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# 826 VALENCIA, INC.

## FINANCIAL STATEMENTS

June 30, 2016

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015)

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**CROSBY & KANEDA**  
Certified Public Accountants

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Dedicated to Nonprofit Organizations

## 826 VALENCIA, INC.

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
826 Valencia, Inc.  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of 826 Valencia, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses 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.

### **Auditors' 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 from material misstatement.

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

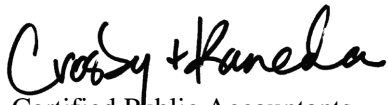
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 826 Valencia, Inc. as of June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited 826 Valencia Inc.'s June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Oakland, California

January 30, 2017

826 VALENCIA, INC.

Statement of Financial Position  
June 30, 2016  
(With Comparative Totals as of June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,991,254	\$ 1,661,701
Accounts and grants receivable (Note 3)	722,435	540,358
Investments (Note 4)	1,411,665	1,394,124
Prepaid expenses	7,955	7,955
Inventory	52,796	41,286
Total current assets	<u>5,186,105</u>	<u>3,645,424</u>
Grants receivable - long term (Note 3)	222,500	200,000
Property and equipment, net (Note 6)	1,744,611	160,313
Deposits	<u>64,254</u>	<u>64,254</u>
Total Assets	<u>\$ 7,217,470</u>	<u>\$ 4,069,991</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 137,927	\$ 35,174
Deferred revenue	37,500	-
Accrued vacation	45,233	38,686
Scholarships payable	323,544	320,229
Total Liabilities	<u>544,204</u>	<u>394,089</u>
Commitments and Contingencies (Notes 7 and 8)		
Net assets		
Unrestricted		
Invested in property and equipment	1,744,611	160,313
Undesignated	2,871,673	1,545,467
Total Unrestricted	<u>4,616,284</u>	<u>1,705,780</u>
Temporarily restricted (Note 9)	<u>2,056,982</u>	<u>1,970,122</u>
Total Net Assets	<u>6,673,266</u>	<u>3,675,902</u>
Total Liabilities and Net Assets	<u>\$ 7,217,470</u>	<u>\$ 4,069,991</u>

See Notes to the Financial Statements

**826 VALENCIA, INC.**

**Statement of Activities  
For the Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)**

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
<b>Support and Revenue</b>				
Support				
Foundation grants	\$ 209,670	\$ 1,410,500	\$ 1,620,170	\$ 1,552,709
Contributions	849,051	791,864	1,640,915	1,105,027
Corporate support	115,108	572,500	687,608	145,410
Government grants	80,524		80,524	78,435
Fundraising event, net (Note 10)	298,508		298,508	320,395
In-kind support (Note 11)	575,571		575,571	50,958
Total Support	<u>2,128,432</u>	<u>2,774,864</u>	<u>4,903,296</u>	<u>3,252,934</u>
Revenue				
Store revenue, net (Note 12)	94,019		94,019	56,186
Investment activity (Note 4)	18,021		18,021	23,932
Other	16,810		16,810	10,022
Total Revenue	<u>128,850</u>		<u>128,850</u>	<u>90,140</u>
Net assets released from donor restrictions (Note 9)	2,688,004	(2,688,004)	-	-
Total Support and Revenue	<u>4,945,286</u>	<u>86,860</u>	<u>5,032,146</u>	<u>3,343,074</u>
<b>Expenses</b>				
Program	1,597,015		1,597,015	1,226,260
Management and general	269,559		269,559	230,234
Fundraising	168,208		168,208	237,247
Total Expenses	<u>2,034,782</u>	<u>-</u>	<u>2,034,782</u>	<u>1,693,741</u>
Change in net assets	2,910,504	86,860	2,997,364	1,649,333
Net Assets, beginning of year	<u>1,705,780</u>	<u>1,970,122</u>	<u>3,675,902</u>	<u>2,026,569</u>
Net Assets, end of year	<u>\$ 4,616,284</u>	<u>\$ 2,056,982</u>	<u>\$ 6,673,266</u>	<u>\$ 3,675,902</u>

See Notes to the Financial Statements

**826 VALENCIA, INC.**

**Statement of Cash Flows**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	2016	2015
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,997,364	\$ 1,649,333
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	38,322	21,010
Investment activity	(18,021)	21,868
Donated stock	(53,064)	(36,540)
Donated leasehold improvements	(523,412)	(12,561)
Changes in assets and liabilities:		
Accounts and grants receivable	(204,577)	(721,288)
Prepaid expenses	-	53,844
Inventory	(11,510)	26,448
Deposits	-	(32,518)
Accounts payable and accrued expenses	102,753	(2,957)
Deferred revenue	37,500	-
Accrued vacation	6,547	14,883
Scholarships payable	3,315	60,960
Net cash provided (used) by operating activities	2,375,217	1,042,482
<b>Cash flows from investing activities</b>		
Purchases of investments	(12,679)	(51,916)
Sales of investments	66,223	42,817
Purchase of property and equipment	(1,099,208)	(28,546)
Net cash provided (used) by investing activities	(1,045,664)	(37,645)
Net change in cash and cash equivalents	1,329,553	1,004,837
Cash and cash equivalents, beginning of year	1,661,701	656,864
Cash and cash equivalents, end of year	\$ 2,991,254	\$ 1,661,701

See Notes to the Financial Statements

826 VALENCIA, INC.

**Statement of Functional Expenses**  
**For the Year Ended June 30, 2016**  
**(With Comparative Totals for the Year Ended June 30, 2015)**

	Program	Management and general	Fundraising	Total	
				2016	2015
Salaries	\$ 902,932	\$ 128,768	\$ 103,065	\$ 1,134,765	\$ 794,245
Benefits	63,109	9,000	7,204	79,313	67,023
Payroll taxes	69,748	9,947	7,961	87,656	64,496
Total Personnel	<u>1,035,789</u>	<u>147,715</u>	<u>118,230</u>	<u>1,301,734</u>	<u>925,764</u>
Scholarships and awards	142,738	-	-	142,738	148,082
Accounting fees	-	34,012	-	34,012	78,754
Contract services	42,630	27,505	6,670	76,805	49,773
Advertising and promotion	3,285	541	302	4,128	8,827
Supplies and office expenses	93,175	15,351	8,571	117,097	118,088
Information technology	7,260	1,105	1,915	10,280	2,036
Travel and meals	9,071	1,495	834	11,400	5,684
Occupancy	118,230	19,480	10,876	148,586	130,098
Conference and meetings	5,812	958	535	7,305	51,354
Insurance	8,666	3,757	981	13,404	9,489
Bank, service and other fees	10,027	1,652	922	12,601	21,258
Payments to affiliates	60,000			60,000	46,151
Depreciation	30,217	5,184	2,921	38,322	21,010
Trainings and staff appreciation	30,115	4,962	2,770	37,847	52,704
Miscellaneous	-	5,842	12,681	18,523	24,669
Total Expenses	<u>\$ 1,597,015</u>	<u>\$ 269,559</u>	<u>\$ 168,208</u>	<u>\$ 2,034,782</u>	<u>\$ 1,693,741</u>

See Notes to the Financial Statements

## 826 VALENCIA, INC.

### Notes to the Financial Statements For the Year Ended June 30, 2016 (With Comparative Totals for the Year Ended June 30, 2015)

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#### NOTE 1: NATURE OF ACTIVITIES

826 Valencia, Inc. (the Organization) is a non-profit organization dedicated to supporting students, ages 6-18, with their writing skills, whether in the realm of creative writing, expository writing, or English as a second language.

The Organization's program consists of several different components, most of which are facilitated by a base of skilled and enthusiastic volunteers. Program components consist of the following: 1) drop-in tutoring, 2) workshops, 3) field trips, 4) school visits, 5) student publications, and 6) scholarships.

The Organization, which is located in San Francisco, California, is primarily supported by private and public grants, as well as sales of pirate themed merchandise from its Pirate Store.

#### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### **Basis of Presentation**

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

*Unrestricted net assets* – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

*Temporarily restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets may also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Organization.

*Permanently restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of June 30, 2016.

## 826 VALENCIA, INC.

### Notes to the Financial Statements For the Year Ended June 30, 2016 (With Comparative Totals for the Year Ended June 30, 2015)

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#### Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of June 30, 2016 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

#### Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

#### Estimates

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

#### Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Organization classifies cash equivalents held

## 826 VALENCIA, INC.

### Notes to the Financial Statements For the Year Ended June 30, 2016 (With Comparative Totals for the Year Ended June 30, 2015)

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for investments purposes in its investments accounts as part of its investment balances and reports transfers to and from such accounts as purchases and sales of investments.

#### **Concentration of Credit Risk**

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

#### **Inventory**

The Organization reports inventory at the lower of cost or market, computed on the first-in, first-out basis. Inventory consists of storefront merchandise, original publications, and donated publications.

#### **Property and Equipment**

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$500; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	2-7 years
Computer equipment and software	3 years
Leasehold improvements	Useful life or lease term

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

#### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Prior Year Summarized Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

## 826 VALENCIA, INC.

### Notes to the Financial Statements For the Year Ended June 30, 2016 (With Comparative Totals for the Year Ended June 30, 2015)

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#### Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

#### Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of January 30, 2017 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

#### NOTE 3: ACCOUNTS AND GRANTS RECEIVABLE

The Organization considers all accounts and grants receivable to be fully collectible at June 30, 2016. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Accounts and grants receivable consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Accounts and grants receivable	\$ 944,935	\$ 740,358
Less: current portion	<u>(722,435)</u>	<u>(540,358)</u>
Grants receivable - long term	<u>\$ 222,500</u>	<u>\$ 200,000</u>

Management expects to collect the entirety of the long term portion of grants receivable by June 30, 2020. Management has evaluated the discount to present value for such long term receivables and determined that such discounts would not be material to the financial statements.

#### NOTE 4: INVESTMENTS

The fair value of investments consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Money market funds and CDs	\$ 574,130	\$ 440,478
Mutual funds	6,915	6,875
Fixed Income	<u>830,620</u>	<u>946,771</u>
Total	<u>\$ 1,411,665</u>	<u>\$ 1,394,124</u>

#### Investment activity

Investment activity consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 32,486	\$ 45,800
Realized and unrealized gains (losses)	<u>(14,465)</u>	<u>(21,868)</u>
Total	<u>\$ 18,021</u>	<u>\$ 23,932</u>

## 826 VALENCIA, INC.

### Notes to the Financial Statements For the Year Ended June 30, 2016 (With Comparative Totals for the Year Ended June 30, 2015)

#### NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

Fair value inputs of assets measured on recurring basis were as follows at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market funds	\$ 574,130	\$ -	\$ 574,130
Mutual funds	6,915	-	6,915
Fixed income			
Corporate bonds	-	644,917	644,917
Foreign bonds	-	185,703	185,703
Total	<u>\$ 581,045</u>	<u>\$ 830,620</u>	<u>\$ 1,411,665</u>

#### Credit Risk

The Organization's fixed income holdings are subject to credit risk. S&P ratings for fixed income holdings ranged from AA+ to BBB+ as of June 30, 2016.

#### Interest Rate Risk

The prices of fixed-income securities may be sensitive to changes in interest rates which may be impacted by time to maturity for such fixed income securities. Maturity dates ranged up to November 2021 as of June 30, 2016.

#### NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 16,984	\$ 38,750
Office and computer equipment	60,482	45,318
Leasehold improvements	1,757,415	218,248
Less: Accumulated depreciation	<u>(90,270)</u>	<u>(142,003)</u>
Total	<u>\$ 1,744,611</u>	<u>\$ 160,313</u>

**826 VALENCIA, INC.**

**Notes to the Financial Statements  
For the Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)**

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**NOTE 7: COMMITMENTS**

**Operating Leases**

The Organization leases office space at 826 Valencia St., 828A Valencia St. and 166-180 Golden Gate Ave. in San Francisco under non-cancelable leases that expire on September 2019, September 2023 and April 2030 respectively. Future minimum lease payments were as follows for the years ended June 30:

2017	\$ 218,424
2018	222,444
2019	226,536
2020	189,478
2021	179,966
Thereafter	<u>1,376,152</u>
Total	<u>\$ 2,413,000</u>

Rent for the years ended June 30, 2016 and 2015 was \$125,798 and \$112,250, respectively.

**Options to Renew**

The Organization has options to renew its leases under certain terms and conditions.

<u>Location</u>	<u>Renewal Period</u>	<u>Rent Change</u>
828A Valencia St.	7 years	Limited
166-180 Golden Gate Ave.	5 years	Fair Market

**NOTE 8: CONTINGENCIES**

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

**NOTE 9: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available as follows as of June 30:

	<u>2016</u>	<u>2015</u>
Tenderloin expansion	\$ 1,603,482	\$ 1,807,728
CCR and Scholarships	-	162,394
Future operations	<u>453,500</u>	<u>-</u>
Total	<u>\$ 2,056,982</u>	<u>\$ 1,970,122</u>

826 VALENCIA, INC.

Notes to the Financial Statements  
For the Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)

Temporarily restricted net assets were released from donor restriction by satisfying the purposes specified by donors as follows during the years ended June 30:

	<u>2016</u>	<u>2015</u>
After School Tutoring	\$ 128,000	\$ 72,000
CCR and Scholarships	217,394	157,059
Tenderloin expansion	1,627,610	52,372
In school projects	145,000	168,074
Other programs	400,000	29,327
Passage of time	<u>170,000</u>	<u>15,000</u>
Total	<u>\$ 2,688,004</u>	<u>\$ 493,832</u>

Funds released from restrictions included amounts released as a result of the buildout of the Organization's new location in the Tenderloin of San Francisco.

**NOTE 10: FUNDRAISING EVENT**

The Organization held a fundraising event during the year. Activity related to the event was as follows during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Admission	\$ 41,100	\$ 40,500
Donations and sponsorships	346,918	313,612
Sale of donated auction items	-	11,529
Less: Costs of direct donor benefit	<u>(89,510)</u>	<u>(45,246)</u>
Total	<u>\$ 298,508</u>	<u>\$ 320,395</u>

**NOTE 11: IN-KIND SUPPORT**

The Organization received the benefit of the following in-kind support during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Publishing and outreach	\$ 42,567	\$ 17,325
Event and supply items	9,592	21,072
Leasehold improvements	<u>523,412</u>	<u>12,561</u>
Total	<u>\$ 575,571</u>	<u>\$ 50,958</u>

**NOTE 12: STORE REVENUE**

The Organization operates two retail stores in San Francisco. Revenue related to the stores was as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Gross receipts	\$ 181,270	\$ 187,339
Less: Cost of goods sold	<u>(87,251)</u>	<u>(131,153)</u>
Total	<u>\$ 94,019</u>	<u>\$ 56,186</u>

**826 VALENCIA, INC.**

**Notes to the Financial Statements  
For the Year Ended June 30, 2016  
(With Comparative Totals for the Year Ended June 30, 2015)**

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**NOTE 13: RETIREMENT PLAN**

The Organization sponsors a retirement plan for the benefit of eligible employees. Employees may make salary deferral contributions to the plan based on rules established by the Internal Revenue Service. The plan allows for employer matching contributions at the discretion of the Organization. There were no employer contributions made to the plan for the years ended June 30, 2016 and 2015.

**NOTE 14: CONCENTRATIONS**

**Support and Revenue**

Approximately 26% of the Organizations total support came from four funders for the year ended June 30, 2016.

**Assets**

Approximately 26% of accounts and grants receivable consisted of receivables from one funder as of June 30, 2016.

**NOTE 15: RELATED PARTY TRANSACTIONS**

**826 National**

The Organization is related to 826 National through a chapter affiliation agreement.

**Chapter Fees and Grants**

The Organization pays an annual fee to 826 National based on the Organization's gross revenues for the preceding year in exchange for brand building services, evaluation and chapter and program development, and various administrative, financial and accounting support services.

For the years ended June 30, 2016 and 2015, chapter fees paid to 826 National totaled approximately \$60,000 and \$46,151, respectively. Amounts owed to 826 National at June 30, 2016 and 2015 were approximately \$16,250 and \$11,538, respectively. The Organization received certain grants and other funding from 826 National.