BARNABAS CENTER, INC.
AND SUBSIDIARY
CONSOLIDATED FINANCIAL REPORT

Year Ended June 30, 2017

CONTENTS

KRESGE, PLATT & ABARE CPAS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Barnabas Center, Inc. and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Barnabas Center, Inc. and Subsidiary (a Florida not-for-profit organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Barnabas Center, Inc. and Subsidiary as of June 30, 2017, 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.

Kresge, Platt + Abare CPAs, LLC

St. Augustine, FL
September 20, 2017

BARNABAS CENTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

ASSETS		
Cash and cash equivalents	$	935,329
Unconditional promises to give		350
Grants receivable		79,172
Prepaid expenses		29,369
Inventories		157,132
Property and equipment, net		1,754,763
TOTAL ASSETS	$	2,956,115
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$	61,371
Deferred revenue		27,872
Other liabilities		1,500
TOTAL LIABILITIES		90,743
NET ASSETS		
Unrestricted net assets		2,699,322
Temporarily restricted net assets		166,050
TOTAL NET ASSETS		2,865,372
TOTAL LIABILITIES AND NET ASSETS	$	2,956,115

BARNABAS CENTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

REVENUE AND SUPPORT	Unrestricted	Temporarily Restricted	Total
Contributions	$ 500,243	$ 263,613	$ 763,856
Grants	-	225,057	225,057
Thrift store sales	769,701	-	769,701
Patient fees	188,455	-	188,455
Dental services in-kind	462,952	-	462,952
Medical services in-kind	2,772,239	-	2,772,239
Goods and other services in-kind	1,387,998	-	1,387,998
Special events, net of direct expenses of $4,392	102,577	-	102,577
Interest income	13,219	-	13,219
Rental income, net	57,475	-	57,475
Miscellaneous	4,861	-	4,861
Total revenue and support	6,259,720	488,670	6,748,390
NET ASSETS RELEASED FROM RESTRICTIONS	540,326	(540,326)	-
EXPENSES			
Program	6,454,028	-	6,454,028
Management and general	186,787	-	186,787
Fundraising	207,487	-	207,487
Total expenses	6,848,302	-	6,848,302
CHANGE IN NET ASSETS	(48,256)	(51,656)	(99,912)
NET ASSETS, BEGINNING	2,747,578	217,706	2,965,284
NET ASSETS, ENDING	$ 2,699,322	$ 166,050	$ 2,865,372

BARNABAS CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services						Supporting Services		
	Crisis Assistance	Food pantry	New to You	Dental Program	Medical Program	Total Program	Management and General	Fundraising	Total
Salaries and wages	$ 193,563	$ 86,907	$ 218,436	$ 133,372	$ 212,702	$ 844,979	$ 52,626	$ 111,559	$ 1,009,164
Payroll taxes	15,460	7,017	18,468	10,192	16,250	67,387	3,458	8,899	79,744
Employee benefits	26,099	18,909	26,084	11,763	29,775	112,630	20,198	11,657	144,485
Total salaries and benefits	235,122	112,833	262,988	155,327	258,727	1,024,996	76,282	132,115	1,233,393
Advertising	241	233	4,309	41	140	4,964	419	691	6,074
Client assistance	140,481	49,332	-	-	24,385	214,198	-	-	214,198
Client assistance - In-kind	19,598	537,948	783,785	462,952	2,772,239	4,576,522	-	50	4,576,572
Contract labor	7,019	2,480	60,067	142,999	11,367	223,932	7,848	16,498	248,278
Depreciation	26,294	12,521	16,925	14,167	14,794	84,701	11,895	2,504	99,100
Dues and subscriptions	4,999	200	1,145	3,000	12,670	22,014	1,205	5,001	28,220
Fees for service	1,321	473	16,674	4,559	2,939	25,966	3,519	3,329	32,814
Insurance	3,797	6,516	4,031	6,167	10,457	30,968	15,435	3,915	50,318
Office	959	7,788	13,811	3,260	4,787	30,605	9,157	4,893	44,655
Postage	229	143	559	184	595	1,710	499	3,805	6,014
Printing and copying	1,339	1,231	5,081	1,661	5,132	14,444	1,604	18,543	34,591
Professional fees	20,615	1,828	6,676	4,440	51,266	84,825	10,637	8,464	103,926
Rent	109	-	4,851	108	99	5,167	4,108	108	9,383
Repairs and maintenance	8,719	13,240	11,605	3,053	3,213	39,830	13,134	1,436	54,400
Security	57	140	520	43	57	817	33	29	879
Taxes and licenses	-	-	-	165	526	691	2,806	-	3,497
Telephone	3,476	2,236	1,955	1,976	2,936	12,579	2,190	825	15,594
Training and education	1,105	628	1,627	619	1,225	5,204	2,016	944	8,164
Travel	2,049	399	570	86	4,055	7,159	4,506	2,721	14,386
Utilities	4,944	8,181	23,349	2,668	3,594	42,736	19,494	1,616	63,846
Total expenses	$ 482,473	$ 758,350	$ 1,220,528	$ 807,475	$ 3,185,203	$ 6,454,028	$ 186,787	$ 207,487	$ 6,848,302

See accompanying notes

BARNABAS CENTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(99,912)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation		99,100
Net changes in:		
Unconditional promises to give		7,890
Grants receivable		(78,922)
Miscellaneous receivables		350
Prepaid expenses		(18,255)
Inventories		(37,893)
Accounts payable and accrued expenses		(5,317)
Deferred revenue		13,712
Other liabilities		1,500
Net cash used by operating activities		(117,747)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(23,257)
Net cash used by investing activities		(23,257)
NET CHANGE IN CASH		(141,004)
CASH, BEGINNING		1,076,333
CASH, ENDING	$	935,329

NOTE 1 ORGANIZATION

Barnabas Center, Inc., ("BCI"), a Florida not-for-profit organization, was established in 1986 to afford residents of Nassau County, Florida aid during crisis situations that arise due to unforeseen circumstances. The aid is temporary, and it is expected that the assistance will allow individuals and families to continue to be self-supporting or to provide interim help while they are waiting for referral support from other agencies. Recipients of Barnabas' programming must live in Nassau County and, with the exception of certain food distributions, provide documentation of residence and income eligibility. The Organization is primarily supported by proceeds from its New to You resale store, local churches, individual contributors, foundations, corporate donors, grants, and fundraising events. Barnabas' financial performance has been awarded a 4-star rating from Charity Navigator, a premier independent charity evaluator.

Barnabas Health Services, Inc. ("BHSI"), is a commonly controlled subsidiary of BCI. BHSI is a primary health clinic which offers free urgent medical care for uninsured adults. BHSI also operates as a low cost dental clinic for low income adults. BCI is the sole equity member of BHSI.

BCI and BHSI are hereinafter collectively referred to as the "Organization".

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The consolidated financial statements include the accounts of BCI and its commonly controlled subsidiary, BHSI, after elimination of all significant inter-company balances and transactions.

Classification of Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its ASC 958-210. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The assets, liabilities, and net assets of the Organization are reported in net asset classes as follows:

a) Unrestricted net assets are resources over which the Board of Directors (the "Board") has discretionary control including those unrestricted net assets invested in property and equipment at the direction of the Board. Certain unrestricted net assets are reported as designated because the Board has designated and reserved them for future projects and goals.

b) Temporarily restricted net assets are subject to donor-imposed stipulation that may or will be met by actions of the Organization and/or the passage of time. After the donor-imposed time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported within the statement of activities as net assets released from restrictions.

c) Permanently restricted net assets are limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. As of June 30, 2017 there were no permanently restricted net assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with an original maturity of 90 days or less. Certificates of deposit are readily convertible to cash and are stated at cost plus accrued earnings, which approximate fair value.

Inventories

Inventories consist of donated food, clothing, furniture and miscellaneous household goods. These items are recorded at the lower of estimated fair market value as of the date of the donation or at estimated fair market value as of the consolidated financial statement date.

Property and Equipment

Land, buildings and equipment that are purchased are carried at cost, or, if donated, at the approximate fair value at the date of donation. Donated property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Expenditures for renewals or improvements that either materially add value or prolong the useful lives of assets are capitalized. Expenditures that are less than $500 are expensed as incurred.

Building and improvements are depreciated using the straight-line method over their estimated useful lives, which range from 7 to 39 years. Office, medical and store equipment are depreciable assets are depreciated using the straight-line method over their estimated useful lives, which range from 3 to 7 years. Land is not depreciated. Depreciation expense was $99,100 for the year ended June 30, 2017.

Contributions

In accordance with FASB ASC 958, *Financial Statements of Not-for-Profit Entities*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Under FASB ASC 958, contributions that are required to be reported as temporarily restricted support are then reclassified to unrestricted net assets upon expiration of time restrictions or satisfaction of donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Unconditional promises to give (“pledges”) receivable are recorded when unconditional promises to pay are recorded. Unconditional promises to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Management uses the allowance method to determine uncollectable promises receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

The Organization records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials and equipment are reflected in the accompanying consolidated financial statements at their estimated value at date of receipt.

A substantial number of volunteers donate significant amounts of time to the Organization's program services. Only those amounts pertaining to the need assessment of clients have been reflected in the consolidated financial statements since the contributions of those services required specialized skills. The remaining volunteer hours are not reflected in the consolidated financial statements since the contribution of services did not create or enhance non-financial assets or require specialized skills. Additionally, when professional services (i.e. legal, dental and medical) were provided, in-kind values are recorded as contributions.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

Accounting for Income Taxes

The Organization has adopted FASB ASC 740-10, *Accounting for Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Based on analyses of various federal and state filing positions of the Organization, management believes that its income tax filing positions and deductions are well documented and supported.

As of June 30, 2017, the Organization had no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded. Additionally, as of June 30, 2017, the Organization had no uncertain tax positions that would qualify for either recognition or disclosure in the consolidated financial statements. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FASB ASC 740-10. In addition, no cumulative effect adjustment related to the adoption of FASB ASC 740-10 was recorded.

There have been no increases or decreases in unrecognized tax benefits for current or prior years since the date of adoption. Furthermore, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months. When applicable, such interest and penalties will be reported as income tax expense.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. At June 30, 2017, the periods that remain open to examination under federal statute are for the fiscal years ended June 30, 2014 through 2016.

Fair Value of Financial Instruments

All financial instruments are carried at amounts that approximate estimated fair value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The Organization does not capitalize advertising costs, but rather expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising expense was $6,074 for the year ended June 30, 2017.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results could differ from those estimated. The nature of these estimates, however, is such that variances from actual results are held to be immaterial.

Compensated Absences

All employees working 40 hours per week accrue vacation pay at a rate based on their length of service according to the following schedule.

Length of Service	Annual Hours
0–5 years	120
5–10 years	160
10+ years	200

Annual vacation accruals are based on an employee working 2,080 paid hours per year (40 hours per week). Employees working less than 40 hours per week and at least 25 hours per week earn annual leave on a pro-rated basis, according to the accrual rate per hour. Full time employees may accrue a maximum of one year's worth of annual vacation and may carry over no more than 40 hours of the accrued vacation at the beginning of each calendar year. Any unused hours in excess of 40 hours will be forfeited by the employer. Accrued vacation totaled $13,922 at June 30, 2017 and is included in salaries and wages on the statements of functional expenses and in accounts payable and accrued expenses on the statements of financial position.

Functional Expense Allocation

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

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of June 30, 2017:

Cash	$ 546,721
Certificates of deposit	388,608
Total cash and cash equivalents	$ 935,329

NOTE 4 DEFERRED REVENUE

Deferred revenue of $27,872 at June 30, 2017 consisted of sponsorships received by the Organization in anticipation of fundraising events in the following fiscal year.

NOTE 5 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques to discount said promises. The Organization anticipates all amounts to be fully collectable and has determined that an allowance for doubtful accounts is not necessary. At June 30, 2017, the total balance of $350 of the unconditional promises to give was expected to be received within a year. In addition, the Organization had no conditional promises to give at June 30, 2017.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2017:

Buildings and improvements	$ 1,864,815
Furniture, fixtures and equipment	316,714
Land	174,570
Total property and equipment	2,356,099
Less, accumulated depreciation	(601,336)
Property and equipment, net	$ 1,754,763

NOTE 7 BARNABAS CENTER ENDOWMENT (COMMUNITY FOUNDATION)

The Organization entered into an agreement with the Community Foundation in Jacksonville (the “Foundation”) to establish and maintain a permanent Endowment named Barnabas Center Endowment (the “Endowment”). This Endowment is managed and controlled by the Foundation. All contributions received by the Foundation directly from grantors are irrevocable.

Distributions the Foundation makes from the Endowment fund to the Organization are limited each year to a distributable amount determined pursuant to the Community Foundation’s Spending Policy, as set and amended from time to time by the Community Foundation’s Board of Trustees. The Spending Policy is designed to protect the economic value of the principal of the Endowment, help the principal grow over time, give the Organization the benefit of a reasonably stable, consistent and predictable flow of funds, and smooth the effect of market volatility in earnings on the investment of Endowment fund assets over a period of years. During the fiscal year ended June 30, 2017, the Organization did not receive a distribution from Barnabas Center Endowment.

All amounts relating to these funds are excluded from the accompanying consolidated financial statements. At June 30, 2017, the balance in the Endowment was $137,052.

NOTE 8 BARNABAS ENDOWMENT FUND (COMMUNITY FOUNDATION)

On behalf of the Organization a donor entered into an agreement with the Community Foundation in Jacksonville (the “Foundation”) to establish and maintain a permanent Endowment named Barnabas Endowment Fund (the “Endowment”). This Endowment is managed and controlled by the Foundation. All contributions received by the Foundation directly from grantors are irrevocable.

Distributions the Foundation makes from the Endowment fund to the Organization are limited each year to a distributable amount determined pursuant to the Community Foundation’s Spending Policy, as set and amended from time to time by the Community Foundation’s Board of Trustees. The Spending Policy is designed to protect the economic value of the principal of the Endowment, help the principal grow over time, give the Organization the benefit of a reasonably stable, consistent and predictable flow of funds, and smooth the effect of market volatility in earnings on the investment of Endowment fund assets over a period of years. During the fiscal year ended June 30, 2017, the Organization did not receive a distribution from Barnabas Endowment Fund.

All amounts relating to these funds are excluded from the accompanying consolidated financial statements. At June 30, 2017, the balance in the Endowment was $285,470.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2017, the Organization's temporarily restricted net assets were as follows:

Baptist Health	$ 32,804
Bikes for Barnabas	2,977
Capital improvement fund	59,385
Chaplain's fund	66
Education scholarship	3,233
Gerri's Corner	32,534
Lucy Gooding Foundation	11,084
Women's Giving Alliance	23,967
Total	$ 166,050

NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Temporarily restricted net assets released during 2017 were utilized for building improvements and program services, as follows:

Baptist Health	$ 64,682
Bikes for Barnabas	1,890
Capital improvement fund	18,415
Challenge grant	19,761
Chaplain's fund	2,410
Education scholarship	13,264
ESG grant	25,241
FAFCC	180,047
Florida Blue Foundation	54,237
Gerri's Corner	306
Lucy Gooding Foundation	75,172
Riverside Hospital Foundation	38,821
Women's Giving Alliance	46,080
Total	$ 540,326

NOTE 11 DONATED MATERIALS, PROPERTY AND SERVICES

Donated goods and services consisted of the following at June 30, 2017:

Food	$ 553,224
Clothing, furniture, household goods, etc.	820,880
In-kind medical services and supplies	2,772,239
In-kind dental services and supplies	462,952
Other in-kind contributions	13,894
Total in-kind contributions	$ 4,623,189

NOTE 12 RETIREMENT PLAN

The employees of the Organization are covered under a SIMPLE IRA plan. All employees who are reasonably expected to receive at least $5,000 in compensation for the calendar year and who have received at least $5,000 in compensation during any one prior calendar years, are eligible to participate in the plan. Employees can elect to defer up to $12,500 in 2017, which increases to $15,500 if the employee's age is 50 or over. Under this plan, the Organization's match would be 100% of the first 3% of the employee's compensation. The matching contribution expense was $15,563 for the fiscal year ended June 30, 2017 and is included in salaries and wages on the consolidated statement of functional expenses.

NOTE 13 LEASE AGREEMENTS

The Organization leases certain office equipment under operating lease agreements, which expire in various years through 2021. The leases provide for total minimum monthly rental fees of $905. Posted with the monthly rental payments are per copy charges for copies exceeding the stated limit. Rent expense under these operating leases, including additional charges, was $14,048 for the year ended June 30, 2017 and is included in office expense on the consolidated statement of functional expenses. Future amounts due under the lease commitments at June 30, 2017 are as follows:

June 30, 2018	$ 10,860
June 30, 2019	10,860
June 30, 2020	10,860
June 30, 2021	10,530
Total	$ 43,110

NOTE 14 CONCENTRATIONS OF RISK

The Organization maintains its cash balance with a high quality financial institution. The account at this institution currently is insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At times, such balance may be in excess of the FDIC insurance limits. At June 30, 2017, the Organization had no uninsured cash balances at any financial institution.

NOTE 15 RIGHT OF SETOFF TRANSACTION

The Organization has entered into a transaction with a bank designed to provide the Organization with partial funding for its dental operations. Pursuant to the transaction, the Organization borrowed $300,000 from the bank at a fixed annual interest rate of 2%, and then simultaneously used the proceeds of the loan to invest in a certificate of deposit ("CD") issued by the bank for $300,000 at a fixed annual interest rate of 4%. The loan and the CD mature on the same date in December 2017, at which time the proceeds of the CD will be used to repay the loan. Additionally, the Organization and the bank have also contractually agreed that, at any time during the term of the loan, either party may terminate the agreement, at which time the CD would be used to repay the loan.

This transaction meets the criteria for "right of setoff" accounting under FASB Accounting Standards Codification 210-20, *Balance Sheet Offsetting*, inasmuch as (a) the contractual amounts are determinable, (b) the Organization has the right of setoff, (c) the right of setoff is enforceable by law, (d) the Organization has the intention to setoff. Accordingly, the loan has been set off against CD, and neither the loan nor the CD is shown in the accompanying consolidated statement of financial position.

As monthly interest payments become due on the loan the bank offsets the interest payment against amounts owed by the bank on the CD and remits to the Organization the net amount of interest earned. During the year ended June 30, 2017 the Organization recorded $5,880 in net interest income relative to this transaction.

The amount of the CD exceeds the amount of insurance available from the FDIC; however, the rules of the FDIC provide that borrowers may set off the amount of outstanding loans against deposits at the financial institution prior to borrowers availing themselves of FDIC protection. Accordingly, the Organization does not have exposure to a lack of FDIC coverage as a result of this transaction.

NOTE 16 ADJUSTMENT RELATED TO COMMUNITY FOUNDATION ENDOWMENT

During the year ended June 30, 2017, it was noted that the Organization included the initial contributions of $15,777 and June 30, 2016 additions of $25,190 to the Community Foundation to establish and maintain a permanent endowment named the Barnabas Center Endowment (the "Endowment") in the Organization's consolidated financial statements. The original contribution and June 30, 2016

NOTE 16 ADJUSTMENT RELATED TO COMMUNITY FOUNDATION ENDOWMENT (Continued)

contributions were recorded in cash and equivalents and endowment assets. In adherence with accounting principles generally accepted in the United States of America, at the beginning of the year ended June 30, 2017, management has removed the asset associated with the Endowment from the Organization's consolidated financial statements. The following consolidated financial statement line items as of the year ended June 30, 2016 would have been affected by this transaction:

	As Previously Stated	As Adjusted	Effect of Adjustment
Accounts payable and accrued expenses	$ 41,498	$ 66,688	$ (25,190)
Endowment assets	$ 15,777	$ -	$ (15,777)
Permanently restricted net assets	$ 40,967	$ -	$ 40,967

NOTE 17 SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 20, 2017. No events were identified as necessary to be disclosed to keep these consolidated financial statements from being misleading or that provide additional evidence about conditions that existed at June 30, 2017, including estimates inherent in the process of preparing these consolidated financial statements.