

Audited Financial Statements



June 30, 2024

Quigley & Miron

826LA
Audited Financial Statements
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June 30, 2024

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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, 2024, 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, 2024, 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 black ink that reads "Zugley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
May 16, 2025

826LA
Statement of Financial Position
June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,468,599	\$	\$ 2,468,599
Contributions and grants receivable—Note 3	599,365	399,207	998,572
Inventory	70,465		70,465
Prepaid expenses	27,193		27,193
Other current assets	114,561		114,561
Total Current Assets	3,280,183	399,207	3,679,390
Non-Current Assets			
Operating lease right-of-use asset—Note 5	311,564		311,564
Deposits	34,935		34,935
Total Non-Current Assets	346,499		346,499
Total Assets	\$ 3,626,682	\$ 399,207	\$ 4,025,889
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued expenses	\$ 92,496	\$	\$ 92,496
Accrued paid time off	100,151		100,151
Operating lease liability—Note 5	102,647		102,647
Total Current Liabilities	295,294		295,294
Non-Current Liabilities			
Operating lease liability—Note 5	218,913		218,913
Total Non-Current Liabilities	218,913		218,913
Total Liabilities	514,207		514,207
Net Assets			
Without donor restrictions—Note 7	3,112,475		3,112,475
With donor restrictions—Note 8		399,207	399,207
Total Net Assets	3,112,475	399,207	3,511,682
Total Liabilities and Net Assets	\$ 3,626,682	\$ 399,207	\$ 4,025,889

See notes to financial statements.

826LA
Statement of Activities
Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Contributions and grants			
Foundations	\$ 250,811	\$ 475,073	\$ 725,884
Individuals and corporations	169,338	50,627	219,965
Government agencies	534,150	36,914	571,064
In-kind Contributions—Note 9	81,403		81,403
Fundraising events			
Gross receipts	291,108		291,108
Less cost of direct benefits to donors	(93,248)		(93,248)
Fundraising Events, Net	197,860		197,860
Store sales			
Gross sales	124,393		124,393
Less:			
Cost of goods sold	(42,102)		(42,102)
Other direct expenses	(29,659)		(29,659)
Store Sales, Net	52,632		52,632
Contracted services	393,458		393,458
Interest and dividends	69,795		69,795
Total Public Support and Revenue	1,749,447	562,614	2,312,061
Net assets released from restrictions	622,465	(622,465)	
Total Public Support, Revenue, and Net Assets Released from Restrictions	2,371,912	(59,851)	2,312,061
Expenses			
Youth creative and expository writing services	1,607,125		1,607,125
Management and general	243,522		243,522
Fundraising	409,146		409,146
Total Expenses	2,259,793		2,259,793
Change in Net Assets	112,119	(59,851)	52,268
Net Assets at Beginning of Year	3,000,356	459,058	3,459,414
Net Assets at End of Year	\$ 3,112,475	\$ 399,207	\$ 3,511,682

See notes to financial statements.

826LA
Statement of Functional Expenses
Year Ended June 30, 2024

	Youth Creative and Expository Writing Services	Management and General	Fundraising	Fundraising Events	Total
Salaries and wages	\$ 900,017	\$ 139,051	\$ 287,100	\$	\$ 1,326,168
Payroll taxes	69,272	10,702	22,097		102,071
Employee benefits	79,498	12,282	25,359		117,139
Total Personnel	1,048,787	162,035	334,556		1,545,378
Occupancy	191,856	11,286	22,572		225,714
Miscellaneous expenses	75,597	6,540	13,080		95,217
Cost of direct benefits to donors				93,248	93,248
Supplies	56,459	4,056	8,111		68,626
Intern stipends	53,420	9,652	200		63,272
National affiliate fees	51,000	3,000	6,000		60,000
Outside services	44,758	5,077	10,153		59,988
Professional fees	14,432	37,525	5,773		57,730
Cost of goods sold	42,102				42,102
Printing and publications	33,985	2,109	4,217		40,311
Other direct expenses	29,659				29,659
Insurance	13,443	791	1,582		15,816
Small equipment purchases	10,605	624	1,248		12,477
Telephone	8,917	525	1,049		10,491
Postage and shipping	2,278	190	381		2,849
Travel	1,588	112	224		1,924
Total Expenses by Function	1,678,886	243,522	409,146	93,248	2,424,802
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(93,248)	(93,248)
Cost of goods sold	(42,102)				(42,102)
Other direct expenses	(29,659)				(29,659)
Total Expenses	\$ 1,607,125	\$ 243,522	\$ 409,146	\$	\$ 2,259,793

See notes to financial statements.

826LA
Statement of Cash Flows
Year Ended June 30, 2024

Cash Flows from Operating Activities

Change in net assets	\$ 52,268
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Contributions and grants receivable	(604,481)
Inventory	(24,983)
Prepaid expenses	12,124
Other current assets	79,039
Deposits	(844)
Operating lease right-of-use asset	92,718
Accounts payable and accrued expenses	29,662
Accrued paid time off	(8,610)
Operating lease liability	(88,543)
	<u>(461,650)</u>
Net Cash Used in Operating Activities	(461,650)
Net Decrease in Cash and Cash Equivalents	(461,650)
Cash and Cash Equivalents at Beginning of Year	<u>2,930,249</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 2,468,599</u></u>

Supplementary Disclosures

Cash paid during the year for:	
Income taxes	\$ _____
Interest	\$ _____

See notes to financial statements.

826LA
Notes to Financial Statements
June 30, 2024

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, 2024.

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, 2024.

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, 2024. 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, 2024, 826LA did not have any property or equipment obtained pursuant to gifts or capital leases.

Recently Adopted Accounting Principle—In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The new guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income, including loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. 826LA adopted ASU No. 2016-13 on a retrospective basis for the year ended June 30, 2024 with no resulting impact on the financial statement presentation.

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. 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, 2024 and believes it is not exposed to any significant credit risk with its cash and cash equivalents.

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

Accounts Receivable—Accounts receivable consists primarily of government agencies revenue and contracted services and are stated at the amount that management expects to collect from outstanding balances. Management believes that accounts receivable as of June 30 2024, are fully collectible, and 826LA has therefore not recorded an allowance for credit losses. Accounts receivable are written off when they are determined to be uncollectible.

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, 2024, 826LA's volunteer network donated 19,377 service hours valued at \$580,341. These valuations are based on an estimated rate of volunteer time of \$29.95 per hour in 2024, 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.

Fundraising events—Fundraising events revenue is recognized when such revenue is received.

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

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

Interest and Dividend Income—Interest and dividend income is recognized when earned and is reported as interest and dividends under public support and revenue in the statement of activities.

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, employee benefits, miscellaneous expenses, supplies, intern stipends, national affiliate fees, outside services, professional fees, printing and publications, insurance, small equipment purchases, telephone, postage and shipping, and travel. Estimates of square footage were used as the basis of allocation for the occupancy expense. All other functional expenses are charged directly to programs.

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, 2024 to cover operating expenses for the next fiscal year:

Financial assets at end of year		
Cash and cash equivalents	\$	2,468,599
Contributions and grants receivable		998,572
		<u>3,467,171</u>
	Total Financial Assets	3,467,171
Less amounts not available to be used within one year:		
Net assets with donor restrictions		
Youth creative and expository writing services		
Restricted due to timing		(399,207)
Less net assets with time restrictions to be met within one year		
Board-designated reserve		(1,380,525)
		<u>(1,779,732)</u>
	Total Unavailable Financial Assets	(1,779,732)
	Current Availability of Financial Assets	<u>\$ 1,687,439</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, 2024 consist of the following:

Government agencies	\$	682,204
Foundations		279,619
Individuals and corporations		36,749
		<u>998,572</u>
	Total	<u>\$ 998,572</u>

Note 4—Property and Equipment, Net

Net property and equipment at June 30, 2024 consist of the following:

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

826LA

Notes to Financial Statements—Continued

Note 5—Operating Lease Liability

826LA leases space under a non-cancelable operating lease in Mar Vista for a one-year term, expiring in September 2024. After expiring, 826LA continued to lease the space on a month-to-month basis. Rent expense under this lease totaled \$82,395 for the year ended June 30, 2024. Additionally, 826LA leased copier equipment under a non-cancelable operating lease expiring in March 2024. Subsequent to year-end, in August 2024, 826LA signed a new copier lease for a period of 63 months. Rent expense under this lease totaled \$12,501 for the year ended June 30, 2024.

Commencing September 2022, 826LA entered into a five-year lease for office space in Echo Park. With the adoption of ASU 2016-02, effective September 1, 2022, an operating lease right-of-use asset and an operating lease liability were recorded relating to this operating lease using the lease term and monthly rental amounts, and a discount rate of 2.95% amounting to \$479,823 and \$479,823 at June 30, 2022, respectively.

Future minimum annual rental commitments by year for the operating lease with a maturity greater than one year from June 30, 2024 are as follows:

<u>Year Ended June 30,</u>	
2025	\$ 102,647
2026	106,240
2027	109,958
2028	18,430
	<hr/>
	Gross Rental Payments 337,275
Less effect of discounting at 2.95%	(15,715)
	<hr/>
	Operating Lease Liability <u>\$ 321,560</u>

Rent expense for the Echo Park lease totaled \$99,176 for the year ended June 30, 2024.

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, 2024 are as follows:

Undesignated	\$ 1,731,950
Board-designated reserve	1,380,525
	<hr/>
Total Net Assets Without Donor Restrictions	\$ 3,112,475

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, 2024 are as follows:

Promises to give, the proceeds from which have been restricted by donors:	
Support for future periods	\$ 399,207
Total Net Assets With Donor Restrictions	<u>\$ 399,207</u>

Net assets released from donor restrictions for the year ended June 30, 2024 are as follows:

Satisfaction of purpose restrictions:	
Technology upgrades	\$ 55,900
Writers' Rooms	87,800
Educational programs	10,000
Satisfaction of passage of time	
Youth creative and expository writing services	468,765
Total Net Assets Released from Donor Restrictions	<u>\$ 622,465</u>

Note 9—In-Kind Contributions

During the year ended June 30, 2024, donated counseling services and supplies were received by 826LA and recorded in the statement of activities under the in-kind contributions caption. In-kind contributions were received without donor restrictions and were used exclusively for program service activities. In-kind contributions of supplies were valued at their estimated wholesale prices of identical or similar products at the date of each respective gift. In-kind contributions of counseling services were valued at their estimated fair value provided by the counseling service provider. In-kind contributions of legal services were valued at their estimated rates of legal services provided by a law firm. The following illustrates the in-kind contributions received by category:

Supplies	\$ 52,605
Counseling services	10,159
Legal services	18,639
Total	<u>\$ 81,403</u>

In-kind contributions were recorded in the respective captions in the statement of functional expenses as follows:

Supplies	\$ 133,964
Outside services	64,375
Miscellaneous	12,879
Total	<u>\$ 211,218</u>

Vouchers for counseling services received but not yet used totaled \$30,293 at June 30, 2024, and are recorded under other assets on the statement of financial position.

826LA**Notes to Financial Statements—Continued****Note 10—Employee Retirement 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, 2024 were \$3,012 and \$12,851, respectively.

Note 11—Subsequent Events

Management evaluated all activities of 826LA through May 16, 2025, which is the date the financial statements were available to be issued, and concluded that, aside from the new copier lease 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.