A RENEWED MIND

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018 AND 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
A Renewed Mind
Perrysburg, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of A Renewed Mind (the Organization), an Ohio nonprofit corporation, which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gilmore Jasion Mahler, LTD

Maumee, Ohio
December 11, 2018

A RENEWED MIND
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS

	2018	2017
Current assets		
Cash and cash equivalents	$ 291,228	$ 267,369
Patient accounts receivable, net of allowance	1,114,283	896,688
Pledges receivable, current portion	40,707	0
Other receivables	268,669	297,109
Prepaid expenses	57,387	26,207
Total current assets	1,772,274	1,487,373
Property and equipment		
Land	617,079	617,079
Building and building improvements	4,446,698	2,667,304
Automobiles	199,357	22,953
Computer equipment	165,480	20,757
Billing software	111,540	111,540
Leasehold improvements	76,655	60,173
Construction in progress	0	83,986
Total property and equipment at cost	5,616,809	3,583,792
Less accumulated depreciation	385,942	207,238
Net property and equipment	5,230,867	3,376,554
Other assets		
Pledges receivable, net of current portion	37,177	0
Investments	151,120	0
Total other assets	188,297	0
Total assets	$ 7,191,438	$ 4,863,927

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities		
Accounts payable	$ 915,862	$ 418,831
Line of credit	449,920	250,000
Current portion of notes payable	172,890	116,251
Related party debt	100,000	0
Accrued payroll	233,349	177,837
Accrued vacation and sick pay	306,252	264,625
Accrued and withheld payroll taxes	14,161	13,155
Other accrued expenses	129,616	32,845
Total current liabilities	2,322,050	1,273,544
Long-term liabilities		
Notes payable–net of current portion	3,367,055	2,813,073
Forgivable notes payable	384,444	0
Total liabilities	6,073,549	4,086,617
Net assets		
Unrestricted	888,885	777,310
Temporarily restricted	229,004	0
Total net assets	1,117,889	777,310
Total liabilities and net assets	$ 7,191,438	$ 4,863,927

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

A RENEWED MIND
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2018 and 2017

	2018			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Revenue and other support				
Service revenue	$ 15,145,956	$ 0	$ 0	$ 15,145,956
Grant revenue	832,513			832,513
In-kind contribution	30,044			30,044
Rental income	150,831			150,831
Miscellaneous income	17,405			17,405
Donations	94,742			94,742
Total revenue and other support	16,271,491	0	0	16,271,491
Expenses				
Program services	14,677,217			14,677,217
Management and general	2,072,702			2,072,702
Fundraising	150,694			150,694
Total expenses	16,900,612	0	0	16,900,612
Other income				
Contributions for construction		638,987		638,987
Investment income	2,090			2,090
Debt forgiveness	15,556			15,556
Net contribution of assets from merger with affiliate	84,091	228,976		313,067
Net assets released from restrictions	638,959	(638,959)		0
Total other income	740,696	229,004	0	969,700
Change in net assets	111,575	229,004	0	340,579
Net assets at beginning of year	777,310	0	0	777,310
Net assets at end of year	$ 888,885	$ 229,004	$ 0	$ 1,117,889

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 14,041,322	$ 0	$ 0	$ 14,041,322
648,809			648,809
52,601			52,601
159,248			159,248
111,957			111,957
34,219			34,219
15,048,156	0	0	15,048,156
12,612,834			12,612,834
2,224,100			2,224,100
415,068			415,068
15,252,002	0	0	15,252,002
			0
			0
			0
			0
0	0	0	0
(203,846)	0	0	(203,846)
981,156	0	0	981,156
$ 777,310	$ 0	$ 0	$ 777,310

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

A RENEWED MIND
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

	2018			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 9,669,459	$ 1,208,682	$ 109,880	$ 10,988,021
Contractor payments	21,743	2,718	247	24,708
Benefits expense	938,036	117,255	10,660	1,065,951
Payroll taxes	753,085	94,136	8,558	855,779
Insurance	185,835	23,229	2,112	211,176
Program supplies	667,448			667,448
Rent	284,147	35,518	3,229	322,894
Automobile and mileage	196,862	24,608	2,237	223,707
Professional fees	757,185	93,585		850,770
Telephone	159,894	19,987	1,817	181,698
Utilities	107,489	13,436	1,221	122,146
Equipment rental and purchases	133,402	16,675	1,516	151,593
Office supplies	100,158	12,520	1,138	113,816
Postage	2,542	318	29	2,889
Miscellaneous	11,784	1,457	1,559	14,800
Repairs and maintenance	94,266	11,783	1,071	107,120
Bad debt expense		142,645		142,645
Staff development	70,069	8,759	796	79,624
Office expense	189,012	23,627	2,148	214,787
Advertising	26,564	3,321	302	30,187
Interest and penalties		174,739		174,739
Bank service fees		5,968		5,968
Travel	5,088			5,088
Internet	4,068	508	46	4,622
Licenses and permits	7,413	927	84	8,424
Meals	111,892	13,829		125,721
Real estate taxes	17,370	2,171	197	19,738
Dues and subscriptions	16,516	2,065	188	18,769
Depreciation and amortization	145,890	18,236	1,658	165,784
Total expenses	$ 14,677,217	$ 2,072,702	$ 150,694	$ 16,900,612

2017			
Program Services	Management and General	Fundraising	Total
$ 7,706,609	$ 1,695,107	$ 352,111	$ 9,753,827
22,427	2,365	503	25,295
730,974	160,782	33,398	925,154
573,643	126,176	26,210	726,029
138,202	14,255		152,457
731,327			731,327
325,684	33,591		359,275
201,253	19,904		221,157
903,406	93,184		996,590
105,902	10,474		116,376
93,829			93,829
192,692			192,692
61,383	6,071		67,454
3,191	316		3,507
88,159	9,096		97,255
85,623			85,623
			0
62,157	6,147	2,846	71,150
172,410	17,051		189,461
45,058			45,058
79,906	7,903		87,809
4,582	453		5,035
3,445			3,445
33,376	3,301		36,677
33,362			33,362
109,970	10,876		120,846
16,853			16,853
16,144			16,144
71,267	7,048		78,315
$ 12,612,834	$ 2,224,100	$ 415,068	$ 15,252,002

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

A RENEWED MIND
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 340,579	$ (203,846)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net contribution of assets from merger with affiliate	(199,071)	0
Depreciation and amortization	165,784	78,315
Forgiveness of debt	(15,556)	0
In-kind contribution of property	(30,044)	(52,601)
Contributions for construction	(638,987)	0
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Patient accounts receivable, net of allowance	(217,595)	(410,863)
Other receivables	35,899	(87,504)
Prepaid expenses	(27,429)	36,801
Increase (decrease) in:		
Accounts payable	497,031	269,964
Accrued payroll	55,512	(294,453)
Accrued vacation and sick pay	41,627	53,330
Accrued and withheld payroll taxes	1,006	(21,455)
Other accrued expenses	46,279	9,726
Net cash provided by (used in) operating activities	55,035	(622,586)
Cash flows from investing activities		
Purchases of property and equipment	(1,990,053)	(3,221,710)
Purchases of investments	(90,651)	0
Sales of investments	100,000	0
Contributions for construction	638,987	0
Net cash used in investing activities	(1,341,717)	(3,221,710)
Cash flows from financing activities		
Borrowings of notes payable	776,404	3,013,800
Payments on notes payable	(165,783)	(179,921)
Net borrowings on line of credit	199,920	250,000
Borrowngs of related party debt	100,000	0
Borrowings of forgivable notes payable	400,000	0
Net cash provided by financing activities	1,310,541	3,083,879
Net increase (decrease) in cash and cash equivalents	23,859	(760,417)
Cash and cash equivalents at beginning of year	267,369	1,027,786
Cash and cash equivalents at end of year	$ 291,228	$ 267,369

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

Note 1–Nature of business

Organization

A Renewed Mind (the Organization) is a private nonprofit corporation. The Organization was established in 2007 to provide substance abuse and mental health services to youth and families in the northwest Ohio area.

Note 2–Summary of significant accounting policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The accrual basis provides for the recognition of revenues when earned and of expenses when incurred.

Financial statement presentation

The accompanying financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic, *Not for Profit Entities*. Under this topic the Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Management is of the opinion that there were no permanently restricted net assets at June 30, 2018 and 2017.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. At times during fiscal years 2018 and 2017, the Organization held funds at a financial institution in excess of FDIC insurance levels; however, management believes the risk is negligible.

Patient accounts receivable

Patient accounts receivable for private insurance companies and governmental agencies are stated at amounts net of contractual allowances. Amounts due from private insurance companies totaled $21,181 and $50,052 for the years ended June 30, 2018 and 2017, respectively. Amounts due from the State of Ohio Medicaid program totaled $1,093,102 and $846,636 for the years ended June 30, 2018 and 2017, respectively.

An allowance for uncollectible accounts is established based upon management's assessment of the collectability of outstanding contracts receivable and historical loss rate factors. Uncollectible amounts are written off against the allowance for uncollectible accounts in the period they are deemed to be uncollectible. The allowance for uncollectible accounts was $144,920 and $0 for the years ended June 30, 2018 and 2017, respectively.

Note 2–Summary of significant accounting policies–continued

Pledges receivable
The Organization provides an allowance for doubtful accounts based on management's evaluation of outstanding pledges receivable. The allowance at June 30, 2018 was $2,230.

Investments
Investments in debt and equity securities are reported at fair value, determined by quoted market prices of the securities held. Unrealized appreciation or depreciation of the investments is based on quoted market prices and is recorded as an increase or decrease in unrestricted net assets in the accompanying statements of activities.

Property and equipment
Property and equipment are stated at cost. Depreciation of property and equipment is based upon the estimated useful lives, ranging from three to thirty-nine years, and is computed using the straight-line method. The Organization capitalizes assets with an original cost greater than $5,000.

Revenue recognition
A Renewed Mind provides services to clients covered by third-party payers, including insurance and the Medicaid program. Revenue is recognized at normal billing rates, less contractual adjustments agreed upon by the third-party payers, and less any anticipated losses due to lack of coverage or collectability.

A significant portion of A Renewed Mind's net revenue for the years ended June 30, 2018 and 2017 is from participation in the Medicaid program. Amounts paid under this program are generally based on allowable costs or on a fixed rate. Amounts earned under the Medicaid program are subject to review by the third party payers. Management of A Renewed Mind believes adequate provision has been made for any adjustments that may result from these reviews. Any differences between estimated settlements and final determinations are reflected in operations of the year they are finalized.

Approximately 79% and 83% of the Organization's net revenues for the years ended June 30, 2018 and 2017, respectively, are from the State of Ohio Medicaid program. Accounts receivable from the State of Ohio Medicaid program accounted for approximately 79% and 71% of total net accounts receivable, excluding pledges receivable, at June 30, 2018 and 2017, respectively.

Note 2–Summary of significant accounting policies–continued

In-kind donations

Donations of property and equipment are recorded at their estimated fair value at the date of donation.

Functional allocation of expenses

The costs of providing the various programs are summarized on a functional basis in the statement of activities. Accordingly, certain costs are allocated between the program services, management and general, and fundraising benefited.

Advertising

The Organization's policy is to expense advertising as incurred since amounts do not apply to periods in excess of one year. Advertising expense amounted to $30,187 and $45,058 in 2018 and 2017, respectively.

Income taxes

The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recognized in the accompanying financial statements.

Management of the Organization is required to determine whether a tax position of the Organization is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Management of the Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. However, management’s conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions).

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from those estimates.

Note 2–Summary of significant accounting policies–continued

New accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America (U.S. GAAP). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-14, *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, ASU 2016-14 replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective on a retrospective basis for annual reporting periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures..

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). ASU 2016-02 will require that a lessee recognize assets and liabilities on the balance sheet for all leases with a lease term of more than twelve months, with the result being the recognition of a right of use asset and a lease liability. Recognition and presentation of expenses will depend on the classification of the lease as either finance or operating. ASU 2016-02 will also require quantitative and qualitative disclosures to supplement the amounts recorded in the financial statements to afford better understanding of the Organization's leasing activities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 with early adoption permitted and is to be applied retrospectively. The Organization is currently evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-08, *Not-for-profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 will clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction. ASU 2018-08 also provides additional guidance about how to determine whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018 with early adoption permitted and is to be applied prospectively. The Organization early adopted ASU 2018-08 in the year ended June 30, 2018, as permitted. As a result of this adoption, the Organization has recorded a liability for a forgivable note payable in the approximate amount of $384,000 that, under certain circumstances, would have been permitted to treat as a contribution under previous GAAP.

Note 2–Summary of significant accounting policies–continued

Subsequent events
The Organization has evaluated all events subsequent to the statement of financial position date of June 30, 2018, through the date of this report, which is the date these financial statements were ready to be issued, and have determined that except for the matter discussed in Note 8, there are no additional subsequent events that require disclosure.

Note 3-Pledges receivable
Pledges receivable represent promises to give from various donors as of June 30, 2018 and 2017. The promises to give as of June 30, 2018, which represent temporarily restricted net assets, are as follows:

2019	$	40,707
2020		22,330
2021		20,000
Total pledges receivable		83,037
Less allowance for doubtful accounts		2,230
Less present value discount		2,923
Net pledges receivable	$	77,884

Note 4–Investments
Investments consist of the following at June 30:

	2018			
	Cost		Market	
Mutual funds	$	148,180	$	151,120
Total	$	148,180	$	151,120

Net investment earnings of the Organization's investment portfolio are summarized as follows for the year ending June 30:

	2018	
Interest and dividends	$	681
Net unrealized and realized gain on investments		1,409
Total	$	2,090

Note 5–Fair value measurements
The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC Topic, Fair Value Measurement, are described as follows:

Note 5–Fair value measurements–continued

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2. Inputs to the valuation methodology include:

a. Quoted prices for similar assets or liabilities in active markets;

b. Quoted prices for identical or similar assets or liabilities in inactive markets;

c. Inputs other than quoted prices that are observable for the asset or liability;

d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Funds – valued at quoted market prices, which represent the net asset value (NAV) of shares held by the Organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 5–Fair value measurements–continued

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

	June 30, 2018			
Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity	$ 65,640	$ 0	$ 0	$ 65,640
International	28,040			28,040
Bond	53,176			53,176
REIT	4,264			4,264
Total	$ 151,120	$ 0	$ 0	$ 151,120

Note 6–Line of credit

The Organization has a $450,000 line of credit with a bank, due on demand, with interest payable monthly at the Wall Street Journal Prime interest rate. The line of credit is secured by substantially all assets of the Organization. Outstanding borrowings on the line of credit at June 30, 2018 and 2017 were $449,920 and $250,000, respectively.

Note 7–Notes payable

Notes payable at June 30 are as follows:

	2018	2017
Note payable to a bank in monthly principal and interest payments of $7,082, bearing interest at 3.75% until August 2023, then at the five year fixed rate advance plus 3% until maturity, August 2036, secured by specific land and buildings and all rents to the lender from the property.	1,113,367	1,155,156
Note payable to a bank in monthly principal and interest payments of $1,254, bearing interest at 3.75% until August 2023, then at the five year fixed rate advance plus 3% until maturity, August 2026, secured by specific land and buildings and all rents to the lender from the property.	105,483	116,297
Note payable to a bank in monthly principal and interest payments of $8,102, bearing interest at 3.75% until September 2023, then at the five year fixed rate advance plus 3% until maturity, October 2036, secured by specific land and buildings and all rents to the lender from the property.	1,281,774	1,329,276
Note payable to private seller of real estate in monthly principal and interest payments of $2,473, bearing interest at 3.75% with a balloon payment for remaining principal due December 2019, secured by specific land and building.	312,442	328,595
Note payable to a bank bearing interest at 4.50% until May 2022, then at the five year fixed rate advance plus 3% until maturity, May 2037. Payments of interest-only due through November 2017, and then monthly payments of principal and interest of $3,877 until maturity. Note is secured by specific land and buildings and all rents to the lender from the property.	587,120	0
Various notes payable for vehicles, due in monthly installments ranging from $452 to $572, including interest ranging from 6.89% to 15.19%. These notes are repayable over terms ranging from 60 months to 72 months and are secured by individual vehicles purchased with the note.	139,759	0
	3,539,945	2,929,324
Less current maturities	172,890	116,251
Total notes payable – net of current portion	$ 3,367,055	$ 2,813,073

Note 7–Notes payable–continued

The maturities of notes payable for the years ending June 30, are as follows:

2019	$	172,890
2020		456,631
2021		171,025
2022		166,380
2023		159,899
Thereafter		2,413,120
Total	$	3,539,945

Certain notes payable referred to above contain restrictive covenants regarding financial ratio and reporting requirements. At June 30, 2018, the Organization was out of compliance with certain reporting covenants; however, the bank provided a waiver letter stating such noncompliance would not be considered an event of default under the provisions of the loan agreement.

Note 8–Ohio Guidestone

On April 3, 2018, the respective Boards of Directors of the Organization and OhioGuidestone (an Ohio nonprofit corporation), entered into a membership substitution agreement (the "Agreement"). According to the terms of the Agreement, OhioGuidestone will become the sole member of A Renewed Mind effective July 1, 2018. A Renewed Mind and OhioGuidestone believe the transaction contemplated in the Agreement will be in the best interest of the residents of the communities served by the respective entities by providing greater access to and higher quality of services and enhancing the preservation of quality health care services in the respective Entity's service areas for patients and communities served thereby.

At June 30, 2018, the Organization had outstanding debt due to OhioGuidestone with principal payments being due at the end of each calendar quarter in the amount of 100% of net profits earned in the quarter by a certain project. Amount due to OhioGuidestone was $100,000 at June 30, 2018, presented on the statement of financial position as related party debt.

Note 9–Forgivable notes payable

The Organization entered into a forgivable loan agreement in May 2017 with the Four County Board of Alcohol, Drug Addiction and Mental Health Services (Four County ADAMHS Board) to finance construction of a facility in Napoleon, Ohio in the amount of $400,000. The Four County ADAMHS Board forgives this loan over a 30-year period monthly on a straight-line basis beginning May 2017, provided the Organization uses the facility to provide substance abuse and mental health treatment services to persons with addiction or mental health disorders. In accordance with the forgivable loan agreement, during the years ended June 30, 2018 and 2017, debt forgiveness amounted to $15,556 and $0, respectively.

Note 10–DoubleARC merger

On March 31, 2018, the Organization entered into a merger agreement with Double ARC (an Ohio nonprofit corporation) in which the Organization acquired all assets and liabilities of Double ARC, with Double ARC discontinuing operation as a separate entity, and continuing operation as a division of the Organization. Net assets acquired from merger are presented on the statement of activities as a net contribution of assets from merger with affiliate, comprising of cash, investments, pledges receivable, and other assets totaling $363,558, net of liabilities totaling $50,491.

Note 11–Temporarily restricted net assets

Temporarily restricted net assets at June 30 are restricted as follows:

		2018
Net pledges receivable	$	77,884
Donor restricted investments		151,120
Total	$	229,004

Note 12–Retirement plans

The Organization sponsors a Safe Harbor 401(k) plan (the "Plan") for all eligible employees of the Organization. Employees may make contributions to the Plan subject to IRS limits. Enrolled employees receive a matching contribution from the Organization of 100% for the first 3% of compensation contributed by the employee, plus 50% of the next 2% of the employee compensation contributed. Expenses under the Plan amounted to $168,960 and $143,684 for the year ended June 30, 2018 and 2017 respectively, including the match and administrative fees. This is included in benefits expense on the statement of functional expenses.

Note 13–Leases

The Organization leases certain office space and equipment under operating leases. Rent expense under these operating leases amounted to approximately $460,000 and $490,000 for the year ended June 30, 2018 and 2017, respectively. The future minimum lease payments required under these non-cancelable leases for the years ending June 30, are as follows:

2019	$	430,879
2020		257,173
2021		122,050
2022		73,440
2023 and thereafter		28,875
Total	$	912,417

Note 14–Long-term rental agreements

The Organization has entered into operating lease agreements to lease certain property to unrelated parties. Rental income under these agreements amounted to approximately $150,000 and $159,000 for the years ended June 30, 2018 and 2017, respectively. Minimum future rentals to be received under these leases for the years ending June 30, are as follows:

2019	$	123,000
2020		122,400
2021		122,400
2022		122,400
2023		10,200
Total	$	500,400