

Audited Financial Statements



June 30, 2022

Quigley & Miron

826LA
Audited Financial Statements
Table of Contents
June 30, 2022

Page
Number

Independent Auditor's Report	1
Audited Financial Statements	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7

Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
826LA
Los Angeles, California

Opinion

We have audited the accompanying financial statements of 826LA (826LA), a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 826LA as of June 30, 2022, 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.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of 826LA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 826LA's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 826LA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 826LA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Zugley & Miron".

Los Angeles, California
August 31, 2023

826LA
Statement of Financial Position
June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,943,097	\$ 50,332	\$ 2,993,429
Contributions and grants receivable			
—Note 3	4,229	725,666	729,895
Inventory	45,279		45,279
Prepaid expenses	58,855		58,855
Total Current Assets	3,051,460	775,998	3,827,458
Non-Current Assets			
Deposits	38,677		38,677
Total Non-Current Assets	38,677		38,677
Total Assets	\$ 3,090,137	\$ 775,998	\$ 3,866,135
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued expenses	\$ 112,974	\$	\$ 112,974
Accrued paid time off	56,870		56,870
Total Liabilities	169,844		169,844
Net Assets			
Without donor restrictions—Note 7	2,920,293		2,920,293
With donor restrictions—Note 8		775,998	775,998
Total Net Assets	2,920,293	775,998	3,696,291
Total Liabilities and Net Assets	\$ 3,090,137	\$ 775,998	\$ 3,866,135

See notes to financial statements.

826LA
Statement of Activities
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Contributions and grants			
Foundations	\$ 520,181	\$ 180,590	\$ 700,771
Individuals, corporations, and government agencies	453,246	664,508	1,117,754
CARES Act grant—Note 9	258,900		258,900
In-kind—Note 10	42,452		42,452
Fundraising events			
Gross receipts	353,589		353,589
Less cost of direct benefits to donors	(132,322)		(132,322)
Fundraising Events, Net	221,267		221,267
Store sales			
Gross sales	123,246		123,246
Less:			
Cost of goods sold	(48,101)		(48,101)
Other direct expenses	(21,787)		(21,787)
Store Sales, Net	53,358		53,358
Contracted services	58,499		58,499
Interest and dividends	1,673		1,673
Total Public Support and Revenue	1,609,576	845,098	2,454,674
Net assets released from restrictions	842,290	(842,290)	
Total Public Support, Revenue, and Net Assets Released from Restrictions	2,451,866	2,808	2,454,674
Expenses			
Youth creative and expository writing services	1,678,329		1,678,329
Management and general	221,626		221,626
Fundraising	414,506		414,506
Total Expenses	2,314,461		2,314,461
Change in Net Assets	137,405	2,808	140,213
Net Assets at Beginning of Year	2,782,888	773,190	3,556,078
Net Assets at End of Year	\$ 2,920,293	\$ 775,998	\$ 3,696,291

See notes to financial statements.

826LA
Statement of Functional Expenses
Year Ended June 30, 2022

	Youth Creative and Expository Writing Services	Management and General	Fundraising	Fundraising Events	Total
Salaries and wages	\$ 1,001,451	\$ 87,757	\$ 282,866	\$	\$ 1,372,074
Payroll taxes	79,805	6,993	22,541		109,339
Employee benefits	92,155	8,075	26,029		126,259
Total Personnel	1,173,411	102,825	331,436		1,607,672
Cost of direct benefits to donors				132,322	132,322
Cost of goods sold	48,101				48,101
Insurance	15,422	907	1,814		18,143
Intern Stipends	8,400				8,400
Miscellaneous expenses	29,103	3,252	6,504		38,859
National affiliate fees	51,000	3,000	6,000		60,000
Occupancy	219,106	12,889	25,777		257,772
Other direct expenses	21,787				21,787
Outside services	59,724	6,559	13,118		79,401
Postage and shipping	2,904	205	410		3,519
Printing and publications	23,122	1,552	3,103		27,777
Professional fees	32,194	83,703	12,877		128,774
Small equipment purchases	15,971	959	1,919		18,849
Supplies	40,017	5,277	10,553		55,847
Telephone	7,751	456	912		9,119
Travel	204	42	83		329
Total Expenses by Function	1,748,217	221,626	414,506	132,322	2,516,671
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(132,322)	(132,322)
Cost of goods sold	(48,101)				(48,101)
Other direct expenses	(21,787)				(21,787)
Total Expenses	\$ 1,678,329	\$ 221,626	\$ 414,506	\$	\$ 2,314,461

See notes to financial statements.

826LA
Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows from Operating Activities

Change in net assets \$ 140,213

Adjustments to reconcile change in net assets to net cash
used in operating activities:

Changes in operating assets and liabilities:

Contributions and grants receivable 93,375

Inventory 2,150

Prepaid expenses (17,125)

Deposits (787)

Accounts payable and accrued expenses 23,211

Accrued paid time off (21,400)

PPP advance (258,900)

Deferred lease incentive (4,230)

Net Cash Used in Operating Activities (43,493)

Net Decrease in Cash and Cash Equivalents (43,493)

Cash and Cash Equivalents at Beginning of Year 3,036,922

Cash and Cash Equivalents at End of Year \$ 2,993,429

Supplementary Disclosures

Cash paid during the year for:

Income taxes \$

Interest \$

See notes to financial statements.

826LA
Notes to Financial Statements
June 30, 2022

Note 1—Nature of Activities and Significant Accounting Policies

Nature of Activities—826LA is a nonprofit organization with locations in Mar Vista and Echo Park, school-based sites at Manual Arts High School in South LA, Roosevelt High School in Boyle Heights, and Venice High School in Venice, and relationships with over 100 Los Angeles schools. 826LA is dedicated to supporting students, ages six to eighteen, with their creative and expository writing skills and to helping teachers inspire their students to write. 826LA's services are structured around the understanding that great leaps in learning can happen with one-on-one attention, and that writing helps students learn, grow, and engage with the world. Through the utilization of hundreds of community-based volunteers, 826LA presents a sustainable way to provide educational programs and individualized attention to economically disadvantaged children. By offering all programs for free, 826LA breaks down barriers that might prevent students from learning and families from accessing this level of personalized instruction for their children.

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, 2022.

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, 2022.

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.

826LA

Notes to Financial Statements—Continued

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

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, 2022. 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 and Cash Equivalents—826LA considers highly liquid investments with a maturity of less than three months when purchased to be cash equivalents.

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 individual items purchased or donated with values less than \$5,000. As of June 30, 2022, 826LA did not have any property or equipment obtained pursuant to gifts or capital leases.

Recently Adopted Accounting Principle—In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards (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. 826LA adopted ASU No. 2020-07 on a retrospective basis for the year ended June 30, 2022, 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.

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

While 826LA is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, 826LA's management has assessed the credit risk associated with its cash deposits at June 30, 2022 and believes it is not exposed to any significant credit risk with its cash and cash equivalents. However, due to the current risk and uncertainties affecting financial institutions (see Note 13), the related impact cannot be reasonably estimated at this time.

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.

In-kind contributions—826LA records the value of donated materials and services at their fair value at the date of donation. In-kind services are recorded only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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, 2022, 826LA's volunteer network donated 4,082 service hours valued at \$122,256. These valuations are based on an estimated rate of volunteer time of \$29.95 per hour in 2022, as computed by Independent Sector, a leading resource and research organization for the nonprofit industry. Donated services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under current accounting standards.

Contracts with Customers—Accounting standards require an organization to recognize revenue arising from contracts with customers at the time the customer obtains control of a contracted goods or service. 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.

Store Sales—Store sales revenue is recognized at the point of sale.

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: 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.

826LA**Notes to Financial Statements—Continued****Note 2—Availability and Liquidity**

The following represents the availability and liquidity of 826LA’s financial assets at June 30, 2022 to cover operating expenses for the next fiscal year:

Financial assets at end of year		
Cash and cash equivalents	\$	2,993,429
Contributions and grants receivable		729,895
		<u>3,723,324</u>
	Total Financial Assets	3,723,324
Less amounts not available to be used within one year:		
Net assets with donor restrictions		
Youth creative and expository writing services		(37,500)
Summer interns		(12,832)
Restricted due to timing		(725,666)
Less net assets with time restrictions to be met within one year		775,998
Board-designated reserve		(1,269,411)
		<u>(1,269,411)</u>
	Total Unavailable Financial Assets	(1,269,411)
	Current Availability of Financial Assets	<u>\$ 2,453,913</u>

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, 2022 consist of the following:

Government agencies	\$	636,695
Foundations		50,000
Individuals and corporations		43,200
		<u>729,895</u>
	Total	<u>\$ 729,895</u>

Note 4—Property and Equipment, Net

Net property and equipment at June 30, 2022 consist of the following:

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

826LA**Notes to Financial Statements—Continued****Note 5—Leases**

826LA leases space under non-cancelable operating leases in Echo Park and Mar Vista which expired subsequent to year-end in August 2022 and September 2022, respectively. The Echo Park lease was renewed for a five-year term while the Mar Vista lease was renewed for a one-year term beginning in September 2022. 826LA leased additional space in Hollywood under a non-cancelable lease, which expired in September 2021 and is now leased on a month-to-month basis. Additionally, 826LA leases copier equipment under a non-cancelable operating lease expiring March 2024.

The future minimum annual lease commitments are as follows:

<u>Year Ended June 30,</u>	
2023	\$ 170,194
2024	173,548
2025	115,042
2026	106,240
2027	109,958
Thereafter	<u>18,430</u>
Total	<u>\$ 693,412</u>

Approximate rent expenses for the year ended June 30, 2022 were as follows: \$93,000 related to the Echo Park lease; \$74,000 related to the Mar Vista lease; \$61,000 related to the Hollywood lease; and \$12,000 related to the copier lease.

Note 6—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 7—Net Assets Without Donor Restrictions

Net assets without donor restrictions for the year ended June 30, 2022 are as follows:

Undesignated	\$ 1,650,882
Board-designated reserve	<u>1,269,411</u>
Total Net Assets Without Donor Restrictions	<u>\$ 2,920,293</u>

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 8—Net Assets With Donor Restrictions**

Net assets with donor restrictions for the year ended June 30, 2022 are as follows:

Subject to expenditure for specified purpose:	
Youth creative and expository writing services	\$ 37,500
Summer interns	12,832
Promises to give, the proceeds from which have been restricted by donors:	
Support for future periods	621,773
Youth creative and expository writing services	87,610
Fiscal 2022 and 2023 galas	15,000
Summer interns	1,283
Total Net Assets With Donor Restrictions	<u>\$ 775,998</u>

Net assets released from donor restrictions for the year ended June 30, 2022 are as follows:

Satisfaction of purpose restrictions:	
Youth creative and expository writing services	\$ 74,290
Office facility	68,500
Summer interns	12,000
Satisfaction of passage of time	
General	522,500
Youth creative and expository writing services	150,000
Fiscal 2022 and 2023 galas	15,000
Total Net Assets Released from Donor Restrictions	<u>\$ 842,290</u>

Note 9—Government Grants

On April 28, 2020, 826LA received a \$258,900 advance from the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP), designed to incentivize struggling small businesses to keep their workers on payroll during the COVID-19 pandemic. On April 12, 2022, 826LA was granted forgiveness for the full amount and recognized \$258,900 in PPP grant revenue for the year ended June 30, 2022, which is reported in the statement of activities under CARES Act grant.

Additionally, during the year ended June 30, 2022, 826LA applied and qualified for the Employee Retention Tax Credit (ERTC) and was awarded \$543,573 in funding during the same period. This amount is reflected under contributions and grants receivable on the statement of financial position and individuals, corporations, and government agencies on the statement of activities.

826LA

Notes to Financial Statements—Continued

Note 10—In-Kind Contributions

During the year ended June 30, 2022, donated materials totaling \$42,452 were received by 826LA and recorded in the statement of activities under the in-kind contributions caption, and in the respective expense captions in the statement of functional expenses, as follows:

Supplies	\$	33,742
Small equipment purchases		7,210
Cost of goods sold		1,500
		<hr/>
Total	\$	<u>42,452</u>

In-kind contributions were received without donor restrictions and were used exclusively for program service activities. In-kind contributions were valued at their estimated fair value at the date of each respective gift.

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, 2022 were \$2,805 and \$10,093, respectively.

Note 12—Recent Accounting Pronouncement

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 to be applied using the modified retrospective approach and 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.

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 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.

826LA**Notes to Financial Statements—Continued****Note 13—Risks and Uncertainties—Continued**

In March 2023, subsequent to year-end, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 1, at times, 826LA maintains cash and cash equivalents in excess of federally-insured limits. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.

Note 14—Subsequent Events

Management evaluated all activities of 826LA through August 31, 2023, which is the date the financial statements were available to be issued, and concluded that, other than the lease extensions described in Note 5 and the banking crisis described in Note 13, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.