

Operation Shoestring, Inc.

FINANCIAL STATEMENTS


Year ended September 30, 2018,
with summarized information for the
year ended September 30, 2017



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September 30, 2018 and 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Operation Shoestring, Inc.
Jackson, Mississippi

Report on Financial Statements

We have audited the accompanying financial statements of Operation Shoestring, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and changes in net assets, 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 Operation Shoestring, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Operation Shoestring, Inc.'s September 30, 2017 financial statements, and our report dated May 21, 2018, 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 September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi
March 6, 2019

Financial Statements

Operation Shoestring, Inc. Statements of Financial Position

*Year ended September 30, 2018 with summarized financial
information for the year ended September 30, 2017*

| | 2018 | 2017 |
|--|--------------|--------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 149,569 | \$ 136,238 |
| Certificates of deposit | 1,560,824 | 1,029,950 |
| Unconditional promises to give | 530,002 | 117,399 |
| Prepaid expenses | 8,679 | 6,712 |
| Total current assets | 2,249,074 | 1,290,299 |
| Property and equipment, net | 714,402 | 422,446 |
| Other assets | | |
| Unconditional promises to give, net of current portion | 397,190 | 210,863 |
| Utility deposits | 382 | 382 |
| Total other assets | 397,572 | 211,245 |
| Total assets | \$ 3,361,048 | \$ 1,923,990 |

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

Operation Shoestring, Inc.
Statements of Financial Position

Year ended September 30, 2018 with summarized financial information for the year ended September 30, 2017

| | 2018 | 2017 |
|---|---------------------|--------------|
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Notes payable | \$ 168,245 | \$ 168,245 |
| Accounts payable | 103,423 | 21,137 |
| Accrued payroll withholdings and liabilities | 874 | 470 |
| Current portion of obligation under capital lease | 1,543 | 1,436 |
| Accrued vacation | 33,140 | 25,909 |
| Total current liabilities | 307,225 | 217,197 |
| Long-term liabilities | | |
| Obligations under capital lease, net of current portion | 952 | 2,495 |
| Total liabilities | 308,177 | 219,692 |
| Net assets | | |
| Unrestricted | | |
| Operating | 1,105,951 | 518,214 |
| Board designated | 209,459 | 209,459 |
| Total unrestricted | 1,315,410 | 727,673 |
| Temporarily restricted | 1,737,461 | 976,625 |
| Total net assets | 3,052,871 | 1,704,298 |
| Total liabilities and net assets | \$ 3,361,048 | \$ 1,923,990 |

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

Operation Shoestring, Inc.
Statement of Activities and Changes in Net Assets

Year ended September 30, 2018 with summarized financial information for the year ended September 30, 2017

| | 2018 | | | 2017 Total |
|--|---------------------|---------------------------|---------------------|---------------|
| | Unrestricted | Temporarily Restricted | Total | |
| Support, Revenues and Reclassifications | | | | |
| Contributions | \$ 318,173 | \$ 1,104,886 | \$ 1,423,059 | \$ 1,338,155 |
| Grants and contracts | - | 1,155,414 | 1,155,414 | 737,857 |
| Special events | - | - | - | 4,384 |
| Fee income | 9,750 | - | 9,750 | 8,950 |
| Rental income | 30,000 | - | 30,000 | 22,500 |
| Interest and dividends | 31,381 | - | 31,381 | 5,522 |
| Loss on sale of investments | (70) | - | (70) | (413) |
| Total support and revenues | 389,234 | 2,260,300 | 2,649,534 | 2,116,955 |
| Net assets released from restrictions | 1,499,464 | (1,499,464) | - | - |
| Total support, revenues and reclassifications | 1,888,698 | 760,836 | 2,649,534 | 2,116,955 |
| Expenses | | | | |
| Program services | 1,030,495 | - | 1,030,495 | 957,034 |
| General and administrative | 147,267 | - | 147,267 | 163,667 |
| Fundraising | 123,199 | - | 123,199 | 119,568 |
| Total expenses | 1,300,961 | - | 1,300,961 | 1,240,269 |
| Other Income | - | - | - | 131,679 |
| Change in net assets | 587,737 | 760,836 | 1,348,573 | 1,008,365 |
| Net assets, beginning of year | 727,673 | 976,625 | 1,704,298 | 695,933 |
| Net assets, end of year | \$ 1,315,410 | \$ 1,737,461 | \$ 3,052,871 | \$ 1,704,298 |

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

Operation Shoestring, Inc. Statements of Cash Flows

Year ended September 30, 2018 with summarized financial information for the year ended September 30, 2017

| | 2018 | 2017 |
|--|-------------------|--------------|
| Operating activities | | |
| Change in net assets | \$ 1,348,573 | \$ 1,008,365 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation expense | 45,698 | 41,769 |
| Noncash contribution of assets | (43,126) | (5,369) |
| Loss on sale of investments | 70 | 413 |
| (Increase) decrease in operating assets: | | |
| Receivables | (598,930) | (327,342) |
| Prepaid expenses | (1,967) | (1,492) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 82,286 | 13,721 |
| Accrued payroll withholdings and liabilities | 404 | (17,062) |
| Accrued vacation | 7,231 | 4,031 |
| Net cash provided by operating activities | 840,239 | 717,034 |
| Investing activities | | |
| Proceeds from the sale of investments | 43,056 | 4,956 |
| Purchases of certificates of deposit | (530,874) | (704,950) |
| Purchase of property | (337,654) | (168,244) |
| Net cash used by investing activities | (825,472) | (868,238) |
| Financing activities | | |
| Repayment of obligation under capital lease | (1,436) | (1,337) |
| Proceeds from line of credit | - | 168,245 |
| Net cash provided (used) by financing activities | (1,436) | 166,908 |
| Net increase in cash | 13,331 | 15,704 |
| Cash and cash equivalents - beginning of year | 136,238 | 120,534 |
| Cash and cash equivalents - end of year | \$ 149,569 | \$ 136,238 |

Supplementary cash flow information:

| | | |
|------------------------|----------|----------|
| Cash paid for interest | \$ 6,512 | \$ 5,433 |
|------------------------|----------|----------|

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

Operation Shoestring, Inc.
Statement of Functional Expenses

*Year ended September 30, 2018 with summarized
financial information for the year ended September 30, 2017*

| | 2018 | | | 2017 | |
|---------------------------------------|---------------------|-----------------------------|-------------------|---------------------|---------------------|
| | Program Services | General & Administrative | Fundraising | Total | Total |
| Salaries | \$ 461,135 | \$ 72,494 | \$ 59,135 | \$ 592,764 | \$ 586,320 |
| Payroll taxes | 38,081 | 5,680 | 4,685 | 48,446 | 48,602 |
| Health insurance | 17,517 | 15,282 | 3,662 | 36,461 | 29,469 |
| Retirement plan | 6,068 | 4,425 | - | 10,493 | 8,133 |
| C & Y Activities | - | - | - | - | 17,141 |
| Community engagements | 4,128 | - | - | 4,128 | - |
| Equipment rental | 2,500 | (1,498) | - | 1,002 | 1,340 |
| Evaluator | 85,000 | - | - | 85,000 | 30,000 |
| Field trips | 14,570 | - | - | 14,570 | 14,458 |
| Food purchases | 8,800 | - | 225 | 9,025 | 8,705 |
| Insurance | 28,260 | 3,842 | - | 32,102 | 30,255 |
| Interest | - | 6,512 | - | 6,512 | 5,433 |
| Miscellaneous | 6,303 | 6,048 | 815 | 13,166 | 7,074 |
| Newsletter and promotion | - | - | 11,039 | 11,039 | 12,683 |
| Office expense | - | - | - | - | 4,972 |
| Occupancy | 42,364 | 3,226 | - | 45,590 | 42,694 |
| Parent meetings | 8,044 | - | - | 8,044 | 3,194 |
| Printing and postage | 831 | 954 | 8,327 | 10,112 | 8,318 |
| Professional fees | 44,474 | 9,826 | - | 54,300 | 50,245 |
| Program consultants | 75,830 | - | 25,200 | 101,030 | 186,982 |
| Program supplies | 20,633 | 2,697 | 3,383 | 26,713 | 32,787 |
| Repairs and maintenance | 7,458 | 7,248 | - | 14,706 | 34,704 |
| Joint activities-special event | 34,847 | - | 1,048 | 35,895 | 11,999 |
| Training | 6,450 | 4,093 | 63 | 10,606 | 754 |
| Travel | 36,487 | 1,638 | 203 | 38,328 | 18,545 |
| Van expense | 1,114 | - | - | 1,114 | 1,436 |
| Volunteer recognition | - | 230 | 844 | 1,074 | 2,257 |
| Youth internships and retrea | 43,043 | - | - | 43,043 | - |
| Total expenses before depreciation | 993,937 | 142,697 | 118,629 | 1,255,263 | 1,198,500 |
| Depreciation | 36,558 | 4,570 | 4,570 | 45,698 | 41,769 |
| Total expenses | \$ 1,030,495 | \$ 147,267 | \$ 123,199 | \$ 1,300,961 | \$ 1,240,269 |

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Operation Shoestring, Inc. (Shoestring) is a not-for-profit voluntary community services organization incorporated to meet the human needs of individuals, to build a strong and viable community, to provide consultative and technical assistance and to give interested people throughout the City of Jackson opportunities to learn about and help solve the problems of poverty. Shoestring is supported primarily through grants and contracts and contributions from groups and individuals.

Major programs provide services for children and youth, as well as advocacy, community education and awareness activities, including the following:

The Project Rise afterschool and summer program for elementary and middle school children/youth provides academic enrichment using fun, hands-on activities and one-on-one tutoring provided by certified teachers, other teaching staff and trained volunteers, all in support of yielding positive academic, social and emotional outcomes for enrolled children. In addition to a strong focus on academics, activities focusing on arts, culture and character development are woven into the programming.

The Ambassadors youth civic engagement and leadership development program cultivates leadership and issues advocacy in a select group of middle and high school students from across the Jackson Public Schools district through weekly meetings, intensive workshops, and field experiences such as participating in and facilitating community events.

The Parent Initiatives program develops individualized plans of action for parents and their families in helping to meet self-identified needs. Programming for our parents and families includes financial counseling, educational forums, monthly workshops, social services supports and referrals, and more.

Operation Shoestring serves as the fiscal agent and backbone organization for the Mississippi Statewide Afterschool Network, an initiative designed to connect afterschool and summer program providers, parents, and policymakers with proven tools and resources to increase the quality of and access to high-quality programming in Mississippi.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Shoestring and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include amounts internally designated by the Board of Directors to be used for specified purposes. Such designations may be changed by Board action.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Shoestring and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Any net assets subject to donor-imposed stipulations that they be maintained permanently by Shoestring. Generally, the donors of these assets permit Shoestring to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents

Shoestring considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributions

Contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to Give

Contributions are recognized when the donor makes a promises to give to the organization that is, in substance, unconditional. The organization uses the allowance method to determine the uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain administrative costs have been allocated among the programs and supporting services benefited.

Income Taxes

Shoestring is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, Shoestring has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions regarding certain types of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized for financial reporting purposes. For operational purposes, physical assets with costs greater than \$500 are recorded in asset inventory listings and safeguarded and maintained in accordance with established policies and procedures. Property and equipment assets are carried at cost or, if donated, at the approximate fair value at the date of donation, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives for significant property and equipment categories are as follows:

| | |
|---------------------------|----------------------|
| Building and improvements | 3 to 40 years |
| Equipment | 2 to 15 years |
| Vans | 5 to 10 years |
| Software | 3 years |

Long-lived Assets

Long-lived assets held and used by Shoestring are evaluated for impairment based upon market factors and operational considerations, including recoverability based upon expectations of non-discounted cash flows and operating income, whenever events or changes in circumstances indicate the carrying value of such assets may not be recoverable.

Uncertain Tax Positions

Shoestring is subject to examination by income tax authorities and has made an evaluation of exempt status and the sustainability of tax positions taken or expected to be taken by Shoestring. At September 30, 2018 and 2017, Shoestring had no uncertain tax positions. Shoestring's federal information returns for the tax years ended September 30, 2015 and after remain subject to examination by the Internal Revenue Service.

Financial Statement Presentation

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with Shoestring's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which addresses financial reporting for not-for-profit organizations. The key elements of the ASU are as follows:

- Net asset classifications are being reduced from three to two categories: with donor restrictions and without donor restrictions. Expanded disclosures about the nature and amount of any donor restrictions and on any board designations of net assets without donor restrictions will be required.
- The placed-in-service approach will be required for determining when restrictions are met for all capital gifts, eliminating the over-time option for expirations of capital restrictions.
- Additional disclosures, both qualitative and quantitative, will be required to communicate information useful in assessing liquidity within one year of the balance sheet date.
- The indirect or direct method of presenting the statement of cash flows will be allowed. However, the presentation or disclosure of indirect method reconciliation is not required when using the direct method.
- When an organization derives net investment return from several different sources, such as donor endowments and unrestricted operating endowments, it may present the net investment return in multiple line items in the statement of activities.

Several reporting requirements related to expenses are included, as follows:

- Disclosure of expenses by both nature and function (excluding investment expenses that have been netted with investment return)
- Disclosure of expenses netted with investment return
- Enhanced disclosures regarding cost allocations

ASU 2016-14 eliminates the requirement to disclose the unrealized gains and losses for the period related to equity securities held at the report date.

The guidance is effective for the fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact of the guidance on its financial statements.

Operation Shoestring, Inc.
Notes to Financial Statements

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes certain amounts that are required to be maintained in separate accounts under terms of grants or donor-imposed restrictions. Such funds are available for current use in programs meeting purpose restrictions. As of September 30, 2018 and 2017, amounts maintained in separate accounts pursuant to terms of agreements totaled \$1,041 and \$60, respectively. In addition, certain bank accounts are used to secure credit cards utilized by Shoestring. As of September 30, 2018, amount maintained in a separate account was \$10,004.

NOTE 3: CERTIFICATES OF DEPOSIT

Shoestring invests funds in excess of amounts needed for short-term operating purposes in long-term certificates of deposit in order to maximize earnings. As of September 30, 2018, investments in certificates of deposit with initial terms of 5 years and earning interest at 1.8% totaled \$1,560,824. Certificates of deposit totaled \$1,029,950 at September 30, 2017. Since the cost of early redemption is not significant, such funds are considered available for operations and are included in current assets.

NOTE 4: PROMISES TO GIVE

Unconditional promises to give consist of the following:

| <i>September 30,</i> | 2018 | 2017 |
|---------------------------------------|-------------------|-------------------|
| Unrestricted promises | \$ 2,500 | \$ 75,000 |
| Contracts and grants | 43,249 | 32,299 |
| Resticted promises - Capital Campaign | 909,831 | 230,000 |
| Other | 250 | 100 |
| | 955,830 | 337,399 |
| Less: Unamortized discount | (28,638) | (9,137) |
| Total | \$ 927,192 | \$ 328,262 |

The promises are receivable as follows:

| | |
|----------------------|-------------------|
| Less than one year | \$ 530,038 |
| One to five years | 385,792 |
| More than five years | 40,000 |
| Total | \$ 955,830 |

Unconditional promises to give due in more than one year are recognized at present value using a discount rate of 2.6% and 1.3% as of September 30, 2018 and 2017, respectively.

Operation Shoestring, Inc.
Notes to Financial Statements

NOTE 5: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of September 30:

| <i>September 30,</i> | 2018 | 2017 |
|-------------------------------|-------------------|-------------------|
| Land | \$ 103,508 | \$ 103,508 |
| Building | 799,240 | 522,439 |
| Construction in progress | 60,853 | - |
| Equipment | 188,100 | 188,100 |
| Van | 49,623 | 49,623 |
| Software | 8,863 | 8,863 |
| | 1,210,187 | 872,533 |
| Less accumulated depreciation | (495,785) | (450,087) |
| Total | \$ 714,402 | \$ 422,446 |

NOTE 6: NOTES PAYABLE

Shoestring has a \$200,000 revolving line of credit subject to renewal in November of each year. The line is secured by certificates of deposit totaling \$200,000. Borrowings against the line of credit accrue interest at 3.8% with required monthly interest payments. At September 30, 2018 and 2017, outstanding borrowing against the line totaled \$168,245. Subsequent to September 30, 2018, the line of credit expiration was extended to November 2019 upon renewal.

NOTE 7: CAPITAL LEASE

Shoestring is a lessee of a copier under a capital lease expiring April 2020. The lease calls for monthly payments of \$139. Amortization of the leased property is included in depreciation expense.

The carrying amount of the copier under capital lease (included in property and equipment in the accompanying statements of position) is as follows:

| <i>September 30,</i> | 2018 | 2017 |
|-------------------------------|-----------------|-----------------|
| Copier | \$ 7,005 | \$ 7,005 |
| Less accumulated amortization | (5,020) | (3,619) |
| Book value | \$ 1,985 | \$ 3,386 |

Operation Shoestring, Inc.
Notes to Financial Statements

NOTE 7: CAPITAL LEASE (Continued)

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments are as follows:

| <i>September 30,</i> | 2018 | 2017 |
|---|----------------|-----------------|
| 2018 | \$ - | \$ 1,672 |
| 2019 | 1,672 | 1,672 |
| 2020 | 975 | 975 |
| Total minimum lease payments | 2,647 | 4,319 |
| Amount representing interest | (152) | (388) |
| Present value of net minimum lease payments | 2,495 | 3,931 |
| Current portion | (1,543) | (1,436) |
| Long-term portion | \$ 952 | \$ 2,495 |

NOTE 8: OPERATING LEASE

In the year ended September 30, 2017, Shoestring incurred rent expense of \$1,650 for parking lot usage under an operating lease. The lease was terminated during the year ended September 30, 2017 upon Shoestring's purchase of the property.

NOTE 9: LEASE INCOME

Upon the purchase of property adjacent to its facility, Shoestring was assigned a lease from a tenant of the property. The lease agreement calls for monthly rental payments of \$2,500 through the expiration of the lease in January 2019. Subsequent to year-end, the lease was automatically renewed for an additional five-year term and will require for the same monthly rental payments until the expiration of the lease in January 2024.

Operation Shoestring, Inc.
Notes to Financial Statements

NOTE 9: LEASE INCOME (Continued)

For the years ended September 30, 2018 and 2017, Shoestring recognized lease income of \$30,000 and \$22,500, respectively. Future minimum lease payments expected to be received under the lease are as follows:

| <i>September 30,</i> | 2018 |
|----------------------|-------------------|
| 2019 | \$ 30,000 |
| 2020 | 30,000 |
| 2021 | 30,000 |
| 2022 | 30,000 |
| 2023 | 30,000 |
| 2024 | 10,000 |
| Total | \$ 160,000 |

At September 30, 2018 and 2017, property held for lease had a book value of \$80,078 and \$60,063 net of accumulated depreciation of \$24,732 and \$10,599, respectively.

NOTE 10: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available for the following purposes or periods at September 30, 2018 and 2017 are summarized as follows:

| <i>September 30,</i> | 2018 | 2017 |
|---|---------------------|-------------------|
| Affordable Care Act assistance | \$ 3,742 | \$ 3,742 |
| America's Promise | 799 | 799 |
| Capital improvements | 1,462,984 | 717,588 |
| College/career readiness | - | 28,368 |
| Computer lab | 1,930 | 1,930 |
| Emergency assistance | 2,277 | 2,277 |
| Kellogg grant | 145,056 | - |
| Mississippi Statewide Afterschool Network | 23,279 | 90,474 |
| Parker Lifeshare | - | 12,115 |
| Project KIDS - Time restricted | 87,680 | 94,418 |
| Project KIDS | 9,714 | 13,112 |
| Project RISE | - | 11,802 |
| | \$ 1,737,461 | \$ 976,625 |

NOTE 11: OTHER INCOME

During September 30, 2017, Shoestring received a settlement of \$131,700 from the Deepwater Horizon settlement program. The settlement is recorded in other income on the accompanying financial statements.

NOTE 12: RETIREMENT PLAN

In 2004, Shoestring adopted a defined contribution salary deferral plan covering substantially all employees. Under the plan, Shoestring contributes a matching contribution to each eligible employee's account equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. Plan expenses for the years ended September 30, 2018 and 2017 were \$10,493 and \$8,133, respectively.

NOTE 13: COMMITMENT

Subsequent to year ended September 30, 2018, Shoestring entered into a contract for the renovation of its facilities with a contract amount of \$1,993,750. The contract is to be funded through capital campaign contributions and construction loans.

NOTE 14: CONCENTRATIONS

In 2018, 68% of grant and contract revenues were derived from grants received from the Parker Lifeshare and the Kellogg Foundation. Grant terms range from one to three years.

In 2017, 47% of grant and contract revenues were derived from grants received from the ChildFund, Kellogg Foundation, and Mott Foundation. Grant terms range from one to three years. Additionally, a single contributor accounted for 38% of annual contributions in 2017.

Shoestring maintains its cash on deposit accounts which at times may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation. At September 30, 2018 and 2017, Shoestring had balances in banks that exceeded federally insured limits by approximately \$1,464,000 and \$898,000, respectively.

NOTE 15: DONATED SERVICES, FACILITIES AND MATERIALS

Shoestring receives a significant amount of donated services from unpaid volunteers who assist in their programs and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under the *Accounting for Contributions Received and Contributions Made* Topic of the Codification have not been satisfied.

Shoestring recognizes revenues from the donated use of facilities at the estimated fair value of the facilities use provided. For the year ended September 30, 2018, Shoestring received in-kind contributions of facilities use of \$11,000. The fair value of the donated facilities is reflected in contribution revenues and is simultaneously recognized in expenses.

NOTE 16: JOINT COST ALLOCATION

Shoestring incurred certain expenses that were identifiable with a particular function but which served joint program and fundraising purposes. Such expenses were allocated and are reflected in the Statement of Functional Expense as Joint activities – Special events.

NOTE 17: MANAGEMENT REVIEW

In preparing these financial statements, Shoestring has evaluated events and transactions for potential recognition or disclosure through March 6, 2019, the date the financial statements were available to be issued.