EASTER SEALS NEVADA

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

HOULDSWORTH
RUSSO & COMPANY
20 YEARS & COUNTING
Certified Public Accountants

EASTER SEALS NEVADA

TABLE OF CONTENTS
DECEMBER 31, 2018 AND 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Easter Seals Nevada
Las Vegas, Nevada

We have audited the accompanying financial statements of Easter Seals Nevada (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Easter Seals Nevada as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Easter Seals Nevada's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
May 20, 2019

EASTER SEALS NEVADA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 63,889	$ 126,114
Cash and cash equivalents, restricted	125,725	38,204
Certificate of deposit	310,040	309,113
Accounts receivable, net of allowance	849,480	1,023,842
Grants receivable	82,402	224,808
Prepaid expenses	66,898	45,417
	1,498,434	1,767,498
Property and equipment, net	484,677	501,982
Other noncurrent assets:		
Deposits	21,958	20,958
Gift annuities	69,200	76,883
	91,158	97,841
	$ 2,074,269	$ 2,367,321
LIABILITIES AND NET ASSETS		
Current liabilities:		
Checks held	$ -	$ 9,370
Accounts payable	148,550	128,152
Accrued expenses	501,281	408,644
Refundable advances	367,051	300,000
Capital lease obligation	28,978	27,830
Line of credit	250,000	-
	1,295,860	873,996
Long-term liabilities:		
Capital lease obligation	32,861	62,016
Total liabilities:	1,328,721	936,012
Net assets:		
Without donor restrictions	550,623	1,316,222
With donor restrictions	194,925	115,087
Total net assets	745,548	1,431,309
	$ 2,074,269	$ 2,367,321

See accompanying notes to financial statements

EASTER SEALS NEVADA

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Changes in net assets without donor restrictions		
Revenues, gains and support:		
Grants	$ 1,453,796	$ 1,333,324
Contributions	210,336	515,018
In-kind contributions	40,702	98,951
Special events revenue, net of $43,590 and $27,126 of direct expenses, respectively	18,011	22,921
Community worksites	348,645	322,325
Fees for service	9,979,284	9,323,697
Assistive technology equipment sales	2,290	10,498
Investment return, net	928	925
Other	26,271	32,835
Net assets released from restrictions	62,007	-
	12,142,270	11,660,494
Expenses:		
Program services:		
Early Intervention	3,590,178	3,073,663
Children's Therapy Clinics	1,046,161	1,190,607
Adult Enrichment Services	2,606,440	1,766,927
Capability and Career Exploration Center	1,894,720	1,760,963
Capability Enhancement for Independent Living	1,533,129	1,319,223
Fund for Health Nevada - Respite	-	79,962
Camp	23,042	-
Toys 4 Smiles	68,931	-
Support services:		
Management and general	1,656,378	1,373,423
Fundraising	257,954	264,980
	12,676,933	10,829,748
Bad debt expense	180,500	42,014
Unallocated payments to affiliates	50,436	68,760
	12,907,869	10,940,522
Increase (decrease) in net assets without donor restrictions	(765,599)	719,972

See accompanying notes to financial statements

EASTER SEALS NEVADA

STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Changes in net assets with donor restrictions		
Contributions	125,725	38,204
Investment return, net	16,120	274
Net assets released from restrictions	(62,007)	-
Increase in net assets with donor restrictions	79,838	38,478
NET CHANGE IN NET ASSETS	(685,761)	758,450
Net assets, beginning of year	1,431,309	672,859
Net assets, end of year	$ 745,548	$ 1,431,309

See accompanying notes to financial statements

EASTER SEALS NEVADA

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	Program Services			
	Early Intervention	**Children's Therapy Clinics**	**Adult Enrichment Services**	**Capability and Career Exploration Center**
Salaries and related	$ 1,815,627	$ 627,724	$ 2,126,180	$ 1,653,099
Professional fees and contracts	1,518,373	275,139	45,682	35,158
Supplies	5,275	7,279	50,712	8,372
Telecommunications	50,412	46,955	24,967	22,429
Postage and handling	1,187	751	1,663	1,032
Occupancy	69,442	42,158	193,090	74,041
Equipment, rent and maintenance	21,114	9,250	41,377	16,275
Printing, publications and media	1,424	988	703	235
Travel and transportation	63,110	12,168	17,718	22,717
Conference and meetings	3,683	1,511	3,260	2,580
Dues and memberships	1,225	850	1,121	602
Specific assistance	268	1,867	3,702	5,743
Insurance	15,542	4,699	27,099	22,307
Interest	-	-	-	-
Audit fees	-	-	-	-
Staff training and development	4,693	7,014	7,717	1,950
Miscellaneous	202	249	988	4,238
Depreciation and amortization	18,601	7,559	60,461	23,942
Total expenses	$ 3,590,178	$ 1,046,161	$ 2,606,440	$ 1,894,720

See accompanying notes to financial statements

EASTER SEALS NEVADA

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	Program Services			
	Capability Enhancement for Independent Living	Camp	Toys 4 Smiles	Total Program Services
Salaries and related	$ 434,078	$ -	$ 26,073	$ 6,682,781
Professional fees and contracts	2,186	-	2,234	1,878,772
Supplies	24,438	2,765	8,358	107,199
Telecommunications	8,356	-	1,812	154,931
Postage and handling	1,126	29	24	5,812
Occupancy	27,991	4,415	26,211	437,348
Equipment, rent and maintenance	7,174	10	350	95,550
Printing, publications and media	781	435	53	4,619
Travel and transportation	7,605	585	641	124,544
Conference and meetings	229	-	-	11,263
Dues and memberships	749	-	-	4,547
Specific assistance	1,010,645	14,678	-	1,036,903
Insurance	1,437	-	2,523	73,607
Interest	-	-	-	-
Audit fees	-	-	-	-
Staff training and development	3,787	125	35	25,321
Miscellaneous	50	-	617	6,344
Depreciation and amortization	2,497	-	-	113,060
Total expenses	$ 1,533,129	$ 23,042	$ 68,931	$ 10,762,601

See accompanying notes to financial statements

EASTER SEALS NEVADA

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	Management and General	Fundraising	Special Event Direct Benefits	2018 Totals	2017 Totals
Salaries and related	$ 1,103,820	$ 203,340	$ -	$ 7,989,941	$ 7,122,039
Professional fees and contracts	250,271	1,563	-	2,130,606	1,415,146
Supplies	10,273	18,601	43,590	179,663	130,925
Telecommunications	17,963	14,493	-	187,387	198,285
Postage and handling	1,290	125	-	7,227	9,284
Occupancy	143,795	2,450	-	583,593	398,616
Equipment, rent and maintenance	5,723	1,887	-	103,160	92,134
Printing, publications and media	1,254	76	-	5,949	13,574
Travel and transportation	17,024	5,715	-	147,283	181,698
Conference and meetings	5,418	3,253	-	19,934	43,084
Dues and memberships	4,853	1,447	-	10,847	11,126
Specific assistance	103	-	-	1,037,006	970,264
Insurance	9,145	1,821	-	84,573	63,468
Interest	6,964	-	-	6,964	11,627
Audit fees	34,590	-	-	34,590	32,466
Staff training and development	6,128	433	-	31,882	34,695
Miscellaneous	21,382	-	-	27,726	24,872
Depreciation and amortization	16,382	2,750	-	132,192	103,571
Total expenses	$ 1,656,378	$ 257,954	$ 43,590	$ 12,720,523	$ 10,856,874
Less: Direct benefits to donors			(43,590)	(43,590)	(27,126)
			$ -	$ 12,676,933	$ 10,829,748

See accompanying notes to financial statements

EASTER SEALS NEVADA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (685,761)	$ 758,450
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on gift annuities	7,683	(274)
Depreciation and amortization	132,192	103,571
Provision for bad debt	63,228	(42,014)
Donated property and equipment	-	(48,461)
(Increase) decrease in operating assets:		
Accounts receivable	111,133	(215,138)
Grants receivable	142,406	(173,659)
Prepaid expenses	(21,481)	(4,752)
Deposits	(1,000)	(5,000)
Increase in operating liabilities:		
Accounts payable	20,398	19,820
Accrued expenses	92,637	67,347
Refundable advances	67,051	298,000
Net cash provided by (used in) operating activities	(71,513)	757,890
Cash flows from investing activities:		
Reinvestment in certificate of deposit	(927)	(925)
Purchase of property and equipment	(114,887)	(184,427)
Net cash used in investing activities	(115,814)	(185,352)
Cash flows from financing activities:		
Net proceeds (payments) on line of credit	250,000	(350,000)
Payments on capital lease obligations	(28,007)	(33,990)
Net cash provided by (used in) financing activities	221,993	(383,990)
Net increase in cash	34,666	188,548
Cash, beginning of year	154,948	(33,600)
Cash, end of year	$ 189,614	$ 154,948
Cash and cash equivalents	$ 63,889	$ 126,114
Cash and cash equivalents, restrictions	125,725	38,204
Checks held	-	(9,370)
	$ 189,614	$ 154,948

See accompanying notes to financial statements

EASTER SEALS NEVADA

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Supplemental disclosures:		
Assets acquired through capital lease obligations	$ -	$ 123,836
Interest paid	$ 6,964	$ 11,627

See accompanying notes to financial statements

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Easter Seals Nevada (the Organization) is a nonprofit corporation whose mission states as follows: Easter Seals Nevada is an innovative healthcare and human service non-profit that serves families and children who have been diagnosed with developmental delays and other disorders and adults with physical and intellectual limitations. Our goal is to enhance the capabilities and enrich the lives of the clients and patients we serve by providing urgently needed healthcare, human services and opportunities for social and community engagement to Nevadans with special needs. The Organization relies on Medicaid and other state and federal funding as well as commercial insurance to support its programs, services and overhead.

The following is a summary of the Organization's significant accounting policies:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Easter Seals Nevada presents its financial statements in accordance with the Financial Accounting Standards Board (FASB) Codification. Under FASB Codification, Easter Seals Nevada is required to report information regarding its financial position and changes in financial position activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Income Tax Status

Easter Seals Nevada is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates include accounts receivable allowance, allocations for the functional expense statement, estimated useful lives for fixed assets, and the estimated fair value of the gift annuities.

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

Accounts Receivable

Accounts receivable result from contracts for the services of Easter Seals Nevada clients and are carried at the net realizable value based on explicit/implicit discounts less an estimated allowance for doubtful accounts based on an annual review of all outstanding amounts. Management reviews accounts receivable balances and performs evaluations of its accounts in order to determine whether or not a provision for potential loss is necessary. Recoveries of receivables previously written off are recognized when received. The Organization does not charge interest on past due accounts. Management has analyzed all uncollectible accounts and has recorded an allowance of $126,720 and $63,491 as of December 31, 2018 and 2017, respectively.

Grants Receivable

Grants receivable represent unreimbursed costs on outstanding grant balances. It is Easter Seals Nevada's policy to charge off uncollectible receivables when management determines the receivables will not be collected. There is no allowance at December 31, 2018 or 2017 as all grants receivable were determined to be collectible.

Revenue Recognition

Contributions received are recorded as increases in net assets with or without restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increased in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Community worksites and fees for service revenues are recognized when services are rendered. Grant revenue is recognized when earned which is when qualifying expenses have been incurred. The Organization has several contractual agreements with third parties to reimburse program costs. These fees are included at gross amounts in "fees for service" on the statements of activities.

Refundable Advances

Grant funds received prior to expenditure are initially recorded as refundable advances. The refundable advances are subsequently recognized as revenue when related services are performed.

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Donated Services

Donations are recorded at their fair market value. Donated professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no donated services recognized during the years ended December 31, 2018 or 2017.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Easter Seals Nevada considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Easter Seals Nevada generally capitalizes all acquisitions of property and equipment in excess of $1,000 with a useful life of over one year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Expense Allocations

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Expenses that can be directly allocated to one of the programs or supporting functions include specific assistance, interest, audit fees and depreciation and amortization. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such allocations are determined by management on an equitable basis. The expenses directly allocated based on time and effort include salaries and related expenses, professional fees and contracts, supplies, telecommunications, postage and handling, equipment, rent and maintenance, printing, publications and media, travel and transportation, conference and meetings, dues and membership, insurance, staff training and development, and miscellaneous. The expenses allocated based on square footage include occupancy.

Impairment of Long-Lived Assets

Easter Seals Nevada reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceeds the fair value of the assets. Management of Easter Seals Nevada believes that no adjustment for impairment was necessary at December 31, 2018 or 2017.

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by functional class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses. The Organization has adopted the provisions of ASU-2016-14 and has retroactively applied this standard to the financial statements as of and for the year ending December 31, 2017.

2. Information Regarding Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

Cash and cash equivalents	$ 63,889
Accounts receivable	849,480
Grants receivable	82,402
Refundable advances	(367,051)
	$ 628,720

As part of the liquidity management plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has two lines of credit for a total of $750,000, which could be drawn upon, as discussed in Note 10.

3. Description of Program Services

The Organization offers a wide variety of healthcare and human services to the disabled and their families. Programs and services include the following:

Early Intervention - program encompasses a range of services that is intended to help children, ages birth to 3, reach developmental milestones and enrich their lives. The program includes both healthcare and educational service in the home, including assistive technology devices and services, audiological services, family training and service coordination, medical services for diagnostic and evaluation purposes, nutrition services, nursing services, occupational therapy, physical therapy, specialized instruction, speech therapy and language services, and vision service.

Children's Therapy Clinics (Las Vegas and Reno) - provides pediatric rehabilitation services including but not limited to occupational, physical and speech therapy and social engagement opportunities, such as play groups run by licensed therapists to children, ages 3 and up, in state of the art clinics in Las Vegas and Reno.

Adult Enrichment Services - offers adults and seniors with physical and/or intellectual limitations the opportunity to develop social interaction and to engage in activities. The program also provides skilled nursing services to clients who require clinical services during the day.

Capability and Career Exploration Center - offers adults with physical and/or intellectual limitations, seniors and veterans the opportunity to develop the skills necessary to launch a career in the community. Program services also include vocational assessment, career counseling, assistance with preparing a resume, training on interview skills and proper work attire, assistance with obtaining work cards, job placement and job coaching.

Capability Enhancement for Independent Living - empowers children and adults to live independently by providing a range of services that are intended to help clients enrich their lives and everyday tasks with ease by using technology and modifications in the home or at work. The services include, but are not limited to technology evaluations and demonstrations, workplace accommodations, ergonomic assessments, set-up and configuration, individualized training, device demonstrations, information and referrals, assistance with selecting devices and services, home access modifications, assistive devices and equipment, including wheelchairs, vehicle adaptations to drive and/or transport clients and mobility equipment, care facility transition assistance and communication technology assistance.

Fund for Healthy Nevada Respite - provides a respite reimbursement program to families of individuals with special needs. A family can choose a care provider that they trust so they can have some time for themselves to take part in other activities such as a date night, attend an activity with another child, grocery shop, attend a class, etc. Studies show that families who are burdened with the 24 hour, 7 day per week care of a loved one with a disability are more likely to become abusive and/or experience divorce because of the great deal of stress. Respite is a huge relief for caregivers. The Respite program ended June 30, 2017.

3. Description of Program Services (continued)

Camp - provides an overnight camp for children with special needs, ages 8-14.

Toys 4 Smiles - dedicated to creating toys from scrap materials for children in need. Toys 4 Smiles cars are also used to assist in developmental therapy for children with disabilities and used to enhance services at the Children's Therapy Clinic. This program ended December 31, 2018.

4. Employee Benefit Plan

Easter Seals Nevada participates in a 401(k) profit sharing plan. The Plan allows eligible employees to defer a portion of their compensation. The Organization, at its discretion, may match a portion of the employees' contribution. Easter Seals Nevada made no plan contributions during the years ended December 31, 2018 and 2017.

5. Property and Equipment

Property and equipment consist of the following at December 31:

	2018	2017
Furniture and equipment	$ 561,952	$ 511,333
Buildings and improvements	1,705,978	1,641,710
Transportation equipment	253,379	253,379
	2,521,309	2,406,422
Less accumulated depreciation	(2,036,632)	(1,904,440)
	$ 484,677	$ 501,982

The Organization recorded $101,233 and $72,612 in depreciation expense for the years ended December 31, 2018 and 2017, respectively.

The Organization has paid $1 for the use of a 2 ½ acre parcel of state land for a period of 30 years. The agreement for the lease of the land expired on June 30, 2013. A new agreement has not been established for the use of the land. The contribution of the use of state land has not been recognized, as management believes it does not have a significant impact on the financial results at December 31, 2018 or 2017.

6. Concentrations

The Organization's cash and certificate of deposit accounts are held at a single financial institution and at times exceed the insured limits of the Federal Deposit Insurance Corporation. As of December 31, 2018, the Organization's uninsured balance totaled $384,186.

A single grantor provided 100% and 99% of total grant revenue for the years ended December 31, 2018 and 2017, respectively. Two agencies accounted for 69% and 65% of the total accounts receivable for the years ended December 31, 2018 and 2017, respectively.

7. Gift Annuities

The gift annuities consist of contracts from two individuals originally valued at various amounts. The agreements are gift annuity contracts between Easter Seals, Inc., a nonprofit corporation, (the national affiliate) and unrelated donors. Seventy-five percent of the residuum is to be returned to Easter Seals Nevada for support services. The assets were recognized at fair value on the date of contribution and are adjusted annually for the Organization's portion of gains and losses recorded by Easter Seals, Inc. The fair value of the annuities was $69,200 and $76,883 at December 31, 2018 and 2017, respectively.

8. Operating Leases

The Organization leases office space, community worksite space and equipment under operating leases expiring through March 2025.

The future minimum payments under these operating lease agreements are as follows:

2019	$ 558,287
2020	570,596
2021	566,492
2022	434,789
2023	157,899
Thereafter	200,752
	$ 2,488,815

Total rent expense, including common area maintenance charges, under these operating leases is $495,728 and $324,137 for the years ended December 31, 2018 and 2017, respectively, and is included in "Occupancy" and "Equipment, rent and maintenance" on the statement of functional expenses.

9. Investments and Fair Value Measurements

Investments consist of the following at December 31:

	2018	2017
Certificate of deposit	$ 310,040	$ 309,113
Gift annuities	69,200	76,883
	$ 379,240	$ 385,996

The Organization applies the standards of the fair value measurements and disclosure of the FASB ASC 820, which provides a framework for measuring fair value under generally accepted accounting principles. These standards apply to all financial instruments that are being measured and reported on a fair value basis. The Organization reports its certificate of deposit and gift annuities on a fair value basis. Fair value measurements are categorized on three levels.

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018.

	Total	Level 1	Level 2	Level 3
Certificate of deposit	$ 310,040	$ 310,040	$ -	$ -
Gift annuities	69,200	-	69,200	-
	$ 379,240	$ 310,040	$ 69,200	$ -

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017.

	Total	Level 1	Level 2	Level 3
Certificate of deposit	$ 309,113	$ 309,113	$ -	$ -
Gift annuities	76,883	-	76,883	-
	$ 385,996	$ 309,113	$ 76,883	$ -

10. Lines of Credit

The Organization holds a $500,000 line of credit with a financial institution, bearing an interest rate of Prime Rate plus 1%, with a floor of 5% and secured by the certificate of deposit maintained by the Organization. The outstanding balance on this line of credit was $0 and $0 at December 31, 2018 and 2017, respectively. The line of credit matures October 26, 2019.

The Organization holds a $250,000 unsecured line of credit with a financial institution, bearing an interest rate of Prime Rate plus 1%, with a floor of 5%. The outstanding balance on this line of credit was $250,000 and $0 at December 31, 2018 and 2017, respectively. The line of credit matures October 24, 2019.

The Organization has a $10,000 overdraft line of credit for its checking account. There was no outstanding balance on this line of credit as of December 31, 2018 or 2017.

11. Capital Lease

In November 2016, the Organization entered into a new capital lease for office equipment. The capital lease is effective January 1, 2017 and expires December 31, 2020. The lease requires monthly principal and interest payments of $2,799.

The following property included in the accompanying financial statements was leased under a capital lease as of December 31:

	2018	2017
Office equipment	$ 123,836	$ 123,836
Less accumulated amortization	(61,918)	(30,959)
	$ 61,918	$ 92,877

Total amortization expense for the asset under capital lease for the years ended December 31, 2018 and 2017 was $30,959 and $30,959, respectively.

Future minimum capital lease payments for the year ended December 31, 2018 are as follows:

2019	$ 30,788
2020	33,587
	64,375
Less interest	(2,536)
Less current portion	(28,978)
Long-term portion	$ 32,861

12. National Affiliate

On September 1, 2002, Easter Seals Nevada entered into a membership agreement with Easter Seals, Inc. As a result of this membership agreement, Easter Seals Nevada is required to pay an annual membership fee. The fee for the years ending December 31, 2018 and 2017 was $50,436 and $57,986, respectively. Easter Seals Nevada also paid $0 and $10,774 to the national affiliate for planned giving contributions during the years ended December 31, 2018 and 2017, respectively.

13. Sublease Agreement

The Organization entered into a sublease agreement effective October 1, 2018 and expiring May 31, 2022. The lease requires minimum quarterly payments of $14,104. Total rental income of $14,104 was received during the year ended December 31, 2018. As of December 31, 2018, the Organization is expected to receive future rental payments from the tenants for the remaining lease period as follows:

2019	$ 53,463
2020	58,566
2021	59,976
2022	25,238
	$ 197,243

14. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes and periods:

	2018	2017
Subject to expenditure for a specific purpose:		
Assistive Technology- lab equipment	$ 40,000	$ -
Camp and recreation	32,407	3,203
Children’s Therapy Clinic	53,318	35,001
	125,725	38,204
Subject to passage of time:		
Gift annuities	69,200	76,883
	$ 194,925	$ 115,087

14. Net Assets with Donor Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2018	2017
Satisfaction of purpose restrictions:		
Camp and recreation	$ 3,203	$ -
Children's Therapy Clinic	35,001	-
	38,204	
Expiration of time restrictions:		
Gift annuities	23,803	-
	$ 62,007	$ -

Net assets with donor restrictions consist of the following at December 31, 2018 and 2017:

	2018	2017
Gift annuities	$ 69,200	$ 76,883
Cash	125,725	38,204
	$ 194,925	$ 115,087

15. Subsequent Events

Subsequent events were evaluated through May 20, 2019, which is the date the financial statements were available to be issued.

16. Severance Agreement

In September 2018, the Organization entered into a separation agreement due to the resignation of a key employee. The agreement stipulates that monthly installments of $14,733 in severance will be paid through May 2019. At December 31, 2018, the liability to the Organization as a result of this agreement was $73,667 and is included in accrued expenses on the statements of financial position.

17. Prior Period Reclassification of Net Assets

As discussed in Note 1, the Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ending December 31, 2017.

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

	Beginning of Year	End of Year
As originally stated:		
Unrestricted	$ 596,250	$ 1,316,222
Temporarily restricted	76,609	115,087
	$ 672,859	$ 1,431,309
As restated:		
Without donor restrictions	$ 596,250	$ 1,316,222
With donor restrictions	76,609	115,087
	$ 672,859	$ 1,431,309