

**Interfaith CarePartners, Inc.
And Affiliate**

COMBINED FINANCIAL STATEMENTS


December 31, 2018 and 2017



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com



Interfaith CarePartners, Inc. and Affiliate
Table of Contents
December 31, 2018 and 2017

REPORT

Independent Auditors' Report 1

FINANCIAL STATEMENTS

Combined Statements of Financial Position as of December 31, 2018 and 2017 3

Combined Statements of Activities for the years ended December 31, 2018 and 2017 5

Combined Statements of Functional Expenses for the years ended
December 31, 2018 and 2017 7

Combined Statements of Cash Flows for the years ended
December 31, 2018 and 2017 8

Notes to Combined Financial Statements 9



Carr, Riggs & Ingram, LLC
Two Riverway, 15th Floor
Houston, TX 77056

(713) 621-8090
(713) 621-6907 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Interfaith CarePartners, Inc.
Houston, Texas

We have audited the accompanying combined financial statements of Interfaith CarePartners, Inc. (a Texas non-profit corporation) and affiliate (collectively, the "Organization"), which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Interfaith CarePartners, Inc. and affiliate as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 8 to the combined financial statements, a certain error resulting in understatement of pledges receivable and revenue as of December 31, 2017, was discovered during the current year. Accordingly, amounts reported for accounts receivable and restricted foundation grants have been restated in the 2017 combined financial statements now presented, and an adjustment has been made to net assets as of December 31, 2017, to correct the error. Our opinion is not modified with respect to that matter.

Car, Riggs & Ingram, L.L.C.

Houston, Texas

April 23, 2019

**Interfaith CarePartners, Inc. and Affiliate
Combined Statement of Financial Position**

<i>December 31, 2018</i>	Interfaith CarePartners, Inc.			The Acorn Foundation			Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
Assets							
Cash and cash equivalents	\$ 90,100	\$ 3,676	\$ 93,776	\$ -	\$ -	\$ -	\$ 93,776
Investments	-	-	-	-	1,751,372	1,751,372	1,751,372
Pledges receivable	-	80,000	80,000	-	-	-	80,000
Prepaid expenses	23,145	-	23,145	-	-	-	23,145
Total assets	\$ 113,245	\$ 83,676	\$ 196,921	\$ -	\$ 1,751,372	\$ 1,751,372	\$ 1,948,293
Liabilities and net assets							
Deferred revenue	\$ -	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Accrued liabilities	17,633	-	17,633	-	-	-	17,633
Commitments and contingencies							
Net assets	95,612	33,676	129,288	-	1,751,372	1,751,372	1,880,660
Total liabilities and net assets	\$ 113,245	\$ 83,676	\$ 196,921	\$ -	\$ 1,751,372	\$ 1,751,372	\$ 1,948,293

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

**Interfaith CarePartners, Inc. and Affiliate
Combined Statement of Financial Position (Restated)**

	Interfaith CarePartners, Inc.			The Acorn Foundation			Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
<i>December 31, 2017</i>							
Assets							
Cash and cash equivalents	\$ 46,938	\$ 21,368	\$ 68,306	\$ -	\$ -	\$ -	\$ 68,306
Investments	-	-	-	-	2,090,031	2,090,031	2,090,031
Pledges receivable	-	130,000	130,000	-	-	-	130,000
Prepaid expenses	22,393	-	22,393	-	-	-	22,393
Total assets	\$ 69,331	\$ 151,368	\$ 220,699	\$ -	\$ 2,090,031	\$ 2,090,031	\$ 2,310,730
Liabilities and net assets							
Accrued liabilities	\$ 4,477	\$ -	\$ 4,477	\$ -	\$ -	\$ -	\$ 4,477
Commitments and contingencies							
Net assets, as restated	64,854	151,368	216,222	-	2,090,031	2,090,031	2,306,253
Total liabilities and net assets	\$ 69,331	\$ 151,368	\$ 220,699	\$ -	\$ 2,090,031	\$ 2,090,031	\$ 2,310,730

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

**Interfaith CarePartners, Inc. and Affiliate
Combined Statement of Activities**

	Interfaith CarePartners, Inc.			The Acorn Foundation			Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
<i>For the year ended December 31, 2018</i>							
Support and income							
Congregational support	\$ 46,477	\$ -	\$ 46,477	\$ -	\$ -	\$ -	\$ 46,477
Contributions	114,085	1,500	115,585	-	-	-	115,585
Special events	279,724	10,000	289,724	-	-	-	289,724
Foundation grants	171,550	-	171,550	-	-	-	171,550
Government contracts	4,428	-	4,428	-	-	-	4,428
Other Income	488	-	488	-	-	-	488
Investment return	-	-	-	-	(88,659)	(88,659)	(88,659)
Net assets released from donor restrictions	129,192	(129,192)	-	250,000	(250,000)	-	-
Total support and income	745,944	(117,692)	628,252	250,000	(338,659)	(88,659)	539,593
Expenses							
Program service	794,579	-	794,579	-	-	-	794,579
Supporting services	170,607	-	170,607	-	-	-	170,607
Total expenses	965,186	-	965,186	-	-	-	965,186
Change in net assets before affiliate transactions	(219,242)	(117,692)	(336,934)	250,000	(338,659)	(88,659)	(425,593)
Transfer from Acorn	250,000	-	250,000	(250,000)	-	(250,000)	-
Changes in net assets	30,758	(117,692)	(86,934)	-	(338,659)	(338,659)	(425,593)
Net assets, at beginning of year	64,854	151,368	216,222	-	2,090,031	2,090,031	2,306,253
Net assets at end of year	\$ 95,612	\$ 33,676	\$ 129,288	\$ -	\$ 1,751,372	\$ 1,751,372	\$ 1,880,660

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

**Interfaith CarePartners, Inc. and Affiliate
Combined Statement of Activities (Restated)**

	Interfaith CarePartners, Inc.			The Acorn Foundation			Combined Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
<i>For the year ended December 31, 2017</i>							
Support and income							
Congregational support	\$ 53,129	\$ -	\$ 53,129	\$ -	\$ -	\$ -	\$ 53,129
Contributions	53,781	-	53,781	-	-	-	53,781
Special events	309,223	-	309,223	-	-	-	309,223
Foundation grants	102,000	160,000	262,000	-	-	-	262,000
Other income	7,842	-	7,842	-	-	-	7,842
Investment return	4	-	4	-	302,461	302,461	302,465
Net assets released from donor restrictions	83,632	(83,632)	-	300,000	(300,000)	-	-
Total support and income	609,611	76,368	685,979	300,000	2,461	302,461	988,440
Expenses							
Program service	676,839	-	676,839	-	-	-	676,839
Supporting services	213,808	-	213,808	-	-	-	213,808
Total expenses	890,647	-	890,647	-	-	-	890,647
Change in net assets before affiliate transactions	(281,036)	76,368	(204,668)	300,000	2,461	302,461	97,793
Transfer from Acorn	300,000	-	300,000	(300,000)	-	(300,000)	-
Changes in net assets	18,964	76,368	95,332	-	2,461	2,461	97,793
Net assets, at beginning of year	45,890	75,000	120,890	-	2,087,570	2,087,570	2,208,460
Net assets at end of year as restated	\$ 64,854	\$ 151,368	\$ 216,222	\$ -	\$ 2,090,031	\$ 2,090,031	\$ 2,306,253

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

**Interfaith CarePartners, Inc. and Affiliate
Combined Statements of Functional Expenses**

For the years ended December 31,

	2018			2017		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Interfaith CarePartners, Inc.:						
Salaries and employee benefits	\$ 626,708	\$ 54,559	\$ 681,267	\$ 534,516	\$ 89,947	\$ 624,463
Special events	-	67,442	67,442	-	70,846	70,846
Rent	64,453	4,343	68,796	59,497	7,679	67,176
Volunteer support	6,738	348	7,086	7,680	773	8,453
Office operations	36,914	14,004	50,918	23,635	8,328	31,963
Local mileage	10,188	480	10,668	14,281	775	15,056
Caregiver services	2,095	-	2,095	5,010	-	5,010
Travel	2,734	241	2,975	2,689	104	2,793
Office supplies	14,815	1,299	16,114	4,669	2,014	6,683
Professional education and training	5,109	516	5,625	3,552	2,750	6,302
Accounting fees	-	16,800	16,800	9,345	7,455	16,800
Depreciation	-	-	-	793	129	922
Fundraising expense	-	-	-	975	3,448	4,423
Professional services	24,825	10,575	35,400	10,197	19,560	29,757
Total	\$ 794,579	\$ 170,607	\$ 965,186	\$ 676,839	\$ 213,808	\$ 890,647

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

**Interfaith CarePartners, Inc. and Affiliate
Combined Statements of Cash Flows**

<i>For the years ended December 31,</i>	2018	2017 (Restated)
Operating activities		
Changes in net assets	\$ (425,593)	\$ 97,793
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	-	922
Gain on sale of investments	(74,022)	(86,937)
Net depreciation (appreciation) in fair value of investments	197,919	(179,349)
Changes in operating assets and liabilities:		
Pledges receivable	50,000	(54,750)
Prepaid expenses	(752)	(7,442)
Deferred revenue	50,000	(88,250)
Accrued liabilities	13,156	3,941
Net cash used in operating activities	(189,292)	(314,072)
Investing activities		
Proceeds from sale of investments	260,550	310,830
Receipts of dividends reinvested	(45,788)	(47,005)
Net cash provided by investing activities	214,762	263,825
Net change in cash and cash equivalents	25,470	(50,247)
Cash and cash equivalents, beginning of year	68,306	118,553
Cash and cash equivalents, end of year	\$ 93,776	\$ 68,306

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

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS (Unaudited)

In June 1988, the Foundation for Interfaith Research and Ministry (“FIRM”) was established as a nonprofit corporation to support research, education and service programs relating to the disciplines of theology, religious studies, pastoral care and other public service programs. In July 2000, FIRM legally amended its charter; changing its name to Interfaith CarePartners, Inc. Interfaith CarePartners, Inc.’s certificate of operation under Assumed Name of “CarePartners” became effective on June 2, 2016 for a period of ten years.

CarePartners sponsors and conducts life-changing care, as well as educational and support services to 5,300 people living in the Greater Houston and Waco areas. Its mission is to provide education; support and resources for caregivers and quality are to those living with memory loss and other challenges of aging. Our volunteer led organization partners with over 70 different faith-based congregations and nonprofit organizations. Those partnerships results in 86 Care Teams with approximately 2,300 volunteers providing 111,000 of volunteer caregiving hours to Care Partners mission. Those volunteer hours equal an estimated \$2.8 million in free care. The primary care teams include; Alzheimer’s care team and second family care team providing volunteer caregiving for the Gathering Place and Second Family CarePartners programs. Volunteers lead teams, provide a 1:1 ratio of volunteer caregiving for our clients; caregivers/care partners (individual living with memory loss or other challenge of aging).

CarePartners provides additional services for caregivers that complement its volunteer Care Team program. Common Ground: Caregiver Conversations are caregiver support groups facilitated by a mental health professional and a former caregiver. During 2018, 116 caregivers participated in 16 monthly Common Ground meetings. A second complementary service is educational and skill building conferences for caregivers. Nine educational conferences/workshops featuring more than 100 professionally led workshops were sponsored in 2018 with total registration of 1,564 caregivers. Lastly, CarePartners provides education to the public on the general subjects of aging and caregiving, and participates in national professional organizations dedicated to aging and caregiving.

CarePartners conducts programs in Harris, Fort Bend, Montgomery, Galveston, and Brazoria counties in Texas and now in Waco. In addition, its programs have won numerous national and local awards, including a President’s Community Service Award, the nation’s highest honor for volunteer community service. The organization’s reputation for excellence in volunteer program management elicits inquiries from groups across the country seeking advice and consultation, as well as wishing to replicate the procedures and practices of CarePartners’ program.

The affiliate of CarePartners is The Acorn Foundation (“Acorn”), established as a nonprofit corporation in June 1993, to be administered solely for the benefit of CarePartners. Acorn exists to invest and administer the endowment fund for Interfaith CarePartners.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The CarePartners and Acorn have adjusted the presentation of its combined financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the CarePartners' and Acorn's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The combined financial statements include a new disclosure about liquidity and availability of resources (Note 3).

The accompanying information from the 2017 combined financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

Basis of Presentation

The accompanying combined financial statements include the accounts of CarePartners and Acorn (collectively, the "Organization"), all of which are under common control. Inter-organization transactions and balances have been eliminated in combination.

The combined financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions—These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions—These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Fair Value Considerations

The Organization uses fair value to measure financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs-Level 1) and the lowest priority to a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs-Level 3).

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an entity elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Organization did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Organization's cash and cash equivalents, receivables, and liabilities are carried in the accompanying combined financial statements at amounts which reasonably approximate fair value.

Cash and Cash Equivalents

For purposes of the combined statements of cash flows, the Organization considers demand deposit and money market accounts and all highly liquid investments available for current use with initial maturities of three months or less to be cash equivalents.

Investments

Investments are recorded at their fair value. Realized and unrealized gains and losses on investments sold or held are reflected in the combined statements of activities. Investments donated to the Organization are recorded at their fair value at the date of donation.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Amounts that are expected to be collected in more than one year are discounted to estimate the present value of future cash flows if material. The Organization considers pledge receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

The pledges receivable are due as follows:

<i>December 31,</i>	2018	2017
Less than one year	\$ 80,000	\$ 100,000
One to five years	-	30,000
Total	\$ 80,000	\$ 130,000

Office Equipment

Office equipment is recorded at cost for assets purchased. Donated materials and equipment are recorded as contributions at their fair value at the date of donation. Depreciation of office equipment is provided over an estimated useful life of five years. Depreciation expense totaled \$922 for the year ended December 31, 2017. As of December 31, 2017, office equipment is fully depreciated.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Routine maintenance, repair, renewal and replacement costs are charged against operations in the year incurred. Expenditures which materially increase values or extend useful lives of equipment are capitalized.

Deferred Revenue

The Organization recognizes contributions received in advance (primarily for their annual fundraising event, Sweet Charity), as deferred revenue.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Donated Services and Materials

A substantial number of volunteers have made significant contributions of their time to support the Organization's service programs, principally in client care. The Organization also receives donated professional and other services and materials during the years. No amounts have been reflected in the combined statements for these services or materials since the nature of these services and materials do not require a specialized skill or create or enhance a nonfinancial asset. During 2018, volunteers in the Care Team program gave approximately 111,836 hours of service to impaired persons and their caregivers. Independent Sector's most recent (2017) calculated value of volunteer time is \$24.64 per hour. Using this valuation, the total value of time donated was approximately \$2,755,639. During 2017, volunteers in the Care Team program gave approximately 128,539 hours of service to impaired persons and their caregivers. Independent Sector's most recent (2016) calculated value of volunteer time is \$25.15 per hour. Using this valuation, the total value of time donated was approximately \$3,232,756.

Federal Income Taxes

CarePartners and Acorn are exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and, accordingly, are not subjected to federal income taxes.

The Organization accounts for uncertain tax positions, when it is more likely than not, that such an asset or a liability will be realized. As of December 31, 2018, management believes there were no uncertain tax positions. The Organization's federal tax return remains open to examination for a period of three years following its filing with the taxing authority.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

At various times during the years, the Organization may have bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes any credit risk is low due to the overall financial strength of the financial institution.

As of December 31, 2018, two donors accounted for 100% of the pledges receivable. As of December 31, 2017, one donor accounted for 100% of the pledges receivable

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the combined statements of activities and in the combined statements of functional expenses. Costs are either charged directly to program or supporting services based on specific identification or allocated among the program and supporting services benefited. Salaries and employee benefits, rent, office operations, local mileage, office supplies and professional education and training are the primary costs that are allocated. All allocable expenses are allocated based on estimates of time and effort of all staff members, which are reviewed throughout the year and updated, if needed, due to staff changes.

Use of Estimates

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

Subsequent Events

The Organization has evaluated subsequent events through April 23, 2019 which is the date the combined financial statements were available to be issued. No matters were identified affecting the combined financial statements or related disclosures.

NOTE 3: LIQUIDITY

The CarePartners' primary sources of support are contributions and grants, which most of the support having no donor restrictions. Fundraising events are held during the year to support the CarePartners' budget. Additionally, the CarePartner's receives funds from Acorn based on budgeted needs. The CarePartners operates with a balanced budget and anticipates covering its general expenditures by collection of sufficient support and Acorn's annual transfer of funds.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

NOTE 3: LIQUIDITY (Continued)

As of December 31, 2018, CarePartners has \$173,776 of financial assets available within one year of balance sheet date consisting of cash and pledge receivables. Although not expected to be needed, the Acorn's financial assets are available for spending without limitation at the discretion of the Board. As of December 31, 2018, the Acorn's financial assets total \$1,751,372 consisting of short-term and long-term investments.

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value three-tier hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 inputs that are either directly or indirectly observable such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or other inputs not directly observable, but derived principally from, or corroborated by, observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity.

The Organization utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Investments in mutual funds with readily determinable fair values are carried at fair value based on quoted market values in active markets (Level 1).

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The fair value of assets measured at fair value on a recurring basis is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>December 31, 2018</i>			
Total investment in mutual funds	\$ 1,751,372	\$ -	\$ -
<i>December 31, 2017</i>			
Total investment in mutual funds	\$ 2,090,031	\$ -	\$ -

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the combined statements of financial position and the combined statements of activities.

NOTE 5: NET ASSETS WITH DONOR RESTRICTION

At December 31, 2018 and 2017, CarePartners has net assets with donor restriction of \$33,676 and \$151,368, respectively, to be used for subsequent periods for a specific donor and /or time restrictions. During the years ended December 31, 2018 and 2017, net assets with donor restriction of CarePartners in the amount of \$129,192 and \$83,632, respectively, were released from restrictions due to the satisfaction of purpose of donor and time restrictions.

At December 31, 2018 and 2017, net assets with donor restriction of Acorn in the amount of \$1,751,372 and \$2,090,031, respectively, are available for investment for the benefit of CarePartners. During the years ended December 31, 2018 and 2017, net assets with donor restriction of \$250,000 and \$300,000, respectively, were released from restrictions by incurring expenses satisfying the restricted purposes.

NOTE 6: DISTRIBUTION TO AFFILIATE

In 2018 and 2017, Acorn's Board of Directors approved \$250,000 and \$300,000, respectively, transfer to CarePartners.

Interfaith CarePartners, Inc. and Affiliate Notes to Combined Financial Statements

NOTE 7: OPERATING LEASE

CarePartners leases office space under a noncancelable operating lease which expires on May 31, 2021. The terms of the office lease require escalating annual rental payments. Total annual lease expense amounted to \$68,796 and \$67,176 for the years ended December 31, 2018 and 2017, respectively. Future minimum lease payments required under the lease are as follows:

<i>Year ending December 31,</i>	
2019	\$ 69,817
2020	71,437
2021	30,047
	<hr/>
	\$ 171,301

NOTE 8: CORRECTION OF ERROR

Net assets with donor restrictions were restated at December 31, 2017 due to a correction of an error. CarePartners had recorded two unconditional pledges in 2018 when the funds were received as revenue instead of following the accounting policy to recognize unconditional pledges when they were awarded in 2017 as a receivable and restricted foundation grants. The effect on net assets with donor restrictions was to increase it from \$21,368 to \$151,36 as of December 31, 2017, increase pledge receivables from \$-0- to \$130,000 as of December 31, 2017 and increase restricted foundation grants from \$30,000 to \$160,000 for the year ended December 31, 2017.