

**Open Arms, Inc. dba Bryan's House** and Bryan's House Foundation

Consolidated Financial Statements June 30, 2017 and 2016



# **Open Arms, Inc. dba Bryan's House and Bryan's House Foundation** Contents

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#### Independent Auditors' Report

To the Board of Directors of Open Arms, Inc. dba Bryan's House and Bryan's House Foundation

We have audited the accompanying consolidated financial statements of Open Arms, Inc. dba Bryan's House and Bryan's House Foundation (nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Open Arms, Inc. dba Bryan's House and Bryan's House Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### **Correction of Error**

As described in Note 3 to the financial statements, the net assets of Bryan's House as of June 30, 2015 were restated to correct a net asset misclassification. Our opinion is not modified with respect to this matter.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas October 25, 2017

# **Open Arms, Inc. dba Bryan's House and Bryan's House Foundation** Consolidated Statements of Financial Position

June 30, 2017 and 2016

		2017		2016
Assets				
Current assets:				
Cash	\$	416,918	\$	14,356
Investments		82,716		296,758
Government grants receivable		98,956		105,993
Pledges receivable, net		172,400		112,500
Other receivable		-		4,117
Prepaid expenses		14,256		4,604
Property held for sale		-		339,745
Total current assets		785,246		878,073
Long-term pledge receivable, net		141,823		-
Endowment investment		25,000		25,000
Property and equipment, net		2,035,775		2,074,696
Total assets	\$	2,987,844	\$	2,977,769
Liabilities and Net A	Asset	:S		
Current liabilities:				
Accounts payable	\$	81,589	\$	92,548
Accrued liabilities		32,678		29,339
Total current liabilities		114,267		121,887
Net assets:				
Unrestricted		2,444,132		2,698,382
Temporarily restricted		404,445		132,500
Permanently restricted		25,000		25,000
Total net assets		2,873,577		2,855,882
Total liabilities and net assets	\$	2,987,844	\$	2,977,769

See notes to consolidated financial statements.

# **Open Arms, Inc. dba Bryan's House and Bryan's House Foundation** Consolidated Statement of Activities

Year	Ended	June	30,	2017
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	Un	restricted	Temporarily Restricted				Permanently Restricted		 Total								
Revenue and support:																	
Contributions	\$	991,998	\$	404,445	\$	-	\$ 1,396,443										
Government grants and contracts		502,730		-		-	502,730										
Special events		172,832		-		-	172,832										
Investment return		12,487		-		-	12,487										
Program income		33,262		-		-	33,262										
Rent income		6,678		-		-	6,678										
Net assets released from restrictions		132,500		(132,500)		-	 -										
Total revenue and support		1,852,487		271,945		-	2,124,432										
Expenses:																	
Program services:																	
Child Care		1,034,255		-		-	1,034,255										
Family Support Services		74,513		-		-	74,513										
Social Work		372,361		-						-						-	 372,361
Total program services expense		1,481,129		-		-		-		-				-	1,481,129		
Management and general		344,532		-		-	344,532										
Fundraising		281,076		-		-	 281,076										
Total expenses		2,106,737		-		-	 2,106,737										
Increase (decrease) in net assets		(254,250)		271,945		-	17,695										
Net assets at beginning of year		2,698,382		132,500		25,000	 2,855,882										
Net assets at end of year	\$	2,444,132	\$ 404,445		\$ 404,445		\$ 404,445		\$ 404,445		\$ 404,445		\$	25,000	\$ 2,873,577		

See notes to consolidated financial statements.

# **Open Arms, Inc. dba Bryan's House and Bryan's House Foundation** Consolidated Statement of Activities

Year Ended June 30, 2016

	Unrestricted		mporarily estricted		manently stricted	 Total
Revenue and support:						
Contributions	\$	701,452	\$ 132,500	\$	-	\$ 833,952
Government grants and contracts		881,893	-		-	881,893
Special events		53,089	-		-	53,089
Investment return		4,370	-		-	4,370
Program income		22,791	-		-	22,791
Rent income		8,825	-		-	8,825
Net assets released from restrictions		205,000	 (205,000)		-	 -
Total revenue and support		1,877,420	(72,500)		-	1,804,920
Expenses:						
Program services:						
Child Care		915,968	-		-	915,968
Head Start		648,847	-		-	648,847
Family Support Services		111,771	-		-	111,771
Social Work		273,005	 -	-		 273,005
Total program services expense		1,949,591	-		-	1,949,591
Management and general		215,369			-	215,369
Fundraising		250,698	 -		-	 250,698
Total expenses		466,067	 -		-	 466,067
Decrease in net assets from operations		(538,238)	(72,500)		-	(610,738)
Impairment loss on property held for sale		334,069	 -		-	 334,069
Decrease in net assets		(872,307)	(72,500) -		-	(944,807)
Net assets at beginning of year, as restated		3,570,689	 205,000	05,000 25,000		 3,800,689
Net assets at end of year	\$	2,698,382	\$ 132,500	\$	25,000	\$ 2,855,882

See notes to consolidated financial statements.

# **Open Arms, Inc. dba Bryan's House and Bryan's House Foundation** Consolidated Statement of Functional Expenses

# Year Ended June 30, 2017

	Program Services			Supportin		
		Family Support		Management		
	Child Care	Services	Social Work	and General	Fundraising	Total
Salaries	\$ 616,959	\$ 52,756	\$ 227,489	\$ 216,348	\$ 124,601	\$ 1,238,153
Payroll taxes and benefits	148,802	9,448	44,937	35,243	12,676	251,106
Total salaries and related expenses	765,761	62,204	272,426	251,591	137,277	1,489,259
Bank fees	-	-	-	7,763	-	7,763
Depreciation	58,673	1,734	8,634	9,263	6,909	85,213
Equipment	11,931	576	1,457	16,588	1,642	32,194
Supplies	-	-	-	-	54,022	54,022
Gifts in-kind	12,880	-	57,930	498	16,877	88,185
Miscellaneous	100	-	-	1,294	538	1,932
Network and software	3,384	62	835	3,288	4,313	11,882
Office supplies	5,790	67	1,154	7,938	17,418	32,367
Professional fees	2,873	-	-	13,450	19,927	36,250
Program and event	78,161	6,283	14,736	-	-	99,180
Public relations	-	-	-	5,173	10,656	15,829
Occupancy	87,331	1,617	11,983	20,223	8,820	129,974
Travel, training and development	7,371	1,970	3,206	7,463	2,677	22,687
Total expenses	\$ 1,034,255	\$ 74,513	\$ 372,361	\$ 344,532	\$ 281,076	\$ 2,106,737

# **Open Arms, Inc. dba Bryan's House and Bryan's House Foundation** Consolidated Statement of Functional Expenses

# Year Ended June 30, 2016

	Program Services						Supporting Services							
	Child Care Head Start			ead Start		Family Support Services Social Work				Management and General Fundraising			Total	
Salaries	\$	490,513	\$	382,274	\$	\$ 62,234 \$ 180,		\$ 180,776		87,648	\$	129,105	\$	1,332,550
Payroll taxes and benefits		115,917		94,751		9,468		39,516		30,221		27,303		317,176
Total salaries and related expenses		606,430		477,025		71,702		220,292		117,869		156,408		1,649,726
Bad debt		-		-		-		-		13,250		-		13,250
Bank fees		-		-		-		-		11,260		-		11,260
Depreciation		64,163		31,843		1,904		9,530		9,530		7,626		124,596
Equipment		6,872		4,698		-		-		10,354		-		21,924
Supplies		-		-		-		-		-		46,752		46,752
Gifts in-kind		63,413		-		-		-		-		-		63,413
Miscellaneous		888		164		-		42		1,902		341		3,337
Network and software		4,188		1,107		442		784		7,825		991		15,337
Office supplies		3,041		3,730		117		1,201		6,780		18,794		33,663
Professional fees		-		-		-		-		12,600		-		12,600
Program and event		61,797		52,594		30,131		23,361		-		94		167,977
Public relations		395		60		-		205		4,720		7,498		12,878
Occupancy		100,741		76,410		6,193		14,265		18,004		10,723		226,336
Travel, training and development		4,040		1,216		1,282		3,325		1,275		1,471		12,609
Total expenses	\$	915,968	\$	648,847	\$	111,771	\$	273,005	\$	215,369	\$	250,698	\$	2,415,658

# **Open Arms, Inc. dba Bryan's House and Bryan's House Foundation** Consolidated Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	 2017	2016			
Cash flows from operating activities:					
Change in net assets	\$ 17,695	\$	(944,807)		
Adjustments to reconcile change in net assets to					
net cash used by operating activities:					
Depreciation	85,213		124,596		
Net realized and unrealized gain on investments	(10,185)		(45,462)		
Impairment loss on property held for sale	-		334,069		
Loss on disposal of property and equipment	-		34,450		
In-kind donation of stock	(3,987)		-		
Changes in assets and liabilities:					
Government grants receivable	7,037		94,771		
Pledges receivable, net	(201,723)		229,047		
Other receivable	4,117		2,535		
Prepaid expenses	(9,652)		(3,940)		
Accounts payable	(10,959)		28,090		
Accrued liabilities	 3,339		(16,472)		
Net cash used by operating activities	(119,105)		(163,123)		
Cash flows from investing activities:					
Purchases of property and equipment	(46,292)		-		
Proceeds from sales of investments	352,333		212,791		
Purchases of investments	(124,119)		(56,268)		
Proceeds from sale of property held for sale	 339,745		-		
Net cash provided by investing activities	521,667		156,523		
Cash flows from financing activities:					
Payments on capital lease	 -		(19,398)		
Net cash used by financing activities	 -		(19,398)		
Increase (decrease) in cash and cash equivalents	402,562		(25,998)		
Cash at beginning of year	 14,356		40,354		
Cash at end of year	\$ 416,918	\$	14,356		

## 1. Organization

Open Arms, Inc. dba Bryan's House (Bryan's House) is a nonprofit organization established to respond to the needs of children and their families by providing medically-managed child care, respite care and community-based, family-centered support services in Dallas, Texas.

Bryan's House Foundation (Foundation) is a nonprofit organization established to solicit, invest and administer endowment funds to sustain the operating and capital requirements of Bryan's House.

Bryan's House and the Foundation are collectively referred to herein as the Organization. The Organization is supported primarily through contributions, grants and fundraising activities.

During the year ended June 30, 2016, the Organization ceased operations of the Head Start program.

## 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The Organization prepares the consolidated financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

#### **Consolidated Financial Statements**

In accordance with the provisions of FASB ASC 958-810 Not-for-Profit Entities/Consolidations, the financial statements of Bryan's House and the Foundation have been consolidated and all inter-organization transactions and accounts have been eliminated.

#### Consolidated Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors. Contributions, investment gains and losses and other assets limited to specific uses by donor-imposed restrictions are reported as unrestricted net assets if the restrictions are met in the same period as such items are recognized.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

# **Open Arms, Inc. dba Bryan's House and Bryan's House Foundation** Notes to Consolidated Financial Statements

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Temporarily restricted contributions whose restrictions are met in the same year the contributions are received are reported as unrestricted net assets.

#### Concentrations of Credit and Market Risk

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash, cash equivalents, investments, government grants receivable, and pledges receivable.

The Organization maintains cash and cash equivalents at various financial institutions located in Texas. Management has placed these funds with high credit quality financial institutions to minimize risk. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017, the Organization's uninsured balances totaled \$174,500.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Government grants receivable and pledges receivable are unsecured and are due from various government agencies and donors. The Organization periodically evaluates the collectability of government grants receivable and pledges receivable and maintains allowances as considered necessary.

At June 30, 2017, promises to give from two donors totaled 96% of pledges receivable. At June 30, 2016, promises to give from two donors totaled 84% of pledges receivable. Grants from federal and state agencies totaled 24% and 49% of the Organization's revenue and support for the years ended June 30, 2017 and 2016, respectively.

#### Investments

Investments consist of common stock, exchange traded funds, mutual funds and money market funds carried at fair value in the consolidated statements of financial position with the related realized and unrealized gains and losses included in the accompanying consolidated statements of activities.

#### Government Grants Receivable

Government grants receivable are recorded based on the reimbursable amount incurred and are due within the next year. No allowance for doubtful accounts was considered necessary at June 30, 2017 and 2016.

#### Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of the donation. The Organization capitalizes expenditures for property and equipment with a cost greater than \$2,500. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 35 years. The cost of maintenance and repairs is expensed as incurred.

In accordance with GAAP, management continually monitors events and changes in circumstances which could indicate that the carrying value of real estate may not be recoverable. If events or changes in circumstances are present, management assesses the recoverability of real estate by determining whether the carrying value will be recovered through the undiscounted future cash flows expected to be generated from its uses and eventual disposition. If the carrying amount of the real estate exceeds its estimated undiscounted cash flows, the impairment to be recognized is measured by the amount of the carrying value of the real estate that exceeds its fair value. An impairment loss of \$334,069 has been recognized for the year ended June 30, 2016. The impairment loss is reported as a non-operating activity in the accompanying consolidated statements of activities. The Organization had no such impairment loss during the year ended June 30, 2017.

#### **Revenue Recognition**

Contributions are generally recorded only upon receipt unless evidence of an unconditional promise to give has been received. Unconditional promises to give (pledges receivable) that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met.

# **Open Arms, Inc. dba Bryan's House and Bryan's House Foundation** Notes to Consolidated Financial Statements

Donated materials and equipment are reflected as contributions at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Organization. No donated services were utilized that met the criteria to be recorded as support on the Organization's consolidated financial statements.

Government grant and contract revenue is recognized as contract terms are fulfilled. Cost reimbursement contracts are recognized as revenue when the allowable costs are incurred. Fees for contract services are recognized as revenue when the contracted services are performed.

#### Allocation of Functional Expenses

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

#### Federal Income Tax

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the years ended June 30, 2017 and 2016. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2017 and 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

#### Estimates

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

#### Reclassifications

Certain items in the 2016 consolidated financial statements have been reclassified for comparative purposes to conform with the presentation of the 2017 consolidated financial statements.

## **3. Prior Year Restatement**

The net assets of Bryan's House as of July 1, 2015 were restated to correct an error in net asset classification. The cumulative effect of the restatement as of July 1, 2015 resulted in a reclassification to permanently restricted net assets of \$25,000 with a corresponding decrease to unrestricted restricted net assets.

### 4. Investments

Under the fair value measurements and disclosures topic of the codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- Level 1 Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;
- Level 3 Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value.

#### Money Market

Money markets are valued using \$1 for the net asset value and are classified within level 1 of the valuation hierarchy as the values are directly observable inputs.

#### Common Stock

Valued at the closing price reported on the active market on which the individual securities are traded.

#### Mutual Funds/Exchange Traded Funds

These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

The Organization's investments are valued using Level 1 inputs. Below are the Organization's financial instruments at fair value as of June 30:

	 2017	2016
Money market funds	\$ 107,716	\$ 8,159
Exchange traded funds - emerging markets	-	16,321
Mutual fund - fixed income	-	63,159
Common stock:		
Consumer discretionary	-	26,287
Consumer staples	-	26,564
Energy	-	18,330
Financials	-	36,191
Health care	-	35,848
Industrials	-	26,387
Information technology	-	52,704
Materials	-	4,996
Telecommunication services	 -	 6,812
	\$ 107,716	\$ 321,758

# 5. Pledges Receivable

At June 30, 2017 and 2016 the Organization had the following unconditional promises to give:

	 2017	2016
Amount due in:		
Less than one year	\$ 172,400	\$ 112,500
More than one year	 150,000	 -
Subtotal Unamortized present value discount	 322,400 (8,177)	112,500 -
	\$ 314,223	\$ 112,500

The discount rate used on long-term pledges was 1.89% for the year ended June 30, 2017.

In May 2017, the Organization received a conditional promise to give totaling \$100,000. As of June 30, 2017, the Organization has not met the criteria for these funds to be considered unconditional and therefore has not been recognized as a receivable.

# 6. Property and Equipment

Property and equipment consist of the following at June 30:

	 2017	 2016
Land	\$ 240,000	\$ 240,000
Building and improvements	2,121,190	2,121,190
Automobiles	103,759	103,759
Furniture and equipment	95,794	92,457
Constuction in progress	 42,955	 -
Less: accumulated depreciation	 2,603,698 (567,923)	 2,557,406 (482,710)
	\$ 2,035,775	\$ 2,074,696

Depreciation expense for the years ended June 30, 2017 and 2016 totaled \$85,213 and \$124,596, respectively.

## 7. Property Held for Sale

During the year ended June 30, 2016, the board of directors approved a plan to sell property located in Dallas, Texas and reclassified the asset from property and equipment to property held for sale. Additionally, the Organization recognized an impairment loss totaling \$334,069 to write down the carrying value of the asset to fair market value.

In November 2016, the Organization sold property held for sale for \$339,745, net of related fees.

### 8. Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30:

	 2017	 2016
Family support services	\$ 50,000	\$ -
Subsequent period programs	322,400	-
Playground	32,045	 132,500
	\$ 404,445	\$ 132,500

Permanently restricted net assets consist of a \$25,000 donor-restricted endowment fund in which the principal is invested in perpetuity and the income is expendable to support the maintenance and operation of Bryan's House.

## 9. Endowment Fund

The Organization's endowment consists of one donor-restricted endowment fund to support program services. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, absent explicit donor stipulation to the contrary. Because of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is available to be appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- The duration of preservation of the funds
- The purposes of the Organization and the endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The Organization's investment policy

The Organization has adopted an investment policy for endowment assets. The funds shall be invested by the finance committee, after approval by the board of directors, in any of the following: cash equivalents, fixed income securities, equity securities and mutual funds. The Organization seeks to build endowment funds through additional contributions.

## **10.** Government Grants and Contracts

The Organization receives funding from the federal and state government in the form of grants and contracts. The Organization is responsible for compliance with provisions of these grants and contracts. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. In the opinion of the Organization's management, such disallowance, if any, would not be significant to the Organization's consolidated financial statements.

## **11. Donated Goods**

Food, school supplies and diapers are donated to the Organization by various individuals and organizations. Donated goods amounting to \$88,185 and \$63,413 for the years ended June 30, 2017 and 2016, respectively, were recorded at fair value at the date of donation and have been included in contributions and program expense in the consolidated statements of activities.

### 12. Leases

#### **Operating Leases**

The Organization leases two copiers through non-cancelable operating lease agreements expiring in 2021. The following is a schedule of future minimum lease payments required under these lease agreements for the years ending June 30:

2018	\$ 12,636
2019	12,636
2020	12,636
2021	12,636

#### Capital Leases

The previous copier was held under a capital lease that terminated in June 2016, and the Organization entered into the new operating leases as described above.

## 13. Retirement Plan

The Organization maintains a Savings Incentive Match Plan (Plan) for their employees. Substantially all employees are eligible to participate in the Plan. The Organization matches the employee's elective contribution in an amount not to exceed 3% of the employee's compensation. The Organization's contribution to the Plan totaled \$4,928 and \$8,456 for the years ended June 30, 2017 and 2016, respectively.

## **14. Related Party Transactions**

The Organization received contributions of \$361,248 during the year ended June 30, 2017 from members of the board of directors. At June 30, 2017, pledges receivable includes amounts due from a board member totaling \$200,000.

## **15. Subsequent Events**

The Organization evaluated subsequent events through October 25, 2017, which was the date the consolidated financial statements were available to be issued, and concluded that no additional disclosures are required.