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

Consolidated Financial Statements
June 30, 2018 and 2017

SFC Answers.

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

Contents

Sutton Frost Cary LLP
Certified Public Accountants

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, 2018 and 2017, 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.

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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, 2018 and 2017, 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.

Sutton Frost Cary
A Limited Liability Partnership

Arlington, Texas
November 6, 2018

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 365,551	$ 416,918
Investments	83,456	82,716
Government grants receivable	122,280	98,956
Pledges receivable, net	239,847	172,400
Prepaid expenses	1,212	14,256
Total current assets	812,346	785,246
Long-term pledge receivable, net	84,473	141,823
Endowment investment	25,000	25,000
Property and equipment, net	1,970,612	2,035,775
Total assets	$ 2,892,431	$ 2,987,844
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 60,279	$ 81,589
Accrued liabilities	33,429	32,678
Total current liabilities	93,708	114,267
Net assets:		
Unrestricted	2,278,876	2,444,132
Temporarily restricted	494,847	404,445
Permanently restricted	25,000	25,000
Total net assets	2,798,723	2,873,577
Total liabilities and net assets	$ 2,892,431	$ 2,987,844

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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Contributions	$ 814,851	$ 430,947	$ -	$ 1,245,798
Government grants and contracts	629,685	-	-	629,685
Special event revenue, less cost of direct benefits to donors of $39,042	181,442	-	-	181,442
Investment return	740	-	-	740
Program income	65,096	-	-	65,096
Other income	1,558	-	-	1,558
Net assets released from restrictions	340,545	(340,545)	-	-
Total revenue and support	2,033,917	90,402	-	2,124,319
Expenses:				
Program services:				
Child Care	1,238,348	-	-	1,238,348
Family Support Services	37,921	-	-	37,921
Social Work	332,583	-	-	332,583
Total program services expense	1,608,852	-	-	1,608,852
Management and general	347,676	-	-	347,676
Fundraising	155,980	-	-	155,980
Total expenses before depreciation	2,112,508	-	-	2,112,508
Change in net assets before depreciation	(78,591)	90,402	-	11,811
Depreciation expense	(86,665)	-	-	(86,665)
Increase (decrease) in net assets	(165,256)	90,402	-	(74,854)
Net assets at beginning of year	2,444,132	404,445	25,000	2,873,577
Net assets at end of year	$ 2,278,876	$ 494,847	$ 25,000	$ 2,798,723

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Contributions	$ 991,998	$ 404,445	$ -	$ 1,396,443
Government grants and contracts	493,503	-	-	493,503
Special event revenue, less cost of direct benefits to donors of $27,577	145,255	-	-	145,255
Investment return	12,487	-	-	12,487
Program income	42,489	-	-	42,489
Other income	6,678	-	-	6,678
Net assets released from restrictions	132,500	(132,500)	-	-
Total revenue and support	1,824,910	271,945	-	2,096,855
Expenses:				
Program services:				
Child Care	975,582	-	-	975,582
Family Support Services	72,779	-	-	72,779
Social Work	363,727	-	-	363,727
Total program services expense	1,412,088	-	-	1,412,088
Management and general	335,268	-	-	335,268
Fundraising	246,590	-	-	246,590
Total expenses before depreciation	1,993,946	-	-	1,993,946
Change in net assets before depreciation	(169,036)	271,945	-	102,909
Depreciation expense	(85,213)	-	-	(85,213)
Increase (decrease) in net assets	(254,249)	271,945	-	17,696
Net assets at beginning of year	2,698,382	132,500	25,000	2,855,882
Net assets at end of year	$ 2,444,133	$ 404,445	$ 25,000	$ 2,873,578

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, 2018

	Program Services			Supporting Services		
	Child Care	Family Support Services	Social Work	Management and General	Fundraising	Total
Salaries	$ 777,596	$ 26,559	$ 222,336	$ 192,469	$ 121,304	$ 1,340,264
Payroll taxes and benefits	178,696	1,892	44,641	37,184	16,187	278,600
Total salaries and related expenses	956,292	28,451	266,977	229,653	137,491	1,618,864
Bank fees	-	-	-	5,698	-	5,698
Depreciation	58,600	1,874	9,558	9,361	7,272	86,665
Equipment	24,584	466	2,396	2,576	1,859	31,881
Supplies	-	-	-	39,042	5,866	44,908
Gifts in-kind	19,229	-	31,084	5,290	4,650	60,253
Miscellaneous	2,317	-	-	-	116	2,433
Network and software	8,477	77	382	5,997	3,117	18,050
Office supplies	3,719	-	427	7,572	13,544	25,262
Professional fees	21,737	-	39	18,250	-	40,026
Program and event	81,299	6,390	14,472	-	-	102,161
Public relations	149	-	-	5,598	15,347	21,094
Occupancy	112,883	2,510	15,172	19,093	10,002	159,660
Travel, training and development	7,662	27	1,634	8,907	3,030	21,260
Total expenses by function	1,296,948	39,795	342,141	357,037	202,294	2,238,215
Depreciation	(58,600)	(1,874)	(9,558)	(9,361)	(7,272)	(86,665)
Cost of direct benefits to donors	-	-	-	-	(39,042)	(39,042)
Total expenses before depreciation	$ 1,238,348	$ 37,921	$ 332,583	$ 347,676	$ 155,980	$ 2,112,508

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			Supporting Services		
	Child Care	Family Support Services	Social Work	Management 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	-	-	1,293	538	1,931
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 by function	1,034,255	74,513	372,361	344,531	281,076	2,106,736
Depreciation	(58,673)	(1,734)	(8,634)	(9,263)	(6,909)	(85,213)
Cost of direct benefits to donors	-	-	-	-	(27,577)	(27,577)
Total expenses before depreciation	$ 975,582	$ 72,779	$ 363,727	$ 335,268	$ 246,590	$ 1,993,946

See notes to consolidated financial statements.

Open Arms, Inc. dba Bryan's House and Bryan's House Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (74,854)	$ 17,695
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Amortization of discount on pledges receivable	(2,650)	8,177
Depreciation	86,665	85,213
Net realized and unrealized gain on investments	-	(10,185)
In-kind donation of stock	-	(3,987)
Changes in assets and liabilities:		
Government grants receivable	(23,324)	7,037
Pledges receivable	(7,447)	(209,900)
Other receivable	-	4,117
Prepaid expenses	13,044	(9,652)
Accounts payable	(21,310)	(10,959)
Accrued liabilities	751	3,339
Net cash used by operating activities	(29,125)	(119,105)
Cash flows from investing activities:		
Purchases of property and equipment	(21,502)	(46,292)
Proceeds from sales of investments	-	352,333
Purchases of investments	(740)	(124,119)
Proceeds from sale of property held for sale	-	339,745
Net cash provided (used) by investing activities	(22,242)	521,667
Increase (decrease) in cash	(51,367)	402,562
Cash at beginning of year	416,918	14,356
Cash at end of year	$ 365,551	$ 416,918

See notes to consolidated financial statements.

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.

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.

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, investments, government grants receivable, and pledges receivable.

The Organization maintains cash 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, 2018, the Organization's uninsured balances totaled $119,196.

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, 2018, promises to give from three donors totaled 67% of pledges receivable. At June 30, 2017, promises to give from two donors totaled 96% of pledges receivable. Grants from federal and state agencies totaled 29% and 24% of the Organization's revenue and support for the years ended June 30, 2018 and 2017, respectively.

Investments

Investments consist of 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, 2018 and 2017.

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.

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.

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, 2018 and 2017. 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, 2018 and 2017, 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.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements of Not-For-Profit Entities* to improve the presentation of financial statements of not-for-profit entities. The key qualitative and quantitative changes in the ASU address the following: net asset classification, information presented about a not-for-profit entity's liquidity and availability of resources, investment return presentation, expense allocation methodology, disclosure and presentation in the financial statements, and the presentation of the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) Subject to Topic 958, Not-for-Profit Entities or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is *not a factor* for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

Reclassifications

Certain items in the 2017 consolidated financial statements have been reclassified for comparative purposes to conform with the presentation of the 2018 consolidated financial statements.

3. 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 Funds

Money market funds 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.

4. Pledges Receivable

At June 30, 2018 and 2017 the Organization had the following unconditional promises to give:

	2018	2017
Amount due in:		
Less than one year	$ 239,847	$ 172,400
More than one year	90,000	150,000
Subtotal	329,847	322,400
Unamortized present value discount	(5,527)	(8,177)
	$ 324,320	$ 314,223

The discount rate used on long-term pledges was 2.63% and 1.89% for the years ended June 30, 2018 and 2017, respectively.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2018	2017
Land	$ 240,000	$ 240,000
Building and improvements	2,121,190	2,121,190
Automobiles	103,759	103,759
Furniture and equipment	160,251	95,794
Constuction in progress	-	42,955
	2,625,200	2,603,698
Less: accumulated depreciation	(654,588)	(567,923)
	$ 1,970,612	$ 2,035,775

Depreciation expense for the years ended June 30, 2018 and 2017 totaled $86,665 and $85,213, respectively.

6. Restricted Net Assets

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

	2018	2017
Early childhood education	$ 100,000	$ -
Family supportive services	50,000	50,000
Salaries	15,000	-
Subsequent period programs	329,847	322,400
Playground	-	32,045
	$ 494,847	$ 404,445

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.

7. Endowment Fund

The Organization's endowment consists of one donor-restricted endowment fund to support maintenance and operations. 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.

8. 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.

9. Donated Goods

Food, school supplies and diapers are donated to the Organization by various individuals and organizations. Donated goods amounting to $60,253 and $88,185 for the years ended June 30, 2018 and 2017, respectively, were recorded at fair value at the date of donation and have been included in contributions and expense in the consolidated statements of activities.

10. 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:

2019	$	12,636
2020		12,636
2021		12,636

11. 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 contributions to the Plan totaled $9,056 and $4,928 for the years ended June 30, 2018 and 2017, respectively.

12. Related Party Transactions

The Organization received contributions of $130,569 and $361,248 during the years ended June 30, 2018 and 2017, respectively, from members of the board of directors. At June 30, 2018 and 2017, pledges receivable includes amounts due from board members totaling $99,347 and $200,000, respectively.

13. Subsequent Events

Management has evaluated subsequent events through the date the consolidated financial statements were available to be issued and concluded that no additional disclosures are required.