



**FINANCIAL STATEMENTS
(Reviewed)**

YEAR ENDED MARCH 31, 2017



LOHMAN COMPANY, PLLC
Certified Public Accountants & Business Consultants

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Kids Need to Read
Mesa, Arizona

We have reviewed the accompanying financial statements of Kids Need to Read, which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Mesa, Arizona
August 23, 2017

KIDS NEED TO READ
STATEMENT OF FINANCIAL POSITION
March 31, 2017

ASSETS

Current assets

Cash	\$ 40,324
Contributions receivable	502
Pledges receivable	50,550
Books inventory	1,358,891
Prepaid expenses	<u>5,325</u>

Total current assets 1,455,592

Property and equipment

Office equipment	19,633
Vehicle	<u>26,850</u>
	46,483
Less accumulated depreciation	<u>(9,510)</u>

Total property and equipment 36,973

Other assets

Investments held by Arizona Community Foundation	26,115
Pledge receivable, less unamortized discount of \$14,721	135,279
Security deposit	<u>1,471</u>

Total other assets 162,865

Total assets \$ 1,655,430

See accompanying notes and independent accountant's review report

KIDS NEED TO READ
STATEMENT OF FINANCIAL POSITION (Continued)
March 31, 2017

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 5,724
Accrued expenses	5,844
	<hr/>

Total current liabilities

 11,568

Commitment

Net assets

Unrestricted	1,424,279
Temporarily restricted	193,468
Permanently restricted	26,115
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Total net assets

 1,643,862

Total liabilities and net assets

 \$ 1,655,430

See accompanying notes and independent accountant's review report

**KIDS NEED TO READ
STATEMENT OF ACTIVITIES
Year Ended March 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Contributed books inventory	\$ 1,601,910	\$ -	\$ -	\$ 1,601,910
Contributions	41,947	15,330	-	57,277
Grants	38,179	-	-	38,179
Special event	62,654	-	-	62,654
Fundraising	10,098	-	-	10,098
Contributed services	74,463	-	-	74,463
Investment income, net	-	-	1,115	1,115
	<u>1,829,251</u>	<u>15,330</u>	<u>1,115</u>	<u>1,845,696</u>
Total support and revenue				
Net assets released from restrictions	51,082	(51,082)	-	-
	<u>1,880,333</u>	<u>(35,752)</u>	<u>1,115</u>	<u>1,845,696</u>
Total support and revenue and reclassifications				
Functional expenses				
Program services	745,454	-	-	745,454
Fundraising	40,322	-	-	40,322
General and administrative	97,648	-	-	97,648
	<u>883,424</u>	<u>-</u>	<u>-</u>	<u>883,424</u>
Total functional expenses				
Excess support and revenue over functional expenses before other changes in net assets	996,909	(35,752)	1,115	962,272
Other changes in net assets				
Funds restricted for endowment by the board	(25,000)	-	25,000	-
	<u>971,909</u>	<u>(35,752)</u>	<u>26,115</u>	<u>962,272</u>
Change in net assets				
Net assets, beginning balance	452,370	229,220	-	681,590
	<u>\$ 1,424,279</u>	<u>\$ 193,468</u>	<u>\$ 26,115</u>	<u>\$ 1,643,862</u>
Net assets, ending balance				

See accompanying notes and independent accountant's review report

KIDS NEED TO READ
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2017

	Program Services	Support Services		Total
		Fundraising	General and Administrative	
Distributed books inventory	\$ 634,523	\$ -	\$ -	\$ 634,523
Salaries	65,959	27,891	15,056	108,906
In-kind professional fees	-	-	55,228	55,228
Materials and supplies	9,623	272	1,594	11,489
Professional fees	60	-	10,782	10,842
Rent and utilities	8,422	1,925	1,684	12,031
Shipping	12,891	492	250	13,633
Special event	4,437	1,010	-	5,447
Payroll taxes	5,635	2,378	1,271	9,284
Fundraising fees	-	5,835	-	5,835
Purchased services	-	330	2,970	3,300
Insurance	-	-	4,798	4,798
Equipment	-	-	1,402	1,402
Travel	-	90	-	90
Depreciation	3,836	-	2,100	5,936
Other	-	99	513	612
Promotion	68	-	-	68
Total functional expenses	\$ 745,454	\$ 40,322	\$ 97,648	\$ 883,424

See accompanying notes and independent accountant's review report

**KIDS NEED TO READ
STATEMENT OF CASH FLOWS
Year Ended March 31, 2017**

Cash flows from operating activities

<i>Change in net assets</i>	\$ 962,272
 <i>Adjustments to reconcile change in net assets to net cash used by operating activities</i>	
Contributed books inventory	(1,601,910)
Distributed books inventory	634,523
Amortization of discount on pledge receivable	(7,141)
Property and equipment donated to organization	(14,934)
Depreciation	5,935
 <i>(Increase) decrease in:</i>	
Contributions receivable	(502)
Pledges receivable	50,532
Purchased books inventory	(32,611)
Prepaid expenses	(1,067)
 <i>Increase (decrease) in:</i>	
Accounts payable	(1,744)
Accrued expenses	2,223

Net cash used by operating activities	(4,424)
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Cash flows from investing activities

Purchases of investments	(26,115)
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Net cash used by investing activities	(26,115)
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Net decrease in cash	(30,539)
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Cash, beginning balance	70,863
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Cash, ending balance	\$ 40,324
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See accompanying notes and independent accountant's review report

KIDS NEED TO READ
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization:

Kids Need to Read (“Organization”) was incorporated on May 29, 2008 as The Kids Need to Read Foundation, a not-for-profit corporation under the laws of the State of California. On December 17, 2009, the Organization amended its articles of incorporation to change its name. The Organization’s administrative office is located in Mesa, Arizona. The mission of Kids Need to Read is to create a culture of reading for children by providing inspiring books to under-funded schools, libraries and literacy programs across the United States, especially those serving disadvantaged children. The Organization is primarily supported by contributions of books from authors and publishing companies and monetary contributions from corporations and individuals.

Basis of presentation:

The Organization’s external financial statement presentation is governed by Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities* (“ASC 958”). Under ASC 958, a not-for-profit organization is required to report 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, based upon the existence or absence of donor-imposed restrictions as follows:

- | | |
|------------------------|---|
| Unrestricted | Net assets that are not subject to donor-imposed restrictions. Certain unrestricted net assets may be designated for specific purposes by action of the Board of Directors. The Organization currently does not have any Board of Directors designated unrestricted net assets. |
| Temporarily restricted | Net assets subject to donor-imposed restrictions that were not met as of the year end of the current reporting period and can be fulfilled by action of the Organization pursuant to those restrictions or that expire by the passage of time. See Note 6 for temporarily restricted net assets that expire by the passage of time. |
| Permanently restricted | Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. See Note 6 for permanently restricted net assets. |

Contributions and pledge receivable:

Unconditional contributions and pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions and pledges receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the contributions and pledges are received. Amortization of the discounts is included in contribution revenue. Conditional contributions and pledges are not included as support until the conditions are substantially met. As of March 31, 2017, the Organization does not have any conditional contributions and pledges receivable.

See accompanying independent accountant’s review report

KIDS NEED TO READ
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Organization provides an allowance for uncollectible contributions and pledges receivables by evaluating the receivables, donors' financial condition, historical collection information and current economic conditions. Management determined that no allowance was considered necessary at March 31, 2017.

Books inventory:

Books inventory consists of books and other reading materials. Contributions of books are recorded as support at their estimated fair value at the date of contribution and such items are expensed, based upon the specific identification method, as program services expense when distributed to other not-for-profit corporations. Contributions of new books are valued at 80% of the retail price beginning April 1, 2012. Prior to April 1, 2012, contributions of new books were valued at the retail price. Contributions of used books are valued at half the retail price. Contributions of advanced reading copy books are valued at one fourth the retail price. Retail price is based on the publisher's listed price or, if no listed price, the fair value as reported online at the date of contribution. Contributed books with no identifiable retail price or not usable by the Organization are valued at \$1.

Books purchased by the Organization are valued at cost (specific identification) or market. Market is based on the lower of replacement cost or estimated realizable value. The valuation of books inventory requires management to estimate obsolete or excess inventory. The determination of obsolete or excess inventory requires management to estimate the future demand for the Organization's books inventory. Management determined that no allowance for inventory obsolescence was necessary at March 31, 2017.

Property and equipment:

The Organization capitalizes all property and equipment with a value greater than \$500 and an estimated useful life of three years or more beginning April 1, 2012. Purchased property and equipment are carried at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Depreciation has been provided on the straight-line method over estimated useful lives of three to seven years. When items of property and equipment are sold or retired, the related costs and accumulated depreciation is removed from the accounts and any gain or loss is included in change in unrestricted net assets.

Repairs that significantly extend the lives of property and equipment are capitalized, while routine repairs and maintenance are expensed when incurred.

KIDS NEED TO READ
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Investments:

The Organization invests its endowment fund in a professionally managed portfolio with the Arizona Community Foundation. The portfolio is held in the long-term pool which includes allocation ranges of 35 to 70 percent equities, 10 to 45 percent fixed income and 0 to 30 percent opportunistic investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Investments are stated at fair value, and unrealized holding gains and losses, net of the related investment fees, are included in the statement of activities. Realized gains and losses and declines in fair value judged to be other-than-temporary are included in the statement of activities.

The Organization evaluates investments for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. The Organization employs a systematic methodology that considers available evidence in evaluating potential impairment of its investments. In the event that the cost of an investment exceeds its fair value, the Organization evaluates, among other factors, the magnitude and duration of the decline in fair value; the expected cash flows of the securities; the financial health and business outlook for the issuer; the performance of the underlying assets for interest in securitized assets; and the Organization's intent and ability to hold the investment. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in other revenues (expenses) and a new cost basis in the investment is established. Management determined that no other-than-temporary impairment of investments existed at March 31, 2017.

Endowment Fund:

The Organization's endowment consists of funds established to support the mission of the Organization. As required by accounting principles generally accepted in the United States of America ("U.S. GAAP"), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Annually, the Organization can elect to appropriate earnings from the endowment fund assets for expenditures of the Organization to support general activities or re-invest earnings back into the fund.

The Organization has adopted investment policies for endowment assets in which funds are invested in manner intended to emphasize long-term capital growth.

KIDS NEED TO READ
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contributions, pledges, and grants:

The Organization follows ASC 958. In accordance with ASC 958, contributions, pledges, and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restriction.

All contributions, pledges, and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution, pledge, or grant is received, the Organization reports the support as unrestricted.

Contributed goods and services:

Contributed goods and services are recorded as support at their estimated fair value at the date goods are contributed or services are rendered. Contributed services are recognized when the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not contributed. The Organization recognized contributed services and related professional fee expenses of \$74,463 for the year ended March 31, 2017.

In addition, a substantial number of volunteers have contributed significant amounts of their time to the Organization; however, the fair value of these services have not been recorded in the accompanying financial statements since the appropriate criteria for recognizing the services have not been met.

Functional expenses:

Expenses that can be identified as a program or fundraising activity are charged directly to their natural expenditure classification. Those expenses which cannot be specifically identified as a program or fundraising activity have been allocated based upon management's best estimate of usage.

Income taxes:

The Organization has received from the Internal Revenue Service an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as a public charity under section 509(a)(2). A provision is made in the financial statements for income taxes on unrelated trade or business income earned, when applicable. No significant timing or other difference that would result in a material deferred income tax liability exists.

KIDS NEED TO READ
NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the accompanying financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012.

Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events:

The Organization has evaluated subsequent events through August 23, 2017, the date on which the financial statements were available to be issued.

Note 2. Recent Authoritative Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), requiring an entity that leases assets – or lessees – to recognize assets and liabilities on their statement of financial position for leases with lease terms of more than 12 months. The updated standard will replace most existing lease recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted for all organizations. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

KIDS NEED TO READ
NOTES TO FINANCIAL STATEMENTS

Note 2. Recent Authoritative Accounting Guidance (Continued)

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (“Topic 958”), requiring an entity to change the way it’s presenting net assets on the face of the financials, as well as requiring additional disclosures for expenses by nature and function and for the liquidity and availability of resources. The updated standard is effective for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted, but only for an annual fiscal period or for the first interim period within the year of adoption. In the initial year of application, entities are required to disclose the nature of any reclassifications or restatements resulting from the adoption and their effect, if any, on the change in the net asset classes for each year or period presented. The requirements must be applied retrospectively; however, entities can elect not to provide certain comparative disclosures in the year of adoption. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Note 3. Pledges Receivable

Pledges receivable represent a long-term and short-term promise to give to the Organization. The long-term portion of the unconditional promise to give to the Organization is measured at the present value of estimated future cash flows using a discount rate of 3.13%. Pledges receivable is as follows at March 31, 2017:

Due in less than one year	\$ 50,550
Due in one to five years	150,000
Total	<u>200,550</u>
Less unamortized discount	(14,721)
	<u>\$ 185,829</u>

Note 4. Books Inventory

The following is an analysis of the activity in books inventory during the year ended March 31, 2017:

Books inventory, beginning balance	\$ 358,893
Contributed books inventory	1,601,910
Distributed books inventory	(634,523)
Purchased books inventory	32,611
Books inventory, ending balance	<u>\$ 1,358,891</u>

KIDS NEED TO READ
NOTES TO FINANCIAL STATEMENTS

Note 5. Investments

The following is a summary of the Organization’s investments as of March 31, 2017:

	Cost	Gross Unrealized Losses	Fair Value
Arizona Community Foundation	\$ 27,947	\$ (1,831)	\$ 26,115

Investment return (loss), net of investment fees, is summarized as follows for the year ended March 31, 2017:

Interest and dividends	\$ 171
Realized gains - investments	3,056
Unrealized losses - investments	(1,831)
Investment fees	(281)
Investment return	\$ 1,115

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC 820”), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

KIDS NEED TO READ
NOTES TO FINANCIAL STATEMENTS

Note 5. Investments (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value:

Arizona Community Foundation: Valued based on unobservable inputs in the long-term pool with the Arizona Community Foundation (“ACF”), which include the fair value of the underlying assets held by ACF and the Organization’s percentage interest in ACF’s investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of March 31, 2017:

	Level 1	Level 2	Level 3	Total
Arizona Community Foundation	\$ -	\$ -	\$ 26,115	\$ 26,115
Total investments at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,115</u>	<u>\$ 26,115</u>

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended March 31, 2017:

Investments, beginning balance	\$ -
Purchases of investments	25,000
Interest and dividends	171
Realized and unrealized gains, net	1,225
Investment fees	(281)
Investments, ending balance	<u>\$ 26,115</u>

KIDS NEED TO READ
NOTES TO FINANCIAL STATEMENTS

Note 6. Net Assets

Temporarily restricted net assets that expire by the passage of time are \$193,468 as of March 31, 2017.

Net assets released from time restrictions are \$51,028 for the year ended March 31, 2017.

Permanently restricted net assets are Board restricted endowment funds of \$26,115 as of March 31, 2017.

Note 7. Endowment Funds

Endowment funds include investments held by Arizona Community Foundation. Annually, the Organization may elect to reinvest earnings from the funds in the endowment fund or appropriate the earnings for expenditures.

Endowment net asset composition as of March 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board restricted endowment funds	\$ -	\$ -	\$ 26,115	\$ 26,115
Total endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,115</u>	<u>\$ 26,115</u>

Changes in endowment net assets for the year ended March 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning balance	\$ -	\$ -	\$ -	\$ -
Amounts restricted for endowment	-	-	25,000	25,000
Interest and dividends	-	-	171	171
Realized and unrealized gains, net	-	-	1,225	1,225
Investment fees	-	-	(281)	(281)
Endowment funds, ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,115</u>	<u>\$ 26,115</u>

Annually, the Organization may elect to re-invest earnings, net of investment fees, from the endowment funds or appropriate the earnings for expenditures. If the election is made to re-invest the earnings, net of investment fees, the earnings are permanently restricted within the endowment fund. For the year ended March 31, 2017, the Organization elected to re-invest earnings.

KIDS NEED TO READ
NOTES TO FINANCIAL STATEMENTS

Note 8. Commitment

Operating lease:

The Organization leases its administrative office under a non-cancelable operating lease that requires monthly payments ranging from \$0 to \$1,471 plus sales tax, expiring August 2017.

The Organization subleases a portion of its administrative office to a related party under a month-to-month agreement requiring monthly payment of half of the Organization's monthly rent plus the related party's pro rata share of utilities.

Rental expense for this operating lease was \$17,998 for the year ended March 31, 2017 and net rental expense, after deducting rental income of \$11,204 from the sublease, is \$6,794 and is included in functional expenses on the accompanying statement of activities.

The future minimum rental payments required under this operating lease for the year ended March 31, 2018 is \$7,353.