Jefferson County Committee for Economic Opportunity

Financial Statements
Year Ended December 31, 2015

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Jefferson County Committee for Economic Opportunity
Birmingham, Alabama

Report on the Financial Statements
We have audited the accompanying financial statements of Jefferson County Committee for Economic Opportunity, which comprise the statements of financial position as of December 31, 2015 and 2014, and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Committee for Economic Opportunity as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2016, on our consideration of Jefferson County Committee for Economic Opportunity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County Committee for Economic Opportunity's internal control over financial reporting and compliance.

RSM US LLP

Birmingham, Alabama
August 25, 2016

Jefferson County Committee for Economic Opportunity

Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash	**$ 509,677**	$ 878,965
Cash – restricted	**185,847**	193,847
Grants and contracts receivable	**2,843,351**	2,077,773
Prepaid expenses and other assets	**5,730**	7,044
Total current assets	**3,544,605**	3,157,629
Unconditional promises to give use of facilities	**10,981,745**	11,006,711
Investments – restricted	**178,913**	178,913
Property and equipment, net	**4,735,978**	4,982,891
Total assets	**$ 19,441,241**	$ 19,326,144
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 876,443**	$ 743,002
Accrued compensation	**706,878**	608,406
Current portion of long-term debt	**167,142**	197,178
Total current liabilities	**1,750,463**	1,548,586
Long-term debt, less current portion	**1,344,858**	1,542,246
Total liabilities	**3,095,321**	3,090,832
Net assets:		
Unrestricted	**4,999,415**	4,855,841
Temporarily restricted	**11,346,505**	11,379,471
Total net assets	**16,345,920**	16,235,312
Total liabilities and net assets	**$ 19,441,241**	$ 19,326,144

See notes to financial statements.

Jefferson County Committee for Economic Opportunity

Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Government grants and contracts	$ 26,116,614	$ -	$ 26,116,614
Contributions	2,180,904	2,089,711	4,270,615
Program service fees	53,025	-	53,025
Interest income	232	-	232
Other revenue	27,358	-	27,358
	28,378,133	2,089,711	30,467,844
Net assets released from restrictions	2,122,677	(2,122,677)	-
	30,500,810	(32,966)	30,467,844
Expenses:			
Program services:			
Head start programs	19,942,616	-	19,942,616
Community service programs	1,220,249	-	1,220,249
Energy assistance programs	4,048,171	-	4,048,171
Child feeding and nutrition programs	1,278,241	-	1,278,241
Home weatherization programs	417,478	-	417,478
Other programs	3,177,708	-	3,177,708
	30,084,463	-	30,084,463
Support services:			
General and administrative	272,773	-	272,773
	30,357,236	-	30,357,236
Change in net assets	143,574	(32,966)	110,608
Net assets at beginning of year	4,855,841	11,379,471	16,235,312
Net assets at end of year	$ 4,999,415	$ 11,346,505	$ 16,345,920

See notes to financial statements.

Jefferson County Committee for Economic Opportunity

Statement of Activities
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Government grants and contracts	$ 26,090,607	$ -	$ 26,090,607
Contributions	1,165,717	423,335	1,589,052
Program service fees	52,815	-	52,815
Interest income	775	-	775
Other revenue	59,917	-	59,917
Unrealized gain on investments	5,115	-	5,115
	27,374,946	423,335	27,798,281
Net assets released from restrictions	2,114,366	(2,114,366)	-
	29,489,312	(1,691,031)	27,798,281
Expenses:			
Program services:			
Head start programs	18,844,451	-	18,844,451
Community service programs	1,468,318	-	1,468,318
Energy assistance programs	4,339,477	-	4,339,477
Child feeding and nutrition programs	1,107,239	-	1,107,239
Home weatherization programs	235,921	-	235,921
Other programs	2,985,365	-	2,985,365
	28,980,771	-	28,980,771
Support services:			
General and administrative	237,642	-	237,642
	29,218,413	-	29,218,413
Change in net assets	270,899	(1,691,031)	(1,420,132)
Net assets at beginning of year	4,584,942	13,070,502	17,655,444
Net assets at end of year	$ 4,855,841	$ 11,379,471	$ 16,235,312

See notes to financial statements.

Jefferson County Committee for Economic Opportunity

Statement of Functional Expenses
Year Ended December 31, 2015

	Program Services							Support Services	
	Head Start	Community Service	Energy Assistance	Child Feeding & Nutrition	Home Weatherization	Other	Total Program Services	General and Administrative	Total
Salaries and employee benefits	**$ 11,806,876**	**$ 802,433**	**$ 114,815**	**$ -**	**$ 42,156**	**$ 1,818,261**	**$ 14,584,541**	**$ 123,484**	**$ 14,708,025**
Program activities and services	**452,993**	**23,082**	**3,732,705**	**1,155,044**	**360,086**	**743,287**	**6,467,197**	**6,290**	**6,473,487**
Consultants	**346,203**	**32,694**	**-**	**-**	**6,879**	**162,543**	**548,319**	**42,037**	**590,356**
Depreciation	**290,767**	**21,010**	**6,612**	**-**	**1,087**	**39,476**	**358,952**	**1,103**	**360,055**
In-kind services	**4,139,377**	**-**	**-**	**-**	**-**	**-**	**4,139,377**	**-**	**4,139,377**
Insurance	**170,831**	**92,102**	**30**	**-**	**-**	**9,592**	**272,555**	**17,830**	**290,385**
Interest	**62,775**	**-**	**7,263**	**-**	**-**	**2,062**	**72,100**	**-**	**72,100**
Occupancy	**724,018**	**36,569**	**116,251**	**-**	**-**	**97,709**	**974,547**	**8,178**	**982,725**
Office expenses	**220,383**	**14,507**	**9,079**	**-**	**519**	**43,212**	**287,700**	**9,708**	**297,408**
Other	**330,499**	**71,512**	**1,437**	**-**	**1,776**	**58,623**	**463,847**	**37,516**	**501,363**
Repairs and maintenance	**755,444**	**83,084**	**17,252**	**660**	**4,083**	**91,143**	**951,666**	**12,866**	**964,532**
Supplies	**282,652**	**5,827**	**14,365**	**122,537**	**-**	**36,504**	**461,885**	**2,550**	**464,435**
Telephone	**261,395**	**22,987**	**24,976**	**-**	**162**	**32,120**	**341,640**	**7,609**	**349,249**
Travel	**98,403**	**14,442**	**3,386**	**-**	**730**	**43,176**	**160,137**	**3,602**	**163,739**
Total	**$ 19,942,616**	**$ 1,220,249**	**$ 4,048,171**	**$ 1,278,241**	**$ 417,478**	**$ 3,177,708**	**$ 30,084,463**	**$ 272,773**	**$ 30,357,236**

See notes to financial statements.

Jefferson County Committee for Economic Opportunity

Statement of Functional Expenses
Year Ended December 31, 2014

	Program Services							Support Services	
	Head Start	Community Service	Energy Assistance	Child Feeding & Nutrition	Home Weatherization	Other	Total Program Services	General and Administrative	Total
Salaries and employee benefits	$ 11,634,628	$ 880,003	$ 248,281	$ -	$ 40,805	$ 1,504,799	$ 14,308,516	$ 41,410	$ 14,349,926
Program activities and services	470,483	61,838	4,021,297	1,026,421	186,831	1,040,816	6,807,686	14,169	6,821,855
Consultants	231,701	19,372	100	-	188	100,846	352,207	29,695	381,902
Depreciation	363,228	27,473	7,751	-	1,274	46,979	446,705	1,293	447,998
In-kind services	3,138,235	-	-	-	-	-	3,138,235	-	3,138,235
Insurance	137,310	64,958	-	-	-	2,280	204,548	60,505	265,053
Interest	67,817	-	513	-	-	15,574	83,904	4,397	88,301
Occupancy	741,161	42,666	16,845	-	-	72,869	873,541	7,632	881,173
Office expenses	194,589	14,068	5,448	-	111	19,412	233,628	14,146	247,774
Other	373,758	137,886	1,840	-	29	67,316	580,829	19,109	599,938
Repairs and maintenance	850,372	140,600	17,480	-	6,466	67,312	1,082,230	30,536	1,112,766
Supplies	266,164	4,915	4,230	80,818	-	7,338	363,465	2,119	365,584
Telephone	268,172	56,920	14,294	-	217	16,216	355,819	12,631	368,450
Travel	106,833	17,619	1,398	-	-	23,608	149,458	-	149,458
Total	$ 18,844,451	$ 1,468,318	$ 4,339,477	$ 1,107,239	$ 235,921	$ 2,985,365	$ 28,980,771	$ 237,642	$ 29,218,413

See notes to financial statements.

Jefferson County Committee for Economic Opportunity

Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 110,608	$ (1,420,132)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unconditional promises to give use of facilities	(4,039,049)	(1,010,999)
In-kind donated materials	-	(17,370)
Depreciation	360,055	447,998
In-kind services	4,139,377	3,138,235
Amortization of discount on unconditional promises to give	(75,362)	(423,335)
Unrealized gain on investments	-	(5,115)
Gain on sale of property and equipment	(8,500)	(53,282)
Changes in assets and liabilities		
Grants and contracts receivable	(765,578)	174,860
Prepaid expenses and other assets	1,314	(2,658)
Accounts payable	133,441	(503,735)
Accrued compensation	98,472	55,036
Net cash (used in) provided by operating activities	(45,222)	379,503
Cash flows from investing activities:		
Proceeds from the sale of investments	-	31,000
Purchases of property and equipment	(113,142)	(133,680)
Proceeds from sale of property of equipment	8,500	53,282
Net cash used in investing activities	(104,642)	(49,398)
Cash flows from financing activities:		
Proceeds from long-term debt	31,756	-
Payments of long-term debt	(259,180)	(253,062)
Net cash used in financing activities	(227,424)	(253,062)
Net (decrease) increase in cash	(377,288)	77,043
Cash:		
Beginning of year	1,072,812	995,769
End of year	$ 695,524	$ 1,072,812
Supplemental disclosure of cash flow information:		
Cash paid during year for interest	$ 72,100	$ 88,301
Supplemental schedule of noncash finacing activity:		
Payoff of old long-term debt for new long-term debt	$ 1,480,244	$ -

See notes to financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Jefferson County Committee for Economic Opportunity (the Agency) was organized and incorporated on January 15, 1965, under the Alabama Non-Profit Corporation Act of the State of Alabama in order to formulate a Community Action Program under the terms of the Economic Opportunity Act of 1964 and to help economically disadvantaged persons in urban and rural communities within Jefferson County, Alabama. The Agency administers several Federal and State funded grant programs for this purpose.

Basis of accounting: The financial statements of the Agency have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Agency follows the standards of accounting and financial reporting for voluntary health and welfare organizations developed by the National Health Council, National Voluntary Health, and Social Welfare Organizations.

Basis of presentation: For financial statement presentation, the Agency has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities: Presentation of Financial Statements. Under FASB ASC 958-205, the Agency 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. In addition, the Agency is required to present a statement of cash flows. As permitted by FASB ASC 958-205, the Agency does not use fund accounting.

Revenue and recognition of donor restrictions: The Agency receives support from government grants and contracts, contributions and program service fees. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All other net assets, including Board designated, are legally unrestricted, and are reported as part of the unrestricted class.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Agency had no cash equivalents at December 31, 2015 and 2014.

Grants and contracts receivable: Grants and contracts receivable consist of amounts due to the Agency under federal, state and local grant and contract agreements. Management determines the allowance for doubtful grants and contracts receivable by regularly evaluating individual grants and contracts receivable and considering the history and likelihood of collection. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management believes that all receivable amounts are expected to be collected.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Unconditional promises to give use of facilities: In accordance with FASB ASC 958-605, Not-for-Profit Entities: Revenue Recognition, if the free use of facilities is promised for several years, the Agency recognizes the contribution at fair value. The contribution is calculated at the net present value of the fair rental value of space occupied under similar conditions and is recorded as an increase in temporarily restricted net assets. The present value is reported as an asset that is amortized over the term of the promise. Each period, the value of using the space for the period is reported as an expense in the unrestricted net asset class along with a reclassification of net assets from temporarily restricted net assets. FASB ASC 958-605-55-24 notes that a contribution recorded for the free use of facilities cannot exceed the fair value of the asset being used.

Investments–restricted: In accordance with FASB ASC 958-320, Not-for-Profit Entities: Investments—Debt and Equity Securities, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the accompanying statements of financial position. The unrealized gains are included in the change in unrestricted net assets in the accompanying statements of activities.

Property and equipment: Donations of property and equipment are recorded as support at their estimated fair value. Such donations 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 Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time.

All acquisitions of property and equipment in excess of $5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost and are depreciated using the straight-line method. Depreciation expense for the years ended December 31, 2015 and 2014, was $360,055 and $447,998, respectively.

The average lives used in computing depreciation are as follows:

	Years
Buildings	30
Leasehold improvements	10–30
Vehicles	5
Equipment	5–10

In accordance with FASB ASC 360-10-35, Impairment or Disposal of Long-Lived Assets, the Agency records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. If impairment exists, the amount of such impairment is calculated based on the estimated fair value of the asset. The Agency continually evaluates its investment in long-lived assets used in operations for impairment. Based on this evaluation, there was no impairment at December 31, 2015 or 2014.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Functional expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited based on a percentage method.

Advertising costs: The Agency expenses advertising costs when incurred. Advertising expense was $3,719 and $13,195 for the years ended December 31, 2015 and 2014, respectively, and is included in office expenses on the accompanying statements of functional expenses.

Income taxes: The Agency is exempt from income taxes under Section 501(a) of the Internal Revenue Code (Code) as an organization described in 501(c)(3) and is not classified as a private agency. The Agency pays income taxes on gross income from any unrelated trade or business income less direct expenses. There was no income tax paid on such unrelated trade or business income for the years ended December 31, 2015 and 2014.

The Agency files a tax return in the United States (U.S.) federal jurisdiction. The Board of Directors evaluated the Agency's tax position and concluded that the Agency has not entered into any events or transactions that would disqualify its tax-exempt status or has not taken any uncertain tax positions that would cause the Agency to incur income taxes or penalties at the entity level. With few exceptions, the Agency is no longer subject to U.S. federal tax examinations by tax authorities for years before 2012.

Recent accounting pronouncements: In March 2014, the FASB issued Accounting Standards Update (ASU) 2014-06, *Technical Corrections and Improvements Related to Glossary Terms*, which covers a wide range of Topics in the Codification. These amendments are effective upon issuance. The adoption of ASU 2014-06 did not have an impact on the Agency's financial position or changes in net assets.

In May 2014, the FASB issued ASU 2014-09, *Revenue From Contracts With Customers (Topic 606),* which specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, the entity should apply certain steps outlined in the amendment. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. For nonpublic entities, these amendments are effective for annual reporting periods beginning after December 15, 2018. Early adoption with certain restrictions is permitted for nonpublic entities. The Agency is currently evaluating the effect the guidance may have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Agency is currently evaluating the effect the guidance may have on the financial statements.

Subsequent events: Subsequent events have been evaluated through August 25, 2016, which is the date the financial statements were available for issuance.

Reclassifications: Certain reclassifications have been made in the previously reported financial statements to make prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported net assets.

Note 2. Fair Value Measurement

The Agency reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets to which the Agency has access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets in markets that are not active.
- Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves).
- Inputs derived principally from, or corroborated by, observable market data by correlation.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the Agency measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The primary uses of fair value measures in the Agency's financial statements are recurring measurement of investments (Note 4).

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques noted in the guidance. The three techniques are as follows:

Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach: Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach: Techniques to convert future amounts to a single present amount based on market expectations utilizing present value techniques.

On a recurring basis, the Agency is required to measure its money market funds and U.S. Government securities at fair value.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used during the years ended December 31, 2015 and 2014.

Money market funds**:** Valued at the carrying value as this amount approximates fair value due to the immediate or short-term maturity of the investment.

U.S. Government securities**:** Valued at the closing price reported on the active market on which the individual securities are traded.

Note 2. Fair Value Measurement (continued)

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 Agency believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Agency's assets that are measured at fair value on a recurring basis as of December 31:

	2015			
	Total	Level 1	Level 2	Level 3
Money market funds	$ 523	$ 523	$ -	$ -
U.S. Government securities	178,390	178,390	-	-
	$ 178,913	$ 178,913	$ -	$ -

	2014			
	Total	Level 1	Level 2	Level 3
Money market funds	$ 523	$ 523	$ -	$ -
U.S. Government securities	178,390	178,390	-	-
	$ 178,913	$ 178,913	$ -	$ -

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances the transfer is reported at the beginning of the reporting period. There were no transfers between levels during the years ended December 31, 2015 and 2014.

Note 3. Unconditional Promises to Give Use of Facilities

The Agency has unconditional promises to give use of facilities for its Calloway, Fairmont, Kingston, Sherman Heights, West Center Street, St. Joseph School, St. Francis Center, Festival Center, and Erwin Head Start programs over a period of 10 to 25 years. At December 31, 2015 and 2014, the estimated fair market value of these unconditional promises to give is as follows:

	2015	2014
Temporarily restricted promises to give	$ 12,203,300	$ 12,227,893
Less discounts to present value (discounted at 4%)	(1,221,555)	(1,221,182)
	$ 10,981,745	$ 11,006,711

Contribution revenue recognized related to the promises to give use of facilities was $2,089,711 and $423,335 for the years ended December 31, 2015 and 2014, respectively. The related expense recognized as in-kind services in the statements of activities was $2,114,677 and $2,109,866 for the years ended December 31, 2015 and 2014, respectively.

Note 4. Investments–Restricted

The Agency's investments are restricted for the use of the Agency's scholarship fund, as further described in Note 7. At December 31, 2015 and 2014, the Agency's investments consisted of the following:

	2015	2014
Money market funds	$ 523	$ 523
U.S. Government securities	178,390	178,390
	$ 178,913	$ 178,913

Note 5. Property and Equipment

Property and equipment consist of the following:

	2015	2014
Buildings	$ 790,000	$ 790,000
Leasehold improvements	7,065,917	6,966,342
Vehicles	1,708,047	1,876,298
Equipment	707,848	694,282
Less accumulated depreciation	(5,535,834)	(5,344,031)
	$ 4,735,978	$ 4,982,891

Note 6. Long-Term Debt

At December 31, 2014, the Agency had four mortgages with varying principal payments, interest rates, and maturity dates with a bank. During December 2015, the Agency completed a loan refinancing transaction, which consolidated the multiple mortgages under one agreement. The amount payable under the new note is $1,512,000, bearing interest at a variable rate of LIBOR plus 3.0%, which was 3.5% at December 31, 2015. The maturity date of this loan is December 9, 2023.

The loan contains a financial covenant, which includes a fixed charge coverage ratio. The Agency was in compliance with the covenant at December 31, 2015.

Long-term debt consists of the following as of December 30, 2015 and 2014:

	2015	2014
Note payable bearing interest at LIBOR plus 3.0% (3.5% at December 31, 2015) with monthly payments, including principal and interest of $18,117, maturing December 9, 2023, collateralized by certain property.	$ 1,512,000	$ -
Four mortgages payable to a bank, with interest rates ranging from 4 to 8.4%, collateralized by certain property; paid in full during 2015 related to loan refinancing.	-	1,739,424
Less current portion	(167,142)	(197,178)
Long-term debt, less current portion	$ 1,344,858	$ 1,542,246

Note 6. Long-Term Debt (continued)

Maturities of long-term debt for years ending December 31, 2015, are as follows:

Years ending December 31:		
2016	$	167,142
2017		173,087
2018		179,243
2019		185,619
2020		192,220
Thereafter		614,689
	$	1,512,000

Note 7. Temporarily Restricted Net Assets

The Agency has established a scholarship fund for JCCEO Head Start-Early Head Start graduates totaling $364,760 and $372,760 as of December 31, 2015 and 2014, respectively. Beginning with the Head Start class of 1995, scholarships are available on a competitive basis when students who have graduated from JCCEO Head Start-Early Head Start complete high school and are accepted into college. Scholarships were awarded during the years ended December 31, 2015 and 2014, totaling $8,000 and $4,500, respectively, and were released from restriction.

Also included in temporarily restricted net assets is the fair market value of the unconditional promises to give use of facilities of $10,981,745 and $11,006,711 as of December 31, 2015 and 2014, respectively. $2,114,677 and $2,109,866 were released from restriction related to the fair market value of the use of the donated facilities during the years ended December 31, 2015 and 2014, respectively.

Note 8. Summary of Donated Materials and Facilities

The Agency receives donated materials and office space in carrying out its Head Start programs, which are recorded at their fair market value. The following is a schedule of donated materials and space:

Item		2015		2014
Donated facilities	$	4,139,377	$	3,120,865
Donated materials		-		17,370
	$	4,139,377	$	3,138,235

Note 9. Matching of Federal Funds

Under certain federal programs the Agency is required to match federal contributions with local funds, or service fee revenues. For the years ended December 31, 2015 and 2014, the Agency met all matching requirements and received matching resources in the following amounts:

2015 Head Start/Head Start Center of Excellence	04CH3095/49	$	4,731,189
2014 Head Start/Head Start Center of Excellence	04CH3095/49	$	4,523,105

Note 10. Retirement Plan

The Agency's employees participate in a 401(k) defined contribution retirement plan with an insurance company. The plan is available for all full-time employees after the completion of one year of continuous service. Employee contributions to the plan are matched by the Agency up to a maximum of 7% of their salary. During 2014, the maximum employer match was reduced to 4% of employee's salary. The Agency's matching portion for the years ending December 31, 2015 and 2014, was $219,486 and $229,200 respectively.

Note 11. Lease Agreements

The Agency maintains equipment and occupies office space under long-term operating leases. Future minimum rental payments required under operating leases that have an initial or remaining noncancellable lease term in excess of one year, as of December 31, 2015, are as follows:

2016	$	223,346
2017		177,675
2018		177,324
2019		168,963
2020		167,839
Thereafter		953,518
	$	1,868,665

Rental expense associated with equipment and office space leases was $293,494 and $254,754 for the years ended December 31, 2015 and 2014, respectively, and is included in occupancy expenses on the statements of functional expenses.

Note 12. Risks and Uncertainties

The Agency maintains cash in bank accounts at high credit quality financial institutions. During 2015 and 2014, the Agency had cash on deposit with financial institutions in excess of depository insurance limits. The Agency has not experienced and does not anticipate any credit losses on the deposits.

The Agency invests in a professionally managed portfolio that contains U.S. Government securities and money market funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and amounts reported in the financial statements.