

Canines for Service Inc.

Financial Statements

*For the Year Ended December 31, 2018
(with Comparative Totals for 2017)*



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Canines for Service Inc.

We have audited the accompanying financial statements of Canines for Service Inc. (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 Canines for Service Inc. 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 the Canines for Service Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 19, 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.

Eamy & Company, L.L.P.

Wilmington, North Carolina
May 8, 2019

Canines for Service Inc.
Statement of Financial Position
As of December 31, 2018

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
ASSETS				
Current Assets				
Cash & cash equivalents	\$ 179,989	\$ 66,227	\$ 246,216	\$ 99,663
Investments (Note 5)	360,073	-	360,073	366,869
Accounts receivable, net	24,179	-	24,179	93,581
Total Current Assets	<u>564,241</u>	<u>66,227</u>	<u>630,468</u>	<u>560,113</u>
Net property	<u>25,375</u>	<u>-</u>	<u>25,375</u>	<u>33,905</u>
Total Assets	<u>\$ 589,616</u>	<u>\$ 66,227</u>	<u>\$ 655,843</u>	<u>\$ 594,018</u>
LIABILITIES & NET ASSETS				
Current Liabilities				
Accounts payable	\$ 10,339	\$ -	\$ 10,339	\$ 4,361
Accrued salaries & payroll taxes	23,231	-	23,231	11,070
Current maturities of note payable	-	-	-	3,747
Line of credit (Note 6)	-	-	-	8,474
Total Current Liabilities	<u>33,570</u>	<u>-</u>	<u>33,570</u>	<u>27,652</u>
Long-Term Liabilities				
Note payable, net of current maturities	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,084</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,084</u>
Total Liabilities	<u>33,570</u>	<u>-</u>	<u>33,570</u>	<u>42,736</u>
Net Assets				
Without donor restrictions	556,046	-	556,046	519,582
With donor restrictions (Note 4)	<u>-</u>	<u>66,227</u>	<u>66,227</u>	<u>31,700</u>
Total Net Assets	<u>556,046</u>	<u>66,227</u>	<u>622,273</u>	<u>551,282</u>
Total Liabilities & Net Assets	<u>\$ 589,616</u>	<u>\$ 66,227</u>	<u>\$ 655,843</u>	<u>\$ 594,018</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Canines for Service Inc.
Statement of Activities
For the Year Ended December 31, 2018

	2018		2017
	Without Donor Restrictions	With Donor Restrictions	Comparative Total
PUBLIC SUPPORT & REVENUE			
Grants, contributions, & bequests	\$ 200,614	\$ 438,047	\$ 638,661
Less: Unrealized commitments	-	-	(5,581)
Net Realized	200,614	438,047	638,661
Memorials & honorariums	7,686	-	7,686
Fundraising, net	32,337	-	32,337
Program fees	16,645	-	16,645
Interest & dividends	9,815	-	9,815
Gifts & contributions in-kind	10,059	-	10,059
Miscellaneous	5,135	-	5,135
Net assets released from restriction	403,520	(403,520)	-
Total Public Support & Revenue	685,811	34,527	720,338
EXPENSES			
Program	586,097	-	586,097
Administrative	38,147	-	38,147
Fundraising	8,500	-	8,500
Total Expenses	632,744	-	632,744
Net Operating Income (Deficit)	53,067	34,527	87,594
NON-OPERATING ACTIVITIES			
Loss on sale of equipment	(17)	-	(17)
Investment return, net	(16,586)	-	(16,586)
Total Non-Operating Activities	(16,603)	-	(16,603)
Change in Net Assets	36,464	34,527	70,991
Net Assets, Beginning	519,582	31,700	551,282
Net Assets, Ending	\$ 556,046	\$ 66,227	\$ 622,273

The Accompanying Notes are an Integral Part of these Financial Statements

Canines for Service Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	2018			2017
	Program	Administrative	Fundraising	Comparative Total
Expenses				
Salaries	\$ 241,075	\$ 27,271	\$ 4,363	\$ 272,709
Employee benefits	26,031	2,945	471	29,447
Payroll taxes	16,977	1,920	307	19,204
Professional & contract fees	12,112	319	319	12,750
Dues & subscriptions	2,307	-	-	2,307
Printing & reproduction	3,782	100	100	3,982
Postage & delivery	4,032	106	106	4,244
Supplies	29,839	785	785	31,409
Advertising	8,557	-	-	8,557
Transportation	5,310	280	-	5,590
Bank charges	5,532	146	146	5,824
Conference fees & training	1,402	-	-	1,402
Dog supplies	67,480	-	-	67,480
Interest	26	1	1	28
Licenses & permits	2,569	-	-	2,569
Occupancy	72,277	1,902	1,902	76,081
Travel	12,474	-	-	12,474
Utilities	19,931	1,049	-	20,980
Volunteer services	6,726	-	-	6,726
Repairs & maintenance	5,729	-	-	5,729
Insurance	11,539	607	-	12,146
Miscellaneous	7,205	379	-	7,584
In-kind expenses	10,055	-	-	10,055
Total Direct Expenses	<u>572,967</u>	<u>37,810</u>	<u>8,500</u>	<u>619,277</u>
Depreciation	<u>13,130</u>	<u>337</u>	<u>-</u>	<u>13,467</u>
Total Expenses	<u>\$ 586,097</u>	<u>\$ 38,147</u>	<u>\$ 8,500</u>	<u>\$ 632,744</u>

The Accompanying Notes are an Integral Part of these Financial Statements

Canines for Service Inc.
Statement of Cash Flows
For the Year Ended December 31, 2018

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
Cash Flows From Operating Activities				
Cash Collections for:				
Contributions & other	\$ 745,398	\$ 34,527	\$ 779,925	\$ 624,815
Investment income	9,815	-	9,815	5,221
Less: Cash Payments for:				
Total expenses	(601,138)	-	(601,138)	(522,002)
Net Cash Provided (Used)				
By Operating Activities	154,075	34,527	188,602	108,034
Cash Flows From Investing Activities				
Purchase of property & equipment	(4,954)	-	(4,954)	(24,940)
Investment sales (purchases)	(9,790)	-	(9,790)	(5,221)
Net Cash Provided (Used)				
By Investing Activities	(14,744)	-	(14,744)	(30,161)
Cash Flows From Financing Activities				
Payments on line of credit	(8,474)	-	(8,474)	(16,000)
Payments on note payable	(18,831)	-	(18,831)	18,831
Net Cash Provided (Used)				
By Financing Activities	(27,305)	-	(27,305)	2,831
Net Increase (Decrease) in Cash	112,026	34,527	146,553	80,704
Cash & Cash Equivalents, Beginning	67,963	31,700	99,663	18,959
Cash & Cash Equivalents, Ending	<u>\$ 179,989</u>	<u>\$ 66,227</u>	<u>\$ 246,216</u>	<u>\$ 99,663</u>
Reconciliation of Net Assets to Cash				
Provided (Used) By Operating Activities:				
Change in net assets	\$ 36,464	\$ 34,527	\$ 70,991	\$ 511,466
Depreciation & loss on sale of equipment	13,484	-	13,484	14,281
Non-cash stock donation	-	-	-	(339,124)
Unrealized (gain) loss on investments	16,586	-	16,586	(5,409)
(Increase) Decrease in:				
Accounts receivable	69,402	-	69,402	(41,103)
Increase (Decrease) in:				
Accounts payable	5,978	-	5,978	(32,665)
Accrued salaries & payroll taxes	12,161	-	12,161	588
Net Cash Provided (Used)				
By Operating Activities	<u>\$ 154,075</u>	<u>\$ 34,527</u>	<u>\$ 188,602</u>	<u>\$ 108,034</u>
Supplemental Disclosure				
Interest paid			<u>\$ 28</u>	<u>\$ 1,978</u>
Income taxes paid			<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of these Financial Statements

1. ORGANIZATION

Canines for Service Inc. (the "Organization") is a non-profit corporation organized under the laws of North Carolina. The Organization was incorporated on June 3, 1998 as Carolina Canines for Service. On March 21, 2013, an Article of Amendment was filed with the North Carolina Department of the Secretary of State changing the Organization's name to Canines for Service Inc. The Organization is dedicated to empowering people with disabilities to achieve greater independence and enhanced quality of life through the gift of specially trained service dogs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Changes in Accounting Principles

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, information about liquidity and availability of resources (Note 3), and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Canines for Service Inc.
Notes to Financial Statements
December 31, 2018

Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- a) **Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- b) **Net Assets With Donor Restrictions** – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, which is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, and money market accounts and certificates of deposit with maturities of three months or less. From time to time during the periods presented, the Organization has had cash balances in financial institutions that have exceeded federal depository insurance limits. The Organization deposits its cash with high quality institutions, and management believes the Organization is not exposed to significant credit risk on those amounts.

Cash and cash equivalents are as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Operating Checking	\$ 37,581	\$ 18,760
Other Checking Accounts	208,392	80,583
PayPal & Petty Cash	<u>243</u>	<u>320</u>
Total Cash & Cash Equivalents	<u>\$ 246,216</u>	<u>\$ 99,663</u>

Canines for Service Inc.
Notes to Financial Statements
December 31, 2018

Fair Value Measurement

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

The primary use for fair value measures in the Organization's financial statements is recurring measurement of investments (Note 5).

Accounts Receivable

Accounts receivable consist primarily of unconditional promises to give to the Organization that are recognized as contributions when the promise is received and reimbursement due under grant agreements. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of members or participants to meet their obligations. Accounts receivable are as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Unconditional promises	\$ 22,683	\$ 67,933
Reimbursement grants	-	27,001
Sales tax refund	<u>5,947</u>	<u>6,072</u>
Total	28,630	101,006
Less: Allowance for		
unrealized commitments	<u>(4,451)</u>	<u>(7,425)</u>
Accounts Receivable, Net	<u>\$ 24,179</u>	<u>\$ 93,581</u>

Canines for Service Inc.
Notes to Financial Statements
December 31, 2018

Property and Equipment

Land, buildings, and equipment are reported in the statement of financial position at cost if purchased and at fair value at the date of donation if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method for furniture and equipment and vehicles over the estimated useful lives of the assets as follows:

Furniture and equipment	5 – 7 years
Vehicles	5 years

Land, buildings, and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period. The following is a summary of property accounts as of December 31:

	2018	2017
Furniture, fixtures, & equipment	\$ 20,928	\$ 30,823
Vehicles	85,940	85,940
Total Costs	106,868	116,763
Less: Accumulated depreciation	(81,493)	(82,858)
Net Property	<u>\$ 25,375</u>	<u>\$ 33,905</u>

Program Revenue

Program revenue is recognized as services are provided to program participants. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, retrospectively.

Contributions

Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Organization.

Contributions with donor restrictions are recognized as contribution income in the statement of activities when cash or ownership of donated assets is unconditionally promised to the Organization and subsequently released to the unrestricted fund when expenses have been incurred in satisfaction of those restrictions.

Canines for Service Inc.
Notes to Financial Statements
December 31, 2018

Gifts In-Kind Contributions

The Organization periodically receives contributions in a form other than cash or investments. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. No amounts for donated services were recognized in the financial statements as the criteria for recognition have not been met.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Total expenses for the year ended December 31, 2018 were \$635,340, which includes \$2,596 of netted special events direct expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using objective basis, such as time spent, salaries, square feet, and other basis.

Administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Canines for Service Inc.
Notes to Financial Statements
December 31, 2018

Comparative Financial Information

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 the Organization's financial statements for the year then ended, from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, it is exempt from income taxes on related income pursuant to Section 501(a) of the Code and contributions may be deductible to donors. The Organization files Form 990 with the Internal Revenue Services (IRS) annually; those forms are generally subject to examination by the IRS for a period of up to three years after they are filed.

Subsequent Events

Subsequent events have been evaluated through May 8, 2019, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Canines for Service Inc.
Notes to Financial Statements
December 31, 2018

3. AVAILABILITY AND LIQUIDITY

Financial assets available to meet general expenditures over the next 12 months are as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Financial Assets at Year End:		
Cash & cash equivalents	\$ 246,216	\$ 99,663
Investments convertible to cash in the next 12 months	360,073	366,869
Accounts receivable, net	<u>24,179</u>	<u>93,581</u>
Total Financial Assets at Year End	<u>630,468</u>	<u>560,113</u>
Less: Amounts not available to be used within 1 year:		
Contractual or donor-imposed restrictions		
Restricted by donor-imposed restrictions	66,227	31,700
Less: Net assets with purpose restrictions to be met in less than a year	<u>(66,227)</u>	<u>(31,700)</u>
	<u>-</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 630,468</u>	<u>\$ 560,113</u>

The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The accompanying statement of cash flows on page 6 identifies the sources and uses of cash and shows positive cash generated by operations. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize available funds.

Canines for Service Inc.
Notes to Financial Statements
December 31, 2018

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2018</u>	<u>2017</u>
Subject to Expenditure for Specified Purpose:		
Service dog training	<u>\$ 66,227</u>	<u>\$ 31,700</u>
Total Net Assets with Donor Restrictions	<u>\$ 66,227</u>	<u>\$ 31,700</u>

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:

	<u>2018</u>	<u>2017</u>
Satisfaction of Purpose Restriction		
Service dog training	<u>\$ 403,520</u>	<u>\$ 289,317</u>
Total Net Assets Released From Restriction	<u>\$ 403,520</u>	<u>\$ 289,317</u>

5. INVESTMENTS

The Organization's investment policy is based on the liquidity needs of the Organization. The Organization's intent is to provide liquidity and working capital for operations and other strategic purposes while striving to generate current income and maintain stability of principal. The Organization had the following investments as of December 31:

	<u>2018</u>	<u>2017</u>
Cash & cash equivalents	\$ 92,869	\$ 53,831
Equity funds	11,488	14,211
Stock investments	254,357	297,415
Mutual funds	<u>1,359</u>	<u>1,412</u>
Total Investments	<u>\$ 360,073</u>	<u>\$ 366,869</u>

As of December 31, 2018 and 2017, all investments were considered Level 1 investments.

Canines for Service Inc.
Notes to Financial Statements
December 31, 2018

6. LINE OF CREDIT

The Organization maintained a \$50,000 line of credit with First National Bank during 2018. The line of credit renews annually in October and had an outstanding balance of \$0 as of December 31, 2018.

7. NOTE PAYABLE

The Organization purchased a vehicle with a \$24,940 loan from Ally Bank during 2017. The loan was paid in full during 2018. The note payable consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Equipment finance agreement with Ally Bank at 4.920%. 72 monthly payments of \$401.55 beginning August 21, 2017, with the remaining balance due on August 21, 2023. The balance was paid off in full on August 21, 2018.	\$ -	\$ 18,831
Total Note Payable	<u>-</u>	<u>18,831</u>
Less:		
Current maturities	-	<u>(3,747)</u>
Total Note Payable, Net of Current Maturities	<u>\$ -</u>	<u>\$ 15,084</u>

8. LEASES

The Organization leases a facility located in Wilmington, North Carolina under a three-year operating lease at \$3,240 per month. The lease ends on March 31, 2019. In December 2017, the Organization expanded its space by leasing an additional 5,000 square foot building for \$3,100 per month. The lease ends on November 30, 2020.

Future obligations for the remainder of the lease periods are as follows:

2019	\$ 46,920
2020	<u>34,100</u>
Total	<u>\$ 81,020</u>

9. HURRICANE FLORENCE

On September 14, 2018, Hurricane Florence made landfall as a Category 1 hurricane at Wrightsville Beach, North Carolina, which is a barrier island contiguous to Wilmington, North Carolina. The winds and heavy rain caused widespread damage to Wilmington, North Carolina. Although the Organization's operations and cash flows were adversely impacted by the storm, in the opinion of management, there will be no permanent long-term effect on the operations of the Organization and no adjustments related to the storm were required in the accompanying financial statements.

10. GRANT REVENUE CONCENTRATION

The Organization received grant funds from the Uniformed Services University of the Health Sciences, which expire on September 30, 2018 and September 23, 2019. Grant revenue is recognized as the expenses stipulated in the grant agreement have been incurred. Revenue recognized under this grant represented 53% and 25% of total public support during the years ended December 31, 2018 and December 31, 2017, respectively. As of December 31, 2018 and December 31, 2017, there was \$0 and \$27,001, respectively, in outstanding receivables from the grantor. The Organization anticipates receiving an additional \$284,051 in the subsequent year under the terms of the current grant agreement. Failure to receive continued grant funding from the Uniformed Services University of the Health Sciences would have an adverse effect on the Organization's financial position, changes in net assets, and cash flows.

Based on prior experience, management believes all funding under the current grant agreement will be received in the subsequent year. The Organization will apply for an additional grant from the Uniformed Services University of the Health Sciences for the period of October 2019 to September 2020. However, grants for that period of time will not be awarded until September 2019. The Organization is confident a grant in an amount comparable to its current grant, or higher, will be awarded.

11. RISK MANAGEMENT

The Organization is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

For 2018 and 2017, the Organization was insured for workers' compensation and employer's liability. In both 2018 and 2017, general liability was written on an occurrence basis. Excess commercial liability insurance is purchased to provide coverage above the underlying limits for general liability, auto liability, employer's liability, and employee benefits liability. No claim payment has exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions.