
826 VALENCIA, INC.

FINANCIAL STATEMENTS

June 30, 2018

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2017)

CROSBY & KANEDA
Certified Public Accountants

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, 2018, 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, 2018, and the changes in its net assets 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in black ink that reads "Crosby & Landa CPAs LLP". The signature is written in a cursive, flowing style.

Oakland, California
February 21, 2019

826 VALENCIA, INC.

**Statement of Financial Position
June 30, 2018
(With Comparative Totals as of June 30, 2017)**

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 1,653,331	\$ 3,408,119
Accounts and grants receivable (Note 3)	492,433	355,630
Investments (Note 4)	4,357,950	1,421,666
Prepaid expenses	70,466	55,656
Inventory	63,739	54,543
Total current assets	6,637,919	5,295,614
Grants receivable, noncurrent (Note 3)	64,467	125,000
Property and equipment, net (Note 6)	1,626,556	1,740,300
Deposits	72,280	72,280
Total Assets	\$ 8,401,222	\$ 7,233,194
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 80,519	\$ 127,866
Accrued vacation	59,828	43,728
Scholarships payable	361,929	357,987
Total current liabilities	502,276	529,581
Accrued rent	82,106	62,102
Total Liabilities	584,382	591,683
Commitments and Contingencies (Notes 7 and 8)		
Net assets		
Unrestricted (Note 9)	6,248,444	5,099,179
Temporarily restricted (Note 10)	1,568,396	1,542,332
Total Net Assets	7,816,840	6,641,511
Total Liabilities and Net Assets	\$ 8,401,222	\$ 7,233,194

See Notes to the Financial Statements

826 VALENCIA, INC.

**Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

	Unrestricted	Temporarily Restricted	Total	
			2018	2017
Support and Revenue				
Support				
Foundation grants	\$ 183,000	\$ 1,197,175	\$ 1,380,175	\$ 1,256,680
Individual contributions	1,499,824	621,626	2,121,450	666,202
Corporate support	151,730	97,200	248,930	236,617
Government grants	5,000	90,765	95,765	135,201
Fundraising event, net (Note 11)	312,593		312,593	332,835
In-kind support (Note 12)	119,209		119,209	115,944
Total Support	<u>2,271,356</u>	<u>2,006,766</u>	<u>4,278,122</u>	<u>2,743,479</u>
Revenue				
Store revenue, net (Note 13)	107,111		107,111	110,363
Investment activity, net (Note 4)	47,699		47,699	10,001
Other	19,135		19,135	1,916
Total Revenue	<u>173,945</u>		<u>173,945</u>	<u>122,280</u>
Net assets released from donor restrictions (Note 10)	1,980,702	(1,980,702)	-	-
Total Support and Revenue	<u>4,426,003</u>	<u>26,064</u>	<u>4,452,067</u>	<u>2,865,759</u>
Expenses				
Program	2,579,853		2,579,853	2,289,011
Management and general	442,922		442,922	374,236
Fundraising	253,963		253,963	234,267
Total Expenses	<u>3,276,738</u>	<u>-</u>	<u>3,276,738</u>	<u>2,897,514</u>
Change in net assets	1,149,265	26,064	1,175,329	(31,755)
Net Assets, beginning of year	<u>5,099,179</u>	<u>1,542,332</u>	<u>6,641,511</u>	<u>6,673,266</u>
Net Assets, end of year	<u>\$ 6,248,444</u>	<u>\$ 1,568,396</u>	<u>\$ 7,816,840</u>	<u>\$ 6,641,511</u>

See Notes to the Financial Statements

826 VALENCIA, INC.

**Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 1,175,329	\$ (31,755)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Contributions intended for capital projects	(150,000)	-
Depreciation	148,260	137,061
Investment activity	(47,699)	(10,001)
Donated stock	(14,583)	(5,000)
Loss on disposition	1,844	-
Changes in assets and liabilities:		
Accounts and grants receivable	(76,270)	464,305
Prepaid expenses	(14,810)	(47,701)
Inventory	(9,196)	(1,747)
Deposits	-	(8,026)
Accounts payable and accrued expenses	(47,347)	(10,061)
Deferred revenue	-	(37,500)
Accrued vacation	16,100	(1,505)
Scholarships payable	3,942	34,443
Accrued rent	20,004	62,102
Net cash provided (used) by operating activities	1,005,574	544,615
Cash flows from investing activities		
Purchases of investments	(2,875,000)	-
Sales of investments	998	-
Purchase of property and equipment	(36,360)	(127,750)
Net cash provided (used) by investing activities	(2,910,362)	(127,750)
Cash flows from financing activities		
Contributions intended for capital projects	150,000	-
Net cash provided (used) by financing activities	150,000	-
Net change in cash and cash equivalents	(1,754,788)	416,865
Cash and cash equivalents, beginning of year	3,408,119	2,991,254
Cash and cash equivalents, end of year	\$ 1,653,331	\$ 3,408,119
Supplemental information		
Donated property and improvements	\$ 20,000	\$ 5,000

See Notes to the Financial Statements

826 VALENCIA, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

	Program	Management and general	Fundraising	Total	
				2018	2017
Salaries	\$ 1,301,075	\$ 139,962	\$ 121,248	\$ 1,562,285	\$ 1,345,942
Benefits	150,976	15,799	13,816	180,591	92,216
Payroll taxes	104,057	11,193	9,693	124,943	111,629
Total Personnel	<u>1,556,108</u>	<u>166,954</u>	<u>144,757</u>	<u>1,867,819</u>	<u>1,549,787</u>
Scholarships and awards	103,500	-	-	103,500	103,500
Contract services	20,700	168,420	3,483	192,603	91,873
Supplies and office expenses	111,026	13,433	12,737	137,196	190,548
Information technology	3,640	1,820	607	6,067	9,914
Travel and meals	6,645	10,668	2,756	20,069	19,702
Occupancy	244,603	27,176	30,182	301,961	282,269
Conference and meetings	52,713	5,753	5,452	63,918	21,048
Insurance	12,319	685	684	13,688	12,107
Payments to affiliates (Note 15)	54,000	3,000	3,000	60,000	60,000
Depreciation	120,090	13,344	14,826	148,260	137,061
Americorps, volunteers and interns	162,584	2,217	10,171	174,972	162,804
Publications	46,916	1,296	15,910	64,122	77,377
Other	7,435	21,454	4,705	33,594	83,793
In-kind services	77,574	6,702	4,693	88,969	95,731
Total Expenses	<u>\$ 2,579,853</u>	<u>\$ 442,922</u>	<u>\$ 253,963</u>	<u>\$ 3,276,738</u>	<u>\$ 2,897,514</u>

See Notes to the Financial Statements

826 VALENCIA, INC.

Notes to the Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for the Year Ended June 30, 2017)

NOTE 1: NATURE OF ACTIVITIES

826 Valencia is a nonprofit organization dedicated to supporting under-resourced students ages six to eighteen with their creative and expository writing skills and to helping teachers inspire their students to write. Our services are structured around the understanding that great leaps in learning can happen with one-on-one attention and that strong writing skills are fundamental to future success.

826 Valencia comprises two writing centers—our flagship location in the Mission District and a second center in the Tenderloin neighborhood—and three satellite classrooms at nearby public schools. All of our programs are offered free of charge to make them accessible to the students who would not otherwise be able to access our support.

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 and other inflows of assets 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.

Permanently restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of June 30, 2018.

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

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Notes to the Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for the Year Ended June 30, 2017)

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, 2018 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 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 for statement of cash flow purposes.

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.

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Notes to the Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for the Year Ended June 30, 2017)

Inventory

The Organization reports inventory at the lower of cost or market, computed on an average cost 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 \$2,500; 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	3-5 years
Computer software	3 years
Computer hardware	3 years
Leasehold improvements	15 years 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.

Accrued Rent

The Organization recognizes rent expense on a straight-line basis over the term of its leases. Accrued rent consists of amounts accrued under this policy but not yet due under the terms of the related leases.

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, 2017, from which the summarized information was derived.

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.

826 VALENCIA, INC.

Notes to the Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for the Year Ended June 30, 2017)

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of February 21, 2019, 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, 2018. 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>2018</u>	<u>2017</u>
Accounts and grants receivable	\$ 556,900	\$ 480,630
Less: current portion	<u>(492,433)</u>	<u>(355,630)</u>
Grants receivable, noncurrent	<u>\$ 64,467</u>	<u>\$ 125,000</u>

Management expects to collect the entirety of the long term portion of grants receivable by November 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>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,307,663	\$ 706,854
Exchange traded funds	2,603,189	8,389
Bonds	<u>447,098</u>	<u>706,423</u>
Total	<u>\$ 4,357,950</u>	<u>\$ 1,421,666</u>

Investment Activity

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 46,014	\$ 33,127
Realized and unrealized gains (losses)	<u>1,685</u>	<u>(23,126)</u>
Total	<u>\$ 47,699</u>	<u>\$ 10,001</u>

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.

826 VALENCIA, INC.

Notes to the Financial Statements For the Year Ended June 30, 2018 (With Comparative Totals for the Year Ended June 30, 2017)

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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,307,663	\$ -	\$ 1,307,663
Exchange traded funds			
Fixed income	1,664,133	-	1,664,133
Equity	714,535	-	714,535
Real estate	112,263	-	112,263
Other	112,258	-	112,258
Corporate bonds	-	447,098	447,098
Total	<u>\$ 3,910,852</u>	<u>\$ 447,098</u>	<u>\$ 4,357,950</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, 2018.

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, 2018.

NOTE 6: PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 12,281	\$ 14,127
Computer software and website	29,064	6,098
Computer hardware	42,541	42,541
Leasehold improvements	1,935,283	1,922,811
Less: Accumulated depreciation	<u>(392,613)</u>	<u>(245,277)</u>
Total	<u>\$ 1,626,556</u>	<u>\$ 1,740,300</u>

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

826 VALENCIA, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

2022, September 2023 and May 2030 respectively. Future minimum lease payments were as follows for the years ended June 30:

2019	\$ 243,861
2020	249,066
2021	254,604
2022	261,543
2023	208,971
Thereafter	<u>1,029,207</u>
Total	<u>\$ 2,247,252</u>

Rent for the years ended June 30, 2018 and 2017 was \$257,462 and \$247,468, 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>
826 Valencia St.	5 years	Fixed
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: UNRESTRICTED NET ASSETS

Unrestricted net assets consisted of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Designated for property and equipment	\$ 1,626,556	\$ 1,740,300
Reserve	1,520,245	-
Undesignated	<u>3,101,643</u>	<u>3,358,879</u>
Total	<u>\$ 6,248,444</u>	<u>\$ 5,099,179</u>

NOTE 10: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
CCR and Scholarships	\$ 82,442	\$ -
Tenderloin expansion	593,054	1,064,202
Mission Bay expansion	615,400	-
In school projects	97,500	-
Other programs	30,000	11,630

826 VALENCIA, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

Future operations	<u>150,000</u>	<u>466,500</u>
Total	<u>\$ 1,568,396</u>	<u>\$ 1,542,332</u>

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>2018</u>	<u>2017</u>
After School Tutoring	\$ 68,081	\$ 71,201
CCR and Scholarships	259,058	146,500
Tenderloin expansion	793,648	794,405
In school projects	194,000	65,000
Other programs	178,110	333,970
Passage of time	<u>487,805</u>	<u>262,000</u>
Total	<u>\$ 1,980,702</u>	<u>\$ 1,673,076</u>

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

NOTE 11: 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>2018</u>	<u>2017</u>
Admission	\$ 87,250	\$ 45,522
Donations and sponsorships	323,164	330,762
Sale of auction items	5,230	16,000
In-kind goods	6,809	9,550
Less: Costs of direct donor benefit	<u>(109,860)</u>	<u>(68,999)</u>
Total	<u>\$ 312,593</u>	<u>\$ 332,835</u>

NOTE 12: IN-KIND SUPPORT

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

	<u>2018</u>	<u>2017</u>
Publishing, legal and other services	\$ 88,969	\$ 95,731
Event and other supplies	10,240	15,213
Leasehold and website improvements	<u>20,000</u>	<u>5,000</u>
Total	<u>\$ 119,209</u>	<u>\$ 115,944</u>

826 VALENCIA, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

NOTE 13: 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>2018</u>	<u>2017</u>
Gross receipts	\$ 166,510	\$ 194,777
Less: Cost of goods sold	<u>(59,399)</u>	<u>(84,414)</u>
Total	<u>\$ 107,111</u>	<u>\$ 110,363</u>

NOTE 14: RETIREMENT PLAN

The Organization has a defined contribution retirement plan (the Plan) under section 401(k) of the Internal Revenue Code which allows for both employer contributions and pre-tax employee contributions. The Plan covers all employees over the age of 21 immediately upon hire. The plan provides for employer matching contributions up to 1% of eligible employee's salary. The Organization contributed \$9,600 and \$0 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017, chapter fees paid to 826 National totaled \$60,000. The Organization received certain grants and other funding from 826 National.

NOTE 16: CONDITIONAL PROMISES TO GIVE

In addition to the activity the organization received conditional promises to give, which it expects to recognize as revenue as the related conditions are satisfied. Conditional promises to give were as follows as of June 30, 2018:

<u>Conditions</u>	<u>Amount</u>
Program performance and reporting	\$ 100,000
Challenge grant - matching	<u>50,000</u>
Total	<u>\$ 150,000</u>