

**Audited Financial Statements**



**A NON-PROFIT WRITING & TUTORING CENTER**

**June 30, 2021**

**Quigley & Miron**

826LA  
Audited Financial Statements  
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## Independent Auditor's Report

Board of Directors  
**826LA**  
Los Angeles, California

We have audited the accompanying financial statements of 826LA, a nonprofit organization, which comprise the statements of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

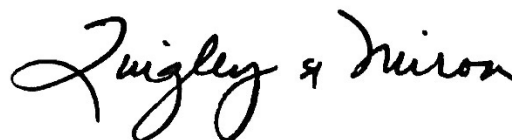
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 826LA as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Los Angeles, California  
April 29, 2022



826LA  
Statement of Financial Position  
June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 2,752,722	\$ 25,300	\$ 2,778,022
Restricted cash—PPP advance	258,900		258,900
Contributions and grants receivable			
—Note 3	75,380	747,890	823,270
Inventory	47,429		47,429
Prepaid expenses	41,730		41,730
<b>Total Current Assets</b>	<b>3,176,161</b>	<b>773,190</b>	<b>3,949,351</b>
<b>Non-Current Assets</b>			
Deposits	37,890		37,890
<b>Total Non-Current Assets</b>	<b>37,890</b>		<b>37,890</b>
<b>Total Assets</b>	<b>\$ 3,214,051</b>	<b>\$ 773,190</b>	<b>\$ 3,987,241</b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$ 89,763	\$	\$ 89,763
Accrued paid time off	78,270		78,270
PPP advance—Note 5	258,900		258,900
Deferred lease incentive—Note 6	4,230		4,230
<b>Total Liabilities</b>	<b>431,163</b>		<b>431,163</b>
<b>Net Assets</b>			
Without donor restrictions—Note 8	2,782,888		2,782,888
With donor restrictions—Note 9		773,190	773,190
<b>Total Net Assets</b>	<b>2,782,888</b>	<b>773,190</b>	<b>3,556,078</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,214,051</b>	<b>\$ 773,190</b>	<b>\$ 3,987,241</b>

See notes to financial statements.

826LA  
Statement of Activities  
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
Contributions and grants			
Foundations	\$ 333,999	\$ 1,002,000	\$ 1,335,999
Individuals, corporations, and government agencies	387,803	124,380	512,183
CARES Act grant	264,500		264,500
In-kind—Note 10	3,600		3,600
Fundraising events			
Gross receipts	417,310	30,000	447,310
Less cost of direct benefits to donors	(120,798)		(120,798)
<b>Fundraising Events, Net</b>	<b>296,512</b>	<b>30,000</b>	<b>326,512</b>
Contracted services	62,599		62,599
Store sales			
Gross sales	35,291		35,291
Less:			
Cost of goods sold	(15,939)		(15,939)
Other direct expenses	(13,554)		(13,554)
<b>Store Sales, Net</b>	<b>5,798</b>		<b>5,798</b>
Interest and dividends	766		766
<b>Total Public Support and Revenue</b>	<b>1,355,577</b>	<b>1,156,380</b>	<b>2,511,957</b>
Net assets released from restrictions	972,920	(972,920)	
<b>Total Public Support, Revenue, and Net Assets Released from Restrictions</b>	<b>2,328,497</b>	<b>183,460</b>	<b>2,511,957</b>
<b>Expenses</b>			
Youth creative and expository writing services	1,384,850		1,384,850
Management and general	164,612		164,612
Fundraising	292,532		292,532
<b>Total Expenses</b>	<b>1,841,994</b>		<b>1,841,994</b>
<b>Change in Net Assets</b>	<b>486,503</b>	<b>183,460</b>	<b>669,963</b>
<b>Net Assets at Beginning of Year</b>	<b>2,296,385</b>	<b>589,730</b>	<b>2,886,115</b>
<b>Net Assets at End of Year</b>	<b>\$ 2,782,888</b>	<b>\$ 773,190</b>	<b>\$ 3,556,078</b>

See notes to financial statements.

826LA  
Statement of Functional Expenses  
Year Ended June 30, 2021

	Youth Creative and Expository Writing Services	Management and General	Fundraising	Fundraising Events	Total
Salaries and wages	\$ 838,652	\$ 67,704	\$ 202,643	\$	\$ 1,108,999
Payroll taxes	65,654	5,300	15,864		86,818
Employee benefits	90,289	7,289	21,817		119,395
<b>Total Personnel</b>	<b>994,595</b>	<b>80,293</b>	<b>240,324</b>		<b>1,315,212</b>
Americorp Vista	21,649	1,274	2,547		25,470
Cost of direct benefits to donors				120,798	120,798
Cost of goods sold	15,939				15,939
Insurance	15,444	909	1,817		18,170
Intern Stipends	4,702				4,702
Miscellaneous expenses	27,392	1,611	3,223		32,226
National affiliate fees	25,500	1,500	3,000		30,000
Occupancy	186,623	10,978	21,956		219,557
Other direct expenses	13,554				13,554
Outside services	41,966	2,469	4,937		49,372
Postage and shipping	2,959	174	348		3,481
Printing and publications	19,764	1,163	2,325		23,252
Professional fees	24,256	63,065	9,702		97,023
Small equipment purchases	993	58	117		1,168
Supplies	6,274	369	738		7,381
Telephone	12,589	741	1,481		14,811
Travel	144	8	17		169
<b>Total Expenses by Function</b>	<b>1,414,343</b>	<b>164,612</b>	<b>292,532</b>	<b>120,798</b>	<b>1,992,285</b>
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(120,798)	(120,798)
Cost of goods sold	(15,939)				(15,939)
Other direct expenses	(13,554)				(13,554)
<b>Total Expenses</b>	<b>\$ 1,384,850</b>	<b>\$ 164,612</b>	<b>\$ 292,532</b>	<b>\$</b>	<b>\$ 1,841,994</b>

See notes to financial statements.

826LA  
**Statement of Cash Flows**  
**Year Ended June 30, 2021**

**Cash Flows from Operating Activities**

Change in net assets	\$ 669,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Contributions and grants receivable	(261,163)
Inventory	3,500
Prepaid expenses	(2,598)
Accounts payable and accrued expenses	50,738
Accrued paid time off	8,886
PPP advance	(5,600)
Deferred lease incentive	(16,559)
	<hr/>
<b>Net Cash Provided by Operating Activities</b>	<b>447,167</b>
	<hr/>
<b>Net Increase in Cash, Cash Equivalents, and Restricted Cash</b>	<b>447,167</b>
	<hr/>
<b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Year</b>	<b>2,589,755</b>
	<hr/>
<b>Cash, Cash Equivalents, and Restricted Cash at End of Year</b>	<b>\$ 3,036,922</b>
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**Supplementary Disclosures**

Cash paid during the year for:

Income taxes

Interest

\$

\$

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See notes to financial statements.

**826LA**  
**Notes to Financial Statements**  
**June 30, 2021**

**Note 1—Nature of Activities and Significant Accounting Policies**

Nature of Activities—826LA is a California nonprofit corporation, established in 2005 for the purpose of supporting students ages 6 to 18 and their teachers in the development of the students' creative and expository writing skills. 826LA services are structured based on a recognition that one-on-one attention fosters the development of strong writing skills, which are fundamental to students' success. Through 826LA's two Los Angeles-based locations in Echo Park and Mar Vista, Writers' Rooms on the campuses of Manual Arts High School and Roosevelt High School, and its partnerships with schools and organizations throughout the city, 826LA provides tutoring, evening and weekend workshops, in-school writing support, field trips, and assistance with student publications. In 2021, 826LA offered a mix of in-person and online programs in keeping with best practices related to COVID-19. 826LA's programs are designed to be challenging and enjoyable for students and teachers, and seek to strengthen each student's ability to express ideas effectively, creatively, confidently, and in their individual voice.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 826LA's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of 826LA and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of 826LA. These net assets may be used at the discretion of 826LA's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of 826LA and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit 826LA to use all or part of the income earned on related investments for general or specific purposes. 826LA had no funds that were required to be maintained in perpetuity at June 30, 2021.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of 826LA's youth creative and expository writing services and interest earned. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature; 826LA did not engage in any reportable nonoperating activities during the year ended June 30, 2021.

## 826LA

### Notes to Financial Statements—Continued

#### Note 1—Nature of Activities and Significant Accounting Policies—Continued

Income Taxes—826LA is a California nonprofit public benefit corporation that serves charitable and educational purposes and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. In addition, 826LA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘*more likely than not*’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for tax liability is not necessary at June 30, 2021. Generally, 826LA’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash, Cash Equivalents, and Restricted Cash—826LA considers highly liquid investments with a maturity of less than three months when purchased to be cash equivalents. Restricted cash consists of the PPP advance (see Note 5).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the statement of financial position to the sum total of cash, cash equivalents, and restricted cash reported in the statement of cash flows at June 30, 2021.

Cash and cash equivalents	\$ 2,778,022
Restricted cash—PPP advance	258,900
	<hr/>
<b>Total Cash, Cash Equivalents, and Restricted Cash</b>	<b><u><u>\$ 3,036,922</u></u></b>

Investments—Investments in securities are initially recorded at cost, if purchased, or fair market value, if received as a contribution. Subsequent to acquisition, investments in securities are reported at fair value. Investment income, gains, and losses are reported as unrestricted income unless use of the earnings is restricted by the donor.

Inventory—Inventory is carried at cost and consists of goods ready for resale at 826LA’s Time Travel Mart locations in Echo Park (on Sunset Boulevard) and Mar Vista (on Venice Boulevard). Inventory includes books, publications, posters, shirts, and other time travel related merchandise designed to promote the education and creative process of students served by 826LA. Revenue from store sales is recognized upon receipt of payment for products sold.

Property and Equipment—Property and equipment is stated at cost when purchased, or at estimated fair market value at the date of bequest or gift. Depreciation is provided using the straight-line method over the estimated useful life of the related asset, principally 5 years. Amortization of equipment purchased under capital lease obligations is included in depreciation expense. It is 826LA’s policy to expense items purchased or donated with values less than \$5,000. As of June 30, 2021, 826LA did not have any property or equipment obtained pursuant to gifts or capital leases.

## Note 1—Nature of Activities and Significant Accounting Policies—Continued

Recently Adopted Accounting Principles

Revenue Recognition—In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. 826LA opted to adopt ASU No. 2014-09 for the year ended June 30, 2021, and noted that there was no material effect on the financial statements.

Restricted Cash—In February 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities are required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. 826LA has adopted ASU No. 2016-18 on a retrospective basis for the year ended June 30, 2021, and has adjusted the presentation of the financial statements accordingly.

Concentrations of Credit Risk—Financial instruments which potentially subject 826LA to concentrations of credit risk consist of cash and cash equivalents, and contributions and grants receivable.

826LA places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such balances of cash and cash equivalents are in excess of the FDIC coverage limits. Management regularly reviews the financial stability of its cash depositories and deems the risk of loss due to these concentrations to be minimal.

Contributions and grants receivable are due from a variety of foundations, corporations, government agencies, and individuals well-known to 826LA, with favorable past payment histories. 826LA's management has assessed the credit risk associated with these contributions and grants receivable and has determined that an allowance for potentially uncollectible amounts is not necessary.

Donated Services—Donated services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under current accounting standards. In order to expand the reach of its programs, 826LA utilizes the services of a substantial number of volunteers who have donated a significant number of hours to 826LA's program services, management, and fundraising activities. During the year ended June 30, 2021, 826LA's volunteer network donated 3,584 service hours valued at \$107,341. These valuations are based on an estimated rate of volunteer time of \$29.95 per hour in 2021,

## 826LA

### Notes to Financial Statements—Continued

#### Note 1—Nature of Activities and Significant Accounting Policies—Continued

as computed by Independent Sector, a leading resource and research organization for the nonprofit industry.

Contracted Services—Contracted services revenue is recognized at the rendering of services.

Functional Expenses—The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among youth creative and expository writing services and supporting services benefited. Such allocations are determined by management on an equitable basis. Estimates of time and effort were used as the basis of allocation for the following expenses: salaries and wages, payroll taxes, and employee benefits. Estimates of square footage were used as the basis of allocation for the following expenses: Americorp Vista, insurance, miscellaneous expenses, national affiliate fees, occupancy, outside services, postage and shipping, printing and publications, professional fees, small equipment purchases, supplies, telephone, and travel.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Note 2—Availability and Liquidity

The following represents the availability and liquidity of 826LA's financial assets at June 30, 2021 to cover operating expenses for the next fiscal year:

Financial assets at end of year	
Cash, cash equivalents, and restricted cash	\$ 3,036,922
Contributions and grants receivable	823,270
	<hr/>
<b>Total Financial Assets</b>	<b>3,860,192</b>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	
Summer interns	(10,800)
Office facility	(14,500)
Restricted due to timing	(747,890)
Less net assets with time restrictions to be met within one year	758,190
Board-designated reserve	(1,268,595)
	<hr/>
<b>Total Unavailable Financial Assets</b>	<b>(1,283,595)</b>
<b>Current Availability of Financial Assets</b>	<b>\$ 2,576,597</b>

## 826LA

### Notes to Financial Statements—Continued

#### Note 2—Availability and Liquidity—Continued

826LA's goal is generally to maintain financial assets to meet at least 180 days of general operating expenses (approximately \$900,000). The board-designated reserve is intended by board of director policy to be used for future major capital investment and to support programs that have been impacted by unanticipated funding reductions.

#### Note 3—Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2021 consist of the following:

Foundations	\$	682,500
Government agencies		68,370
Individuals and corporations		72,400
		<hr/>
<b>Total</b>	<b>\$</b>	<b><u><u>823,270</u></u></b>

#### Note 4—Property and Equipment, Net

Net property and equipment at June 30, 2021 consist of the following:

Furniture and equipment	\$	78,653
Leasehold improvements		227,904
		<hr/>
<b>Total Property and Equipment</b>		<b>306,557</b>
Less accumulated depreciation		(306,557)
		<hr/>
<b>Property and Equipment, Net</b>	<b>\$</b>	<b><u><u></u></u></b>

#### Note 5—PPP Advance

On April 28, 2020, 826LA received a \$264,500 advance from the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP). The advance is designed to provide a direct incentive for small businesses struggling from the impact of the COVID-19 pandemic (see Note 13) to keep their workers on the payroll. During the year ended June 30, 2021, 826LA recognized a total of \$264,500 in PPP grant revenue based on qualifying expenditures which resulted in the full forgiveness of the advance. PPP grant revenue is reported in the statement of activities under CARES Act grant.

On March 16, 2021, 826LA received a second PPP advance from the SBA in the amount of \$258,900. This amount is reflected as a liability in the statement of financial position at June 30, 2021. On April 12, 2022, subsequent to year end, 826LA was granted full forgiveness of this advance by the SBA based on qualifying expenditures. As such, 826LA will recognize \$258,900 in PPP grant revenue during the fiscal year ending June 30, 2022.

826LA

Notes to Financial Statements—Continued

Note 6—Leases

826LA leases space under non-cancelable operating leases in Echo Park, expiring August 2022, and Mar Vista, expiring September 2022. 826LA leased additional space in Hollywood under a non-cancellable lease which expired in September 2021. The Hollywood space continues to be leased on a month-to-month basis. Additionally, 826LA leases copier equipment under a non-cancelable operating lease expiring March 2024.

Year Ended June 30,

2022	\$	195,237
2023		39,996
2024		9,062
	<b>Total</b>	<b>\$ 244,295</b>

Rent expense related to the Echo Park lease during the year ended June 30, 2021 was approximately \$90,000. Rent expense related to the Mar Vista lease during the year ended June 30, 2021 was approximately \$70,000. Rent expense related to the Hollywood lease during the year ended June 30, 2021 was approximately \$48,000. Rent expense related to the copier lease during the year ended June 30, 2021 was approximately \$14,000.

Note 7—Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the gifts and their terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

Note 8—Net Assets Without Donor Restrictions

Net assets without donor restrictions for the year ended June 30, 2021 are as follows:

Undesignated	\$	1,514,293
Board-designated reserve		1,268,595
	<b>Total Net Assets Without Donor Restrictions</b>	<b>\$ 2,782,888</b>

The board-designated reserve consists of voluntary board-approved segregations of net assets without restrictions for specific purposes, projects or investments, and to provide funds to allow 826LA to operate effectively in the event of reductions or curtailment of portions of its funding in the future.

**826LA****Notes to Financial Statements—Continued****Note 9—Net Assets With Donor Restrictions**

Net assets with donor restrictions for the year ended June 30, 2021 are as follows:

Subject to expenditure for specified purpose:	
Summer interns	\$ 10,800
Office facility	14,500
Promises to give, the proceeds from which have been restricted by donors:	
Youth creative and expository writing services	194,190
Summer interns	1,200
Fiscal 2022 and 2023 galas	30,000
Support for future periods	522,500
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 773,190</u></b>

Net assets released from donor restrictions for the year ended June 30, 2021 are as follows:

Satisfaction of purpose restrictions:	
Youth creative and expository writing services	\$ 317,020
Office facility	58,500
COVID-19 relief	44,400
Summer interns	5,500
Satisfaction of passage of time	
COVID-19 relief	397,500
General	150,000
<b>Total Net Assets Released from Donor Restrictions</b>	<b><u>\$ 972,920</u></b>

**Note 10—In-Kind Contributions**

In-kind contributions totaling \$3,600 are included in supplies on the statement of functional expenses for the year ended June 30, 2021.

Additionally, in-kind contributions totaling \$16,586 were received during the year ended June 30, 2021 in the form of facility use and food in conjunction with the fundraising event and are included in the cost of direct benefits to donors.

**Note 11—Employee Benefit Plan**

Effective January 1, 2014, and commencing July 1, 2014, 826LA established a 401(k) defined contribution retirement program (the Plan) for its employees over the age of 21 with one year of service. 826LA matches 100% of employee contributions, up to 2% of annual salary. Employees are vested immediately with 100% non-forfeitability of all employer matched contributions. Expenses related to the Plan's administration and 826LA's employer matching contributions for the year ended June 30, 2021 were \$2,894 and \$11,153, respectively.

**Note 12—Recent Accounting Pronouncements**

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for not-for-profit entities with fiscal years beginning after December 15, 2021, with early adoption permitted. 826LA is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. 826LA is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

**Note 13—Risks and Uncertainties**

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. 826LA has continued to conduct its youth creative and expository writing services activities, on a remote basis, and to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on 826LA, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

**Note 14—Subsequent Events**

Management evaluated all activities of 826LA through April 29, 2022, which is the date the financial statements were available to be issued, and concluded that, other than the PPP advance forgiveness described in Note 5, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.