REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

CENTER FOR ACTION AND CONTEMPLATION, INC.

December 31, 2018 and 2017

MOSSADAMS

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Center for Action and Contemplation, Inc.
Official Roster (Unaudited)
December 31, 2018

Board of Directors:

LaVera Crawley, Chair

Richard Rohr, Founding Chair

Jack Willome, Vice Chair

Heidi Franklin, Treasurer

Alexie Torres-Fleming, Secretary

Phileena Heuertz, Director

Christopher Ferebee, Director

Damien Faughnan, Director

Christian Peele, Director

Phil Robers, Director

Administrative Officers:

Michael Poffenberger, Executive Director

Report of Independent Auditors

The Board of Directors
Center for Action and Contemplation, Inc.
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the Center for Action and Contemplation, Inc. (the "Center") (a non-profit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the Center for Action and Contemplation, Inc. as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As described in Note 2 of the financial statements, in 2018, the entity adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter – Report on Summarized Comparative Information

We have previously audited Center for Action and Contemplation, Inc.'s December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Albuquerque, New Mexico
April 16, 2019

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Center for Action and Contemplation, Inc.
Statements of Financial Position

ASSETS

	December 31, 2018	December 31, 2017
CURRENT ASSETS		
Cash and cash equivalents	$ 681,822	$ 584,543
Investments	9,249,375	6,745,450
Receivables	140,218	1,482,482
Inventory	129,246	115,402
Prepaid expenses	134,992	81,811
Total current assets	10,335,653	9,009,688
OTHER ASSETS		
Land held for sale	-	2,000
Total other assets	-	2,000
NONCURRENT ASSETS		
Property and equipment		
Land	559,977	559,977
Buildings and improvements	1,128,203	1,122,981
Equipment and furniture	546,162	431,413
Construction in process	43,558	-
Total property and equipment	2,277,900	2,114,371
Intangibles	7,883	
Less accumulated depreciation and amortization	(731,095)	(617,200)
Net noncurrent assets	1,554,688	1,497,171
Total assets	$ 11,890,341	$ 10,508,859

See accompanying notes.

LIABILITIES AND NET ASSETS

	December 31, 2018	December 31, 2017
CURRENT LIABILITIES		
Accounts payable	$ 81,848	$ 53,543
Accrued payroll liabilities	101,043	163,006
Unearned revenue	1,064,152	191,452
Current portion of capital lease	-	7,396
Other liabilities	190,057	105,878
Total current liabilities	1,437,100	521,275
Total liabilities	1,437,100	521,275
NET ASSETS		
Without donor restriction		
Board Designated for emergency reserve	2,500,000	1,800,000
Board Designated for strategic initiative reserve	5,338,058	3,584,433
Board Designated for general scholarships	-	200,000
Investment in property, equipment and intangibles	1,554,688	1,489,775
Other	927,606	2,811,441
Total without donor restriction	10,320,352	9,885,649
With donor restriction	132,889	101,935
Total net assets	10,453,241	9,987,584
Total liabilities and net assets	$ 11,890,341	$ 10,508,859

Center for Action and Contemplation, Inc.
Statements of Activities

	Year Ended December 31, 2018			Year Ended
	Without Donor Restriction	With Donor Restriction	Total	December 31, 2017
PROGRAM REVENUES AND SUPPORT				
Contributions	$ 3,983,397	$ 358,592	$ 4,341,989	$ 5,065,211
Conferences	484,666	-	484,666	1,014,093
Living school	787,650	-	787,650	601,342
Royalties	242,635	-	242,635	357,354
Investment income, net	112,357	481	112,838	61,093
Services	15,297	-	15,297	11,148
Other	2,256	-	2,256	29,924
Total program revenues and support	5,628,258	359,073	5,987,331	7,140,165
BOOK AND MEDIA REVENUES				
Sales	1,314,533	-	1,314,533	1,281,738
Cost of sales	(164,252)	-	(164,252)	(182,507)
Gross profit	1,150,281	-	1,150,281	1,099,231
Net assets released from restrictions	328,119	(328,119)		
Total support and revenues	7,106,658	30,954	7,137,612	8,239,396
EXPENSES AND LOSSES				
Program	4,369,437	-	4,369,437	3,540,638
Administrative	2,053,260	-	2,053,260	1,437,685
Fundraising	253,494	-	253,494	266,722
Total expenses before other expense (income)	6,676,191	-	6,676,191	5,245,045
OTHER (INCOME) EXPENSE				
Unrealized (gain) loss on investments	(6,236)	-	(6,236)	14,759
Loss (gain) on land held for sale	2,000	-	2,000	(8,292)
Total other (income) expense	(4,236)	-	(4,236)	6,467
Total expenses	6,671,955	-	6,671,955	5,251,512
Change in net assets	434,703	30,954	465,657	2,987,884
Net assets, beginning of year	9,885,649	101,935	9,987,584	6,999,700
Net assets, end of year	$ 10,320,352	$ 132,889	$ 10,453,241	$ 9,987,584

See accompanying notes.

	Year Ended December 31, 2018				Year Ended
	Program Services	Administrative and General	Fundraising	Total	December 31, 2017
Salaries	$ 1,496,265	$ 1,070,958	$ 77,180	$ 2,644,403	$ 2,219,401
Employee benefits	217,242	138,027	9,354	364,623	272,742
Payroll taxes	116,732	83,942	6,128	206,802	179,530
	1,830,239	1,292,927	92,662	3,215,828	2,671,673
Professional services	567,199	298,077	13,862	879,138	739,953
Postage	126,350	760	19,351	146,461	126,803
Printing and copies	72,126	597	32,274	104,997	91,744
Information technology	462,886	140,750	13,603	617,239	280,724
Office expenses	10,315	4,850	654	15,819	20,577
Conferences	395,736	3,296	218	399,250	345,041
Bank fees	92,137	3,096	66,190	161,423	139,316
Maintenance	40,010	37,799	2,467	80,276	72,859
Utilities	54,877	49,067	3,207	107,151	62,201
Insurance	-	26,978	-	26,978	19,898
Professional development	52,157	43,317	2,862	98,336	33,475
Royalties	17,478	-	-	17,478	16,095
Scholarship expense	313,116	-	-	313,116	214,284
Travel	90,953	17,385	1,399	109,737	90,947
Advertising	3,978	49,156	-	53,134	18,236
Meals and entertainment	25,106	13,865	1,014	39,985	24,551
Board meetings	-	13,158	-	13,158	12,105
Donations	149,944	1,714	-	151,658	136,522
Production cost	8,002	2,940	194	11,136	22,244
Total expense before depreciation, amortization and other gains	4,312,609	1,999,732	249,957	6,562,298	5,139,248
Depreciation and amortization	56,828	53,528	3,537	113,893	105,797
Total expenses	$ 4,369,437	$ 2,053,260	$ 253,494	$ 6,676,191	$ 5,245,045

Center for Action and Contemplation, Inc.
Statements of Cash Flows

	Years Ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Contributions	$ 5,749,565	$ 3,750,152
Conferences	1,228,472	705,649
Living school	759,354	610,564
Royalties	308,756	357,354
Interest income	21,007	25,528
Other	26,539	143,671
Sales	1,150,281	1,298,059
Cash paid to suppliers and employees	(6,591,002)	(5,240,268)
Net cash provided by operating activities	2,652,972	1,650,709
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	110,572
Purchases of property and equipment	(171,410)	(514,364)
Proceeds from sale of investments	1,405,925	478,504
Purchases of investments	(3,790,208)	(1,645,400)
Net cash used by investing activities	(2,555,693)	(1,570,688)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of capital lease	-	(11,618)
Net change in cash	97,279	68,403
CASH AND CASH EQUIVALENTS, beginning of year	584,543	516,140
CASH AND CASH EQUIVALENTS, end of year	$ 681,822	$ 584,543
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ 465,657	$ 2,987,884
Depreciation and amortization expense	113,893	105,797
Realized/unrealized (gain) loss on investments	(119,642)	14,759
Loss (gain) on land held for sale	2,000	(8,292)
Changes in assets and liabilities		
Receivables	1,342,264	(1,298,024)
Inventory	(13,844)	1,418
Prepaid expenses	(53,181)	(4,617)
Accounts payable	28,305	(46,816)
Accrued payroll and other liabilities	14,820	131,503
Unearned revenue	872,700	(232,903)
	$ 2,652,972	$ 1,650,709

 See accompanying notes.

Note 1 – Organization

Nature of Activities
The Center for Action and Contemplation, Inc. (the “Center”) introduces spiritual seekers to the transformative wisdom of the Christian contemplative tradition and nurtures its emergence in service to the healing of our world.

This mission is realized through a variety of programs, including:

- Daily e-mail meditations circulated to 315,000 people
- Regular online courses and live webcast teachings serving thousands of seekers around the world
- Live teaching and community-building events held in Albuquerque, New Mexico
- A two-year enrichment program featuring online learning, community-based spiritual formation, and in-person teaching experiences
- An online resource center offering dozens of books, video, and audio teachings

Note 2 – Significant Accounting Policies

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

Net Asset Classifications

Net Assets Without Donor Restriction and Board Designated Net Assets
Undesignated, net assets without donor restrictions are used to account for all resources over which the Board of Directors has discretionary control. The net assets without donor restriction represent the investment in assets that do not have any donor imposed restrictions and amounts invested in property and equipment, less accumulated depreciation and amortization and any related debt.

Net Assets With Donor Restrictions
Net assets with donor restrictions result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of The Center pursuant to those stipulations. See Note 9 for the net asset with donor restrictions balance.

Net assets with donor restrictions, which are perpetual in nature, result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that cannot be removed by actions of the Center. At December 31, 2018 and 2017, the Center reported no net assets with donor restrictions, which are perpetual in nature.

Note 2 – Significant Accounting Policies (continued)

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments
Investments consist of marketable investments which are recorded at fair value in accordance with Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures* (Note 4). Realized and unrealized gains and losses less external and direct internal investment expenses are recognized in the statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

Receivables
Receivables represent amounts due from royalty payments and in 2017, an irrevocable trust. All receivables are deemed fully collectible and therefore no allowance is deemed necessary.

Inventory
The Center's inventory includes program related books, media (including CDs, DVDs, MP3s and other multi-media materials) and other miscellaneous items for sale. Inventory is stated at cost.

Prepaid Expenses
Prepaid expenses consist mainly of prepaid insurance, prepaid IT services, prepaid conference expenses, and prepaid postage.

Land Held for Sale
Land held for sale is stated at lower of cost or fair value.

Property, Equipment and Depreciation
Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. 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. Expenditures for property and equipment with a cost of $1,000 or more and with a useful life of one year or greater are capitalized and depreciated on a straight-line basis over their estimated useful life. Items with a cost of less than $1,000 are expensed in the year of acquisition. The major classifications of property and equipment and the related depreciable lives are as follows:

Description	Estimated Useful Lives
Equipment and furniture	3-7 years
Buildings and improvements	7-14 years

Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized.

Note 2 – Significant Accounting Policies (continued)

Intangibles
Intangibles acquired are carried at cost and amortized over the economic or technological life of the intangible asset.

Impairment of Long-Lived Assets
The Center accounts for long-lived assets in accordance with the provisions of ASC 360-10 and subsections *Accounting for the Impairment of Long-Lived Assets*. The provision requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of December 31, 2018 and 2017.

Unearned Revenue
Income from advance conference sales is deferred and recognized over the fiscal years to which the conferences relate.

Contributions
The Center for Action and Contemplation, Inc. has adopted ASC 958-605, *Not-for-Profit Entities; Revenue Recognition*. All contributions are considered available for the Center's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as with donor restriction support and increase the respective class of net assets. Contributions received with time restrictions that are met in the same reporting period are reported as without donor restriction support and increase net assets without donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized. Donated stocks, bonds or other securities are recorded at the fair market value on the date of the gift.

Gifts of long-lived assets are reported as unrestricted support unless the donor has restricted the use of the assets for specific purposes. Long-lived assets with explicit restrictions and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long- lived assets are placed in service. Contributed long-lived assets are recorded at their fair market value on the date of receipt.

Note 2 – Significant Accounting Policies (continued)

Donated Services and Materials

A substantial number of volunteers have made significant contributions of their time in the furtherance of the Center's activities. The value of this contributed time is not reflected in these statements as it does not meet the criteria for recognition under accounting principles generally accepted in the United States of America. Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Advertising

The Center expenses advertising costs as they are incurred, which were $53,134 and $18,236 for the year ending December 31, 2018 and 2017, respectively.

Reclassifications

Certain prior year amounts may have been reclassified to be consistent with the current year presentation.

Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. These costs include salaries and benefits, occupancy, information technology and other shared costs and are allocated based on estimates of time and effort.

Federal Income Tax

The Center has adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes.* The Center recognizes the tax (benefit) expense from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. Any such tax (benefit) expense is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Center had no unrecognized tax benefits as of December 31, 2018 or 2017. The Center files an exempt organization return with the Internal Revenue Service (IRS). It is not a "private foundation" for tax purposes. The Center had no taxable unrelated business income for the years ended December 31, 2018 and 2017. Accordingly, a provision for income taxes has not been established in the accompanying financial statements.

Note 2 – Significant Accounting Policies (continued)

Use of 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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Accounting Method
The Center implemented Accounting Standards Update (ASU) 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented with no changes to net assets.

Recent Accounting Pronouncements

ASU 2016-02 – Leases: Changes the way lessees will recognize leases as they will recognize most leases on-balance sheet and will increase reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and interim periods in fiscal years beginning after December 15, 2020. The ASU mandates a modified retrospective transition method for all entities. Management is currently evaluating the impact of this ASU, but does not anticipate a significant impact to the financial statements upon adoption.

ASU 2018-08 – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made – This ASU provides clarification in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The guidance is applicable for transactions where the entity serves as the resource recipient beginning after December 15, 2018 and for transactions in which the entity serves as the resource provider beginning after December 15, 2019. Management is in the process of determining the impact of this pronouncement.

ASU 2019-03 – Not-for-Profit Entities (Topic 958): Updating the Definition of Collections. This ASU modifies the definition of the term collections and requires that a collection-holding entity disclose its policy for the use of proceeds when collection items are removed from the collection. It is effective for year ends beginning after December 15, 2020, with early application permitted and to be applied on a prospective basis. Management is in the process of determining the impact of this pronouncement.

Note 3 – Liquidity and Availability

Financial assets available for general expenditure within one year of the balance sheet date comprise the following:

Financial Assets as of December 31, 2018		
Cash and cash equivalents	$	681,822
Investments		9,249,375
Receivables		140,218
Total Financial Assets		10,071,415
Less those unavailable for general expenditure within one year due to:		
Restricted by donor for scholarships		(132,889)
Living School future scholarship commitments		(68,100)
Board Designations:		
Emergency Reserve		(2,500,000)
Strategic Initiative Reserve		(5,338,058)
Financial assets available to meet cash needs for general expenditures within one year	$	2,032,368

In addition to financial assets available to meet general expenditures over the next 12 months, the Center operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of cash and shows positive cash generated by operations for fiscal years 2018 and 2017.

Note 4 – Investments and Fair Value Measurements

Investments consist of Investments and Land. Accounting Standard Codification 820, *Fair Value Measurements and Disclosure,* establishes a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value into three broad levels. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The objective of the fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 4 – Investments and Fair Value Measurements (continued)

The fair value hierarchy prioritizes the inputs into valuation techniques to measure fair value into three broad levels. They are as follows:

Level 1 – are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 – are unobservable inputs for the asset or liability that are inputs that reflect the Center's own assumptions about the assumptions market participants would use in pricing the asset or liability.

The fair value hierarchy gives the highest priority for quoted prices (unadjusted) in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The Government Agency and U.S. Treasury notes and bonds are United States Government issues that generally have maturities of one year or less and are valued based on various pricing sources.

Money Market Funds – classifications consist of investments in various funds that have differing investment goals that are traded in an active market.

A summary of investment accounts are as follows are consist of all Level 1 investments at December 31:

	2018	2017
Government agency	$ 5,573,424	$ 4,621,705
U.S. Treasury notes and bonds	3,321,008	2,013,795
Money market funds	354,943	108,881
Common Stock	-	1,069
Total investments	$ 9,249,375	$ 6,745,450

This asset is identified as a Level 2 type asset. The asset is summarized as follows:

	2018	2017
Land held for sale	$ -	$ 2,000

Note 5 – Receivables

The receivable account consists mainly of royalties receivable and other as follows at December 31:

	2018	2017
Royalties receivable	$ 135,815	$ 170,999
Other receivables	4,403	1,311,483
Total receivables	$ 140,218	$ 1,482,482

The Center was the beneficiary of an irrevocable trust of $1,310,000. This in included in other receivables in 2017 and was received in April 2018. As this donation was not restricted by the donor and amounts were received shortly after year end, the amount was recorded in without donor restriction revenue for the year ended December 31, 2017.

Note 6 – Property and Equipment

A summary of property and equipment, reported at cost at December 31, 2018 is as follows:

	2018	2017
Building and improvements	$ 1,128,203	$ 1,122,981
Furniture and equipment	546,162	431,413
Construction in process	43,558	-
Subtotal	1,717,923	1,554,394
Less accumulated depreciation	(730,788)	(617,200)
Subtotal depreciable property and equipment	987,135	937,194
Land	559,977	559,977
Net property and equipment	$ 1,547,112	$ 1,497,171

Depreciation expense was $113,586 and $105,797 for the years ended December 31, 2018 and 2017, respectively.

Note 7 – Intangibles

During 2018, the Center acquired domain names for the Living School. The gross amount of the asset subject to amortization is $7,883. Management has determined the economic useful life of the intangible asset to be 15 years. As of December 31, 2018, accumulated amortization was $307 for a net realizable value of $7,576. The amortization expense for 2018 was $307 and estimated amortization expense for each year, thereafter will be approximately $525.

Note 8 – Compensated Absences

The Center allows its employees to accrue time off with pay, beginning on their date of hire. Employees accrue paid time off pro-rated based on their years of service. The maximum amount of accrued leave is limited to 120 hours, 160 hours or 200 hours depending upon years of service, and up to 80 hours is paid out upon termination. As of December 31, 2018 and 2017, employees' accrued leave totaled $89,161 and $62,162, respectively. These amounts are included in accrued payroll liabilities on the statements of financial position.

Note 9 – Lease Commitments

During 2014, the Center entered into two capital lease agreements for 48 months that ended during 2017. The payment schedule for the year ended December 31 is as follows:

	2018	2017
Lease commitments	$ -	$ 7,396

Note 10 – Net Assets with Donor Restriction

For the years ended December 31, 2018 and 2017, the Center had $132,889 and $101,935, respectively, in assets with donor restrictions. The funds are restricted for the Living School, general scholarships and software development.

Note 11 – Sales and Cost of Goods Sold

Sales and cost of goods sold are as follows:

	2018	%	2017	%
Sales	$ 1,314,533	100%	$ 1,281,738	100%
COGS - production supplies	(164,252)	-12%	(182,507)	-14%
	$ 1,150,281	88%	$ 1,099,231	86%

Note 12 – Scholarship Commitments

The Center awards multiple-year for some Living School scholarship recipients, which are considered conditional scholarships until school enrollment is complete and tuition is due and are not accrued in the accompanying financial statements. Scholarship commitments were also made in 2018 for events and online education in 2019 and those expenses will be recorded in 2019. Scholarship commitments approved during 2018 or prior years for future funding subject to future conditions are $274,905 for the year ending December 31, 2018.

Note 13 – Economic Dependency

The Center receives a significant portion of its revenue from contributions, conferences, royalties, and sales of books and recordings. Most of the inventory as well as the royalty proceeds are from materials authored by the founder. The founder is also involved in teaching the conferences and the Living School. If the founder were to separate from the organization, it is possible that the revenues noted above would be greatly diminished. It is also possible that contributions would be significantly diminished as well under these circumstances. As of the issuance of these financial statements, such a separation is not expected in the foreseeable future. The Board of Directors approved a strategic plan in July 2016 which addresses the future of the Center when the founder is no longer actively involved. This plan is being implemented starting in January 2017, which includes the addition of two new core faculty.

	2018	%	2017	%
Contributions	$ 4,341,989	61%	$ 5,065,211	61%
Conferences	484,666	7%	1,014,093	12%
Living school	787,650	11%	601,342	7%
Royalties	242,635	3%	357,354	5%
Investment income, net	112,838	2%	61,093	1%
Services	15,297	0%	11,148	0%
Other	2,256	0%	29,924	0%
Gross profit book and media revenues	1,150,281	16%	1,099,231	14%
Total support and revenues	$ 7,137,612	100%	$ 8,239,396	100%

Note 14 – Subsequent Events

Subsequent events are events or transactions that occur after the statements of financial position date but before the financial statements are issued. The Center recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Financial Position, including the estimates inherent in the process of preparing the financial statements. The Center's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Center has evaluated subsequent events through April 16, 2019, which is the date the financial statements were available to be issued.