
Promises to give, net of allowance		**(94,433)**		79,023
Cash value of life insurance policy		**(8,465)**		(6,312)
Other assets		**(1,200)**		2,596
Accounts payable		**(35,308)**		65,548
Accrued expenses		**7,566**		16,784
Other liabilities		**1,200**		-
Total Adjustments		**459,748**		190,407
Net Change in Operating Activities		**235,801**		128,503
Cash Flows From Investing Activities				
Purchases of property and equipment		**(39,326)**		(33,599)
Net Change in Investing Activities		**(39,326)**		(33,599)
Cash Flows From Financing Activities				
Payments on long-term debt		**(70,328)**		(88,773)
Net Change in Investing Activities		**(70,328)**		(88,773)
Net Change in Cash and Cash Equivalents		**126,147**		6,131
Cash and Cash Equivalents, beginning of year		**31,042**		24,911
Cash and Cash Equivalents, end of year	**$**	**157,189**	$	31,042
Supplemental Information:				
Interest expense	**$**	**66,824**	$	66,547

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

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Business – TOMAGWA Ministries, Inc. dba TOMAGWA Healthcare Ministries ("The Organization") is a Christian-based, non-profit 501(c)(3), nominal-fee medical clinic that provides health care services to low-income, uninsured residents of Southwest Montgomery, Southeast Waller, and Northwest Harris Counties who do not qualify for Medicaid or Medicare. It was started in 1989 by a group of citizens from Tomball, Magnolia, and Waller, and has expanded over the years from a part-time health care facility run by a small group of volunteers to a full-time comprehensive family practice and acute-care center utilizing a small staff along with a large number of volunteers. In April 2017, a second medical clinic was opened by the Organization in Magnolia, TX.

The Organization opened a Dental Clinic in January 2013. The clinic offers services that include routine check-ups, fillings, extractions, and general cleaning, and can accommodate 2,600 visits each year. The dental clinic is primarily funded by donations from the Tomball Regional Health Foundation, which reimburses costs related to salaries and clinical supplies for the lesser of the clinic's actual expenses and TRHF's budget for those expenses.

The Organization provides services to all who qualify. Their mission is to treat the whole person regardless of race, gender, ethnicity, or religious affiliation. The Organization is a teaching facility, partnering with academic institutions throughout Texas. In addition, the Organization provides specialized services through cooperation with entities in the greater Houston Metropolitan area. These entities include medical and dental service providers, research institutes, acute and post-acute medical facilities, and various non-profit organizations. The Organization does not accept health insurance or receive government funding.

The Organization is supported through contributions and grants received from individuals, corporations and foundations, fundraising events, and patient contributions.

Basis of Presentation – The accompanying financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, support and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

- With Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition – Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on an accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as without donor restrictions when received or unconditionally promised by a third party. Revenues from special events are recognized when revenue is received. Interest income is recognized when earned based on passage of time. Program income and other income are recognized when received.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The significant estimates included in the financial statements are the estimates of useful lives used for depreciating property and equipment items.

Contributions – Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose 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 reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Cash and Cash Equivalents – The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments.

Patient Contributions – The Organization provides its patients an option to make a nominal contribution toward the cost of their office visit. Patients who choose not to contribute are not denied access to any services the Organization offers.

Allowance for Uncollectible Accounts– The Organization uses the allowance method to determine uncollectible grant and promise to give receivables. The allowance is based on management's analysis of specific promises made. Management has provided an allowance for uncollectible promises to give of $7,000 and $7,000 at December 31, 2019 and 2018 respectively. In reviewing aged receivables, management considers their knowledge of the donors, historical activity, and current economic conditions in establishing the allowance for doubtful accounts. An account receivable is charged to the valuation allowance when management determines the receivable is uncollectible.

Inventories – Inventories are valued on an average-cost basis, not in excess of market, and consist of prescription drugs and medical supplies valued at $420,762 and $669,922 as of December 31, 2019 and 2018, respectively.

Donated Assets – Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Property and Equipment – The Organization capitalizes all expenditures for property and equipment in excess of $500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the asset are capitalized.

Property and equipment items are depreciated using the straight-line method based on their estimated useful lives as follows:

	Years of Estimated Useful Life
Buildings and improvements	39 years
Furniture and fixtures	7-10 years
Machinery and equipment	5-7 years
Dental machinery and equipment	7-10 years
Computer Software	3 years

Functional Allocation of Expenses – Expenses are categorized in the Statement of Activities as program services and supporting services. Supporting services consist of management and general expenses and fundraising expenses. The Organization's expenses are allocated on a functional basis among these benefited categories:

- Program service expenses: include direct and indirect (allocated) expenses for the various programs offered by the Organization. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses, that are common to several functions, are allocated to program services by a percentage based on salaries and wages.

- Management and general expenses: include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. These expenses are allocated based on time and effort.

- Fundraising expenses: represent direct costs incurred in connection with fundraising efforts and allocated common expenses based on time and effort.

Advertising Cost – Advertising costs are expensed when incurred.

Income Taxes – The Organization is operating as a not-for-profit corporation, under Section 501(c)(3) of the Internal Revenue Code and is not subject to income taxes with the exception of unrelated business income. The Organization had no unrelated business income for the year ended December 31, 2019 and 2018.

The Organization applies the provisions of FASB ASC Topic 740, Income Taxes, (formerly FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. As of December 31, 2019, and 2018, no uncertain tax positions were identified.

Contributed Services – The Organization recognizes contributed services at their fair value if the services provide value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors, as established by FASB ASC 958-605-50-1.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with program services and fundraising events. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under ASC 958-605, *Revenue Recognition*.

Compensated Absences – Vacation time earned but not used by December 31st of the current year may be carried over to the following year by eligible employees, not to exceed 80 hours per employee. Accordingly, the Organization accrues unused vacation compensation that employees have earned but not taken.

Fair Value of financial instruments – ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157), defines fair value 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, establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level I - Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level I assets include cash and cash equivalents with a fair value at December 31, 2019 and 2018 of $157,189 and $31,042, respectively.

- Level 2 - Inputs other than quoted prices included in Level l, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.

- Level 3 - Significant unobservable inputs that are supported by little or no market activity.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used are to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 2 – PROGRAMS AND SUPPORTING SERVICES

The costs of providing the various programs and other activities are shown in the accompanying statement of functional expenses. The following programs and supporting services are included in the accompanying financial statements:

Medical Program – The Organization offers early intervention for potentially fatal conditions and care for chronic illness and other non-emergency care through a range of services through its primary care, diagnostic, lab, pharmacy, vision and case management services. In addition, the Organization offers specific medical outreach services to the entire community. These activities include immunization clinics and health and chronic illness education.

Dental Program – The Organization's Dental program provides comprehensive dental services. The Organization's dental staff also provides mobile dental clinics at Tomball, Magnolia, and Waller elementary schools that have a high percentage of economically disadvantaged students enrolled.

NOTE 3 – LIQUIDITY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed regulation within one year of the statement of financial position date.

Cash and cash equivalents	$157,189
Grants receivable	155,889
Promises to give	76,450
Cash value of life insurance policy	282,003
Total financial assets	671,531
Less financial assets not available for general expenditure:	
Cash value of life insurance policy	(282,003)
Total financial assets available for general expenditure	$389,528

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date.

The Organization is substantially supported by contributions and grants, and regularly monitors liquidity required to meet its operating needs. 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 become due.

NOTE 4 – GRANTS RECEIVABLE

Grants receivable are summarized as follows:

	2019	2018
Tomball Regional Health Foundation	$80,889	$169,580
Houston Methodist Hospital	55,000	55,000
Epcor Water Inc. (formerly Hughes Natural Gas Inc.)	-	45,000
CVS Health Foundation	20,000	20,000
Trinity Lutheran Church	-	15,000
Total grants receivable	$155,889	$304,580

All grants receivable are due within one year and are fully collectible; therefore, no discount or allowance have been recorded.

NOTE 5 – PROMISES TO GIVE

Promises to give at year end are unconditional and are from the Organization's Multiple Year Giving Campaign for patient care. The pledges at December 31, 2019 and 2018 are scheduled to be collected as follows:

	2019	2018
Less than one year	$16,690	$ 9,408
One to five years	66,760	37,634
Promises to give, gross	$83,450	47,042
Less: Allowance for uncollectible promises to give	(7,000)	(7,000)
Total promises to give, net of allowance	$76,450	$40,042

The present value of cash flows from promises to give receivable does not vary significantly from the stated value; therefore, no discount has been recorded.

NOTE 6 – CONCENTRATION OF CREDIT RISKS

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and investments. All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount ($250,000), for each deposit insurance ownership category. Additionally, cash and securities held by a customer at a Security Investor Protection Corporation (SIPC) member brokerage firm are protected up to $500,000 which includes a $250,000 limit for cash.

The Organization maintains its cash balances in various local banks. These balances are insured by the FDIC up to $250,000. At December 31, 2019 and 2018, the Organization did not have any deposits that were not covered by FDIC insurance.

NOTE 7 – PROPERTY AND EQUIPMENT

As of December 31, 2019 and 2018, property and equipment consisted of the following:

	2019	2018
Land	$55,000	$55,000
Buildings and improvements	2,557,886	2,551,386
Furniture and fixtures	151,918	150,038
Machinery and equipment	344,075	339,521
Dental machinery and equipment	153,227	153,227
Technology equipment	48,684	22,292
Leasehold improvements - Magnolia	142,316	142,316
Subtotal property and equipment	3,453,106	3,413,780
Less: accumulated depreciation	(1,308,191)	(1,191,802)
Total property and equipment, net	$2,144,915	$2,221,978

Depreciation expense charged to operations for the years ended December 31, 2019 and 2018 was $116,389 and $121,147, respectively.

NOTE 8 – CASH VALUE OF LIFE INSURANCE

At the end of 2009, an individual donated a paid-up life insurance policy to the organization. The life insurance policy had a cash value on date of donation of $226,530. No principal payment on the policy loan is required. Earnings from the cash value net of fees and deductions were reported as contribution income in the financial statements. The cash value of the life insurance policy totaled $282,003 and $273,538 at December 31, 2019 and 2018, respectively.

NOTE 9 – NET ASSETS – WITH DONOR RESTRICTIONS

Donor restricted net assets are restricted for the following purposes or based on the passage of time as of December 31, 2019 and 2018:

	2019	2018
Subject to expenditure for specified purpose:		
Magnolia clinic	$11,775	$ -
Lab buildout	-	6,435
Subject to passage of time:		
Tomball clinic operations - Methodist Foundation	55,000	-
Cash value of life insurance policy	282,003	273,538
Total Net Assets with Donor Restrictions	$348,778	$279,973

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following amounts were released from restrictions for the fiscal years ended December 31, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions:		
Tomball clinic operations	$846,288	$625,976
Magnolia clinic	159,522	222,603
Other lab buildout	6,435	24,323
Pharmacy	7,500	-
Grant writer salary/taxes	-	47,649
Total Net Assets Released from Restrictions	$1,019,745	$920,551

NOTE 10 – CONCENTRATIONS

The Organization is dependent on several sources of support and revenue. For the year ended December 31, 2019, approximately twenty-four percent (24%) of the Organization's support is from one grantor and approximately fifty-six percent (56%) of the Organization's grants receivable are from two grantors/contributors. For the year ended December 31, 2018, approximately eighteen percent (18%) of the Organization's support is from one grantor and approximately eighty percent (80%) of the Organization's grants receivable are from three grantors/contributors.

A significant reduction in any of these individual grants, if this were to occur, could have a significant impact on one or more programs of the Organization. As various grants fund different programs and activities, the Organization could still continue their operations and other programs despite a reduction in funding of one or more programs. The Organization also conducts its operations solely in the Tomball/Magnolia/Waller area, and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in contributions concurrently with an increase in community need for the Organization's services.

NOTE 11 – LEASE OBLIGATIONS

On October 1, 2016, the Organization entered into a sixty-three (63) month non-cancelable lease agreement for space to operate a new clinic in Magnolia, TX, expiring December 31, 2021. The terms of the lease require payments of $3,990 per month beginning January 1, 2017, with specified rate increases each year after. These periodic base increases are reflected in the future minimum payment below. During 2019, a second amendment was made to the lease extending the terms of the lease for an additional four (4) months commencing on March 1, 2022; consequently, June 30, 2022 will be the new expiration date. In addition, the Organization leases office equipment under a non-cancelable operating lease at $175 per month beginning March 2017 through March 2020. At the end of the lease, ownership of the lease equipment will revert to the Organization. Lease expense for the years ended December 31, 2019 and 2018 was $44,250 and $50,295, respectively.

Future minimum payments over the remainder of the agreements as of December 31, 2019 are as follows:

Year ending December 31,	
2020	$55,440
2021	57,435
2022	12,075
2023	-
Thereafter	-
Total	$124,950

NOTE 12 - CONTINGENCIES

The Organization’s programs are supported through federal, state, and local grant programs that are governed by various rules and regulations. Expenses charged to the grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

NOTE 13 – LONG TERM DEBT

The Organization's long-term debt consists of the following:

	2019	2018
Note payable to a bank, secured by real property, improvements, furniture, fixtures and equipment. In June 2013, the Organization renegotiated the terms of the note to a fixed rate of 3.95% effective June 17, 2013, payable in 59 consecutive monthly installments of $7,808 per month, including interest, final payment of remaining principal and interest due June 2018. In June 2018, the bank extended the loan under the same terms for three months. In September 2018, the bank extended the note under new terms. The note is now due on September 15, 2028, and has a fixed rate of 5.5% effective September 15, 2018, and is payable in monthly installments of $6,015. It is guaranteed by a lien on the clinic property at 455 School Street Bldg 3, Tomball, Texas 77375.	$500,799	$544,382
Note payable to a bank, secured by real property, improvements, furniture, fixtures and equipment. In June 2013, the Organization renegotiated the terms of the note to a fixed rate of 3.95% effective June 17, 2013, payable in 59 consecutive monthly installments of $4,372 per month, including interest, final payment of remaining principal and interest due June 2018. In June 2018, the bank extended the loan under the same terms for three months. In September 2018, the bank extended the loan under new terms. The note is now due in September 2028. The loan has a fixed rate of 5.5% effective September 15, 2018 and is payable in monthly installments of $3,354. It is guaranteed by a lien on the clinic property at 455 School Street Bldg 3, Tomball, Texas 77375.	279,261	306,522
7% life insurance policy loan borrowed against cash surrender value of $282,003 and $273,538 at December 31, 2019 and 2018, respectively	264,223	245,584
Total long-term debt	$1,044,283	$1,096,488

The long-term debt is expected to mature as follows:

Year ending December 31,	
2020	$335,160
2021	75,484
2022	79,742
2023	84,240
2024	88,992
Thereafter	380,665
Total	$1,044,283

NOTE 14 – 403(b) SALARY REDUCTION PLAN

The Organization is the Custodian in a Section 403(b) salary reduction plan established under the “Custodial Account Agreement” of IRS Code Section 403(b)(7). The plan covers all employees and participation is voluntary. The Organization does not make employer contributions to the plan.

NOTE 15 – ACCRUED COMPENSATED ABSENCES

Beginning in 2016, the Organization changed its policy regarding the carryover of paid time off (PTO). Employees are entitled to paid vacation and personal days, which accumulate each month of employment based on the number of years the employee has been with the Organization. Employees may carry forward a maximum of 80 hours of earned PTO into the following year. At the end of employment, eligible employees will be paid for earned but unused PTO, unless state law dictates otherwise.

As of December 31, 2019, and 2018, the Organization has accrued for vacation and personal days in the amount of $37,371 and $45,379, respectively.

NOTE 16 – CAFETERIA PLAN

The Organization established a Cafeteria Plan (Premium Conversion Plan) under the provisions of Code Section 125 of the Internal Revenue Code, effective September 1, 2010. Under the plan, eligible employees may elect to contribute their share of the cost of health and dental insurance premiums via salary reduction on the pre-tax basis.

NOTE 17 – RELATED PARTIES

The Organization made purchases amounting to $1,291 and $2,236 from the Home Health Store during 2019 and 2018, respectively. The Home Health Store is owned by Tom Gloyer, a member of the Board of Directors.

NOTE 18 – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The Organization adopted FASB Accounting Standards 2014-09, Revenue from Contracts with Customers, which replaces most existing revenue recognition guidance for exchange transactions not specifically covered by other guidance. This ASU does not apply to non-exchange transactions such as contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when performance obligations are satisfied and revenue is recognized. The Organization adopted this ASU for fiscal year ended December 31, 2019 using an appropriate retrospective method. The timing and amount of revenue recognized previously is consistent with how revenue is recognized under this ASU and therefore, adoption of this ASU had no impact on net assets or changes in net assets for 2018.

The Organization adopted FASB Accounting Standards 2018-08, Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU intends to clarify and improve current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. Adoption of the ASU had no impact on net assets or changes in net assets for 2018.

NOTE 19 – RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued new lease accounting requirements in ASU 2016-02, *Leases*. In June 2020, the FASB issued an amendment to the pronouncement extending the effective date from reporting periods beginning after December 15, 2019 to reporting periods beginning after December 31, 2021 due to the adverse effects of the COVID-19 pandemic. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

NOTE 20 – SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 15, 2021, the date the financial statements were available to be issued. The Organization has determined that no change to the financial statements for the year ended December 31, 2019 is deemed necessary as a result of this evaluation.

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. The spread of COVID-19 and related global responses have caused material disruptions to many economies around the world, resulting in an economic slowdown. Global equity markets have also experienced significant volatility and weakness. Although governments and central banks have reacted with interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak remains unclear.

The Organization has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and statement of activities as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. During 2020, the virus and related responses did cause temporary disruptions to the Organization's operations through cancelled events, staff reductions, and temporary closings that negatively impacted their operations. With the help of funding from government programs to cover payroll and other operating costs, in addition to continued support from the community, the Organization was able to continue their mission. However, the future impact of COVID-19 is not reasonably estimable at this time.