

UNITED WAY OF SANTA CRUZ COUNTY
(a California nonprofit corporation)

AUDITED FINANCIAL STATEMENTS

for the year ended June 30, 2017
(with summarized comparative totals for June 30, 2016)

UNITED WAY OF SANTA CRUZ COUNTY

(a California nonprofit corporation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
United Way of Santa Cruz County
Capitola, California

We have audited the accompanying financial statements of United Way of Santa Cruz County (the "Organization," a California nonprofit corporation) which comprise the statement of financial position as of June 30, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BPM LJP

E. Palo Alto, California
December 13, 2017

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2017

(with summarized comparative totals for June 30, 2016)

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	(For comparative purposes only)
					2016 Total
Current assets:					
Cash and cash equivalents	\$ 11,954	\$ 407,494	\$ 5,000	\$ 424,448	\$ 146,474
Certificates of deposit	-	-	-	-	55,557
Grants and other receivables	14,400	421,878	-	436,278	658,999
Pledges receivable (net of allowance for uncollectible amounts of \$71,190)	261,651	14,349	-	276,000	314,879
Prepaid expenses	2,688	1,918	-	4,606	24,052
Total current assets	<u>290,693</u>	<u>845,639</u>	<u>5,000</u>	<u>1,141,332</u>	<u>1,199,961</u>
Long term assets:					
Property and equipment, net	5,962	-	-	5,962	10,596
Deposits	5,280	-	-	5,280	5,280
Total long-term assets	<u>11,242</u>	<u>-</u>	<u>-</u>	<u>11,242</u>	<u>15,876</u>
Total assets	<u>\$ 301,935</u>	<u>\$ 845,639</u>	<u>\$ 5,000</u>	<u>\$ 1,152,574</u>	<u>\$ 1,215,837</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued expenses	\$ 41,413	\$ 234,889	\$ -	\$ 276,302	\$ 315,424
Allocations payable	75,000	80,000	-	155,000	250,250
Designations payable - member and non-member	185,722	-	-	185,722	210,105
Deferred rent liability	10,142	38,156	-	48,298	55,201
Deferred exchange transactions	-	2,500	-	2,500	-
Total current liabilities	<u>312,277</u>	<u>355,545</u>	<u>-</u>	<u>667,822</u>	<u>830,980</u>
Net assets	<u>(10,342)</u>	<u>490,094</u>	<u>5,000</u>	<u>484,752</u>	<u>384,857</u>
Total liabilities and net assets	<u>\$ 301,935</u>	<u>\$ 845,639</u>	<u>\$ 5,000</u>	<u>\$ 1,152,574</u>	<u>\$ 1,215,837</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF ACTIVITIES

for the year ended June 30, 2017
(with summarized comparative totals for June 30, 2016)

	2017			(For comparative purposes only)	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
Public support:					
Campaign support					
Annual campaign	\$ 788,205	\$ -	\$ -	\$ 788,205	\$ 865,693
Less donor designations to other organizations	(198,281)	-	-	(198,281)	(230,126)
Less donor designations paid by others	(832)	-	-	(832)	(23,102)
Less provision for uncollectible pledges	(152,494)	-	-	(152,494)	(76,273)
Net campaign support	<u>436,598</u>	<u>-</u>	<u>-</u>	<u>436,598</u>	<u>536,192</u>
Other public support and revenue:					
Grants and contracts	1,614,786	424,144	-	2,038,930	2,127,027
Community projects and miscellaneous support	62,359	-	-	62,359	279,937
Foundation grants	-	482,806	-	482,806	517,000
Special fund raising events	356,512	-	-	356,512	155,215
Fees for service	15,150	-	-	15,150	1,850
Investment income	160	-	-	160	248
Other income	80,266	-	-	80,266	28,350
Total other public support and revenue	<u>2,129,233</u>	<u>906,950</u>	<u>-</u>	<u>3,036,183</u>	<u>3,109,627</u>
Net assets released from restrictions - Family Service Association	19,619	(19,619)	-	-	-
Net assets released from restrictions - grants and program	979,116	(979,116)	-	-	-
Total net assets released from restrictions	<u>998,735</u>	<u>(998,735)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support, revenue and net assets released from restrictions	<u>3,564,566</u>	<u>(91,785)</u>	<u>-</u>	<u>3,472,781</u>	<u>3,645,819</u>
Expenses:					
Program services	2,620,520	-	-	2,620,520	2,788,654
Supporting services	752,366	-	-	752,366	826,722
Total expenses	<u>3,372,886</u>	<u>-</u>	<u>-</u>	<u>3,372,886</u>	<u>3,615,376</u>
Change in net assets	191,680	(91,785)	-	99,895	30,443
Net assets, beginning of year	(202,022)	581,879	5,000	384,857	354,414
Net assets, end of year	<u>\$ (10,342)</u>	<u>\$ 490,094</u>	<u>\$ 5,000</u>	<u>\$ 484,752</u>	<u>\$ 384,857</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2017

(with summarized comparative totals for June 30, 2016)

	2017								(For comparative purposes only) 2016 Total
	Program Services			Supporting Services					
	Community Programs/ Grants	First 5 of Santa Cruz County	Total Program Services	Administration	First 5 of Santa Cruz County	Fundraising	Total Supporting Services	Total	
Salaries	\$ 375,337	\$ 515,957	\$ 891,294	\$ 143,846	\$ 152,250	\$ 86,573	\$ 382,669	\$ 1,273,963	\$ 1,311,451
Benefits and payroll taxes	98,556	219,857	318,413	47,850	63,637	27,650	139,137	457,550	482,897
Total salaries and related expenses	<u>473,893</u>	<u>735,814</u>	<u>1,209,707</u>	<u>191,696</u>	<u>215,887</u>	<u>114,223</u>	<u>521,806</u>	<u>1,731,513</u>	<u>1,794,348</u>
Professional fees	362,335	459,719	822,054	10,951	19,739	12,922	43,612	865,666	851,888
Allocations to partner programs	195,777	-	195,777	-	-	-	-	195,777	264,355
Travel, training, and conference	17,318	53,975	71,293	11,119	3,399	10,080	24,598	95,891	107,514
Supplies	104,450	40,146	144,596	7,661	9,221	2,732	19,614	164,210	231,671
Occupancy	32,249	20,733	52,982	8,706	22,988	7,814	39,508	92,490	113,882
Printing and publications	58,389	4,709	63,098	511	377	61,135	62,023	125,121	111,708
Family service association	18,017	-	18,017	-	-	-	-	18,017	40,000
Equipment rental and maintenance	4,711	3,572	8,283	696	2,117	985	3,798	12,081	14,063
Membership dues	3,756	186	3,942	1,520	7,013	2,689	11,222	15,164	11,148
United Way Worldwide dues	13,465	-	13,465	3,617	-	3,014	6,631	20,096	11,817
Telephone	5,144	3,632	8,776	1,308	2,517	1,235	5,060	13,836	16,993
Postage and shipping	1,627	1,575	3,202	764	934	622	2,320	5,522	6,298
Depreciation	-	-	-	3,522	-	1,112	4,634	4,634	3,425
Miscellaneous	4,027	-	4,027	-	75	3,089	3,164	7,191	28,940
Insurance	520	781	1,301	194	3,932	250	4,376	5,677	7,326
Total functional expenses	<u>\$ 1,295,678</u>	<u>\$ 1,324,842</u>	<u>\$ 2,620,520</u>	<u>\$ 242,265</u>	<u>\$ 288,199</u>	<u>\$ 221,902</u>	<u>\$ 752,366</u>	<u>\$ 3,372,886</u>	<u>\$ 3,615,376</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF CASH FLOWS

for the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 99,895	\$ 30,443
Adjustments to reconcile change in net assets to net cash		
Provided by (used in) operating activities:		
Depreciation	4,634	3,425
Bad debt/pledge loss expense	(5,236)	59,777
Loss from disposition of assets	-	5,636
(Increase) decrease in:		
Pledges receivable	44,115	(50,408)
Grants and other receivables	222,721	(16,671)
Prepaid expenses	19,446	3,219
Increase (decrease) in:		
Accounts payable and accrued expenses	(39,122)	6,998
Allocations payable	(95,250)	(190,745)
Designations payable - member and non-members	(24,383)	(7,836)
Deferred rent liability	(6,903)	10,107
Deferred exchange transactions	2,500	(2,500)
Net cash provided by (used in) operating activities	<u>222,417</u>	<u>(148,555)</u>
Cash flows from investing activities:		
Redemptions of certificates of deposit	<u>55,557</u>	<u>79,082</u>
Net cash provided by investing activities	<u>55,557</u>	<u>79,082</u>
Net increase (decrease) in cash and cash equivalents	277,974	(69,473)
Cash and cash equivalents, beginning of year	<u>146,474</u>	<u>215,947</u>
Cash and cash equivalents, end of year	<u>\$ 424,448</u>	<u>\$ 146,474</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

1. Nature of Organization

The United Way of Santa Cruz County (the “Organization”) is a nonprofit charitable relief organization that raises funds primarily from local individuals and businesses and distributes those funds to various social service agencies in Santa Cruz County. The Organization also convenes organizations and individuals to solve community problems and improve the quality of life for the residents of Santa Cruz County. The Organization also includes the operations of the United Way of San Benito County.

The Organization collaborates with First 5 Santa Cruz County under two separate service agreements. Under the direction and supervision of the First 5 Santa Cruz County Commission (First 5), the Organization will hire staff or consultants to perform all necessary administrative duties to fulfill the responsibilities of First 5 as outlined in the service agreements.

Community engagement, education and advocacy are the cornerstones of United Way’s work. United Way engages with the community through in house programs that are funded through county contracts, private foundations and grants. These include critical areas of concern: homelessness, obesity, poverty, youth violence prevention, healthy eating, children’s network – and others. As the lead organization for these initiatives, United Way plays a critical role in our community – promoting change at all levels of the community.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. The provisions of these standards require the Organization to report its financial position and operating activities in 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.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes. Unrestricted net assets currently include the operating fund and Board designated funds.

Temporarily restricted net assets include those assets which are subject to donor restrictions and for which the applicable restriction was not met as of the year end of the current reporting period. Donor restrictions expire when stipulated time restriction ends or purpose restriction is accomplished. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions when the restrictions expire.

Permanently restricted net assets include those assets which are subject to non-expiring donor restriction, such as endowments.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2. Summary of Significant Accounting Policies, continued

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, money market funds and all highly liquid debt instruments with original maturities of three months or less.

Annual Campaign, Pledges Receivable, Designations, and Provisions for Uncollectible Pledges

The Organization conducts an annual campaign to raise funds to support various social service agencies in Santa Cruz and San Benito Counties. Pledges received from local individuals and businesses are recorded as revenue and a receivable upon receipt of the pledge, and an allowance is provided for amounts estimated as uncollectible. Included in these pledges are contributions designated by donors for other nonprofit organizations, for which the Organization serves as the primary fiscal agent in the solicitation and distribution of such pledges, net of related administrative fees. These pledges are included in campaign support and are deducted as donor designations to other organizations in the statement of activities to arrive at net campaign support.

Also included in these pledges raised by the Organization are contributions designated for other nonprofit organizations by employee donors of certain companies. These companies distribute the designated funds directly to the other nonprofit organizations, net of related administrative fees. These pledges are also included in campaign support, and are deducted as donor designations paid by others in the Organization's statement of activities to arrive at net campaign support.

The provision for uncollectible pledges is computed based upon historical averages and management's consideration of current economic factors that could affect pledge collections. Using the criteria, the provision as of June 30, 2017, was determined to be 10% of gross campaign pledges. Bad debt recovery is netted against the gross provision for uncollectible pledges on the statements of activities. For year ended June 30, 2017 there was no bad debt recovery.

Property and Equipment

All equipment is stated at cost, if purchased, or if donated, at fair value at the date of the donation for items exceeding \$1,000. During the year ended June 30, 2017, no equipment was donated to the Organization. Major improvements are charged to the property accounts, while repairs and maintenance, which do not extend the life of the asset, are expensed in the current year.

Estimated useful lives are as follows:

Computer and office equipment	5-7 years
Leasehold improvements	5-10 years

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Allocations Expenses and Allocations Payable

Allocations are contributions from the Organization to member agencies. Allocations are made from unrestricted support raised by the annual campaign. Member agencies are selected every three years by the governing board, with annual updated financial reports and annual site visits. Unconditional promises to give are reported as an expense upon notification of the promise.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2. Summary of Significant Accounting Policies, continued

Allocations Expenses and Allocations Payable, continued

The Organization mails out allocation letters prior to the close of its fiscal year. Accordingly, those allocations are reported as an expense and as allocations payable. The allocations are paid out over the following fiscal year.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Additionally, a substantial number of volunteers donated significant amounts of their time in the Organization's fund-raising campaigns.

Income Taxes

The Organization is exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code, and from California franchise tax under Section 23701d of the Revenue and Taxation Code.

Fair Value Measurements

The carrying amount of cash and cash equivalents, pledges, grants and other receivables, and accounts payable approximate fair market value due to short-term maturities of these instruments.

The Organization defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization uses 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 are described below:

- Level 1: quoted prices in active markets for identical investments.
- Level 2: pricing inputs, including broker quotes, are those other than exchange quoted prices in active markets, are either directly or indirectly observable as of the reporting date which the fair value is determined through the use of models or other valuation methodologies.
- Level 3: pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investments and may require a high level of judgment to determine fair value.

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. Level 1 assets are based on quoted market prices. Level 2 assets are based on estimated current market inputs for similar financial instruments with comparable terms and credit quality.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

The following tables present the assets that are measured at fair value on a recurring basis at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 288,699	\$ -	\$ -	\$ 288,699

Deferred Rent Liability

The Organization's lease of their main office space in Capitola, California provides for a 3% increase in monthly lease payments and triple net charges. The Organization recognizes the related rent expense on a straight-line basis over the life of the lease and records the difference between the expense included in the accompanying statement of activities and the amount recorded as deferred rent liability.

Functional Allocation of Expenses

The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services classification based on the average number of full-time employees, the time study allocation method, and on a direct costs basis. This is consistent with the standards for allocation of functional expenses in accordance with United Way Worldwide.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Financial Information for Fiscal Year 2016

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the June 30, 2016, financial statements of United Way of Santa Cruz County, from which the summarized information was derived.

Reclassifications

Certain comparative amounts in the fiscal year 2016 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported changes in net assets.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30, 2017:

Cash and checking accounts	\$	135,749
Money market and maximizer accounts		288,699
	\$	<u>424,448</u>

4. Prepaid Expenses

Prepaid expenses consisted of the following as of June 30, 2017:

Consulting	\$	1,000
Other		3,606
	\$	<u>4,606</u>

5. Property and Equipment, net

Property and equipment consisted of the following as of June 30, 2017:

	<u>Donated</u>	<u>Purchased</u>	<u>Total</u>
Computer equipment	\$ 28,164	\$ 40,444	\$ 68,608
Office equipment	-	47,936	47,936
Leasehold improvements	-	16,773	16,773
	<u>\$ 28,164</u>	<u>\$ 105,153</u>	133,317
Accumulated depreciation			<u>(127,355)</u>
Property and equipment, net			<u>\$ 5,962</u>

Depreciation expense for the years ended June 30, 2017 was \$4,634.

6. Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2017:

Restricted for Use:

United Way of San Benito County	\$	124,554
Immunization Coalition		2,503
Smart Path		217,918
Santa Cruz County		2,100
Community Organizing		143,019
	\$	<u>490,094</u>

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

6. **Restricted Net Assets**, continued

Net Assets Released From Restrictions

Net assets were released from restrictions by incurring expenses that satisfied the restricted purpose during the year, by the passage of time or the direction of the donor for the year end June 30, 2017 as follows:

Program services	\$	998,735
Time restricted		-
		<hr/>
	\$	998,735
		<hr/>

Permanently Restricted Net Assets

Permanently restricted net assets are funds that are required by the gift instruments to be invested in perpetuity. The income from such investments is unrestricted. As of June 30, 2017, the Organization had \$5,000 in permanently restricted net assets.

7. **Board Designation – Unrestricted Net Assets**

In fiscal year 2011-2012, the Organization's Board of Trustees passed a motion to establish a goal of \$250,000 of unrestricted net assets for an operating reserve, which totaled \$(10,342) as of June 30, 2017.

8. **Deferred Compensation Plan**

United Way sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed dollar amount, to the plan. Participants are immediately vested in all contributions to the Plan.

The Organization contributes a percentage of each participant's salary, as approved by the Board of Directors. The percentage has historically been 3% to 8%. Contributions totaling \$71,526 for the year ended June 30, 2017 was made by the Organization, in addition to elective deferrals made by employees.

9. **Concentrations**

Concentration of Grants

The Organization collaborates with First 5 Santa Cruz County, who provides approximately 46% of the Organization's total support and revenue and represents approximately 54% of total grants receivable as of June 30, 2017. The contract with First 5 Santa Cruz County is renewable annually.

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of checking accounts, certificates of deposit, money market funds accounts, and accounts and pledges receivable.

Credit risk with respect to grants receivable is considered low because a substantial portion is from government agencies. Pledges receivable, which have been shown net of an allowance for uncollectible amounts, are due from corporations, foundations and individuals located primarily in Santa Cruz County.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

9. Concentrations, continued

Cash and Cash Equivalents

The Organization maintains balances in cash and interest-bearing deposit accounts in several financial institutions and, from time to time during the year, the cash balances may be in excess of the amount insured by the FDIC. In the event of insolvency by the financial institution, deposits in excess of insured amounts are potentially subject to unrecoverable loss.

10. Lease Commitments

In September 2010, the Organization entered into a ten year lease for its main office space in Capitola, California ending August 2020. Monthly lease payments, including triple net charges, were \$5,780 for the year ended June 30, 2017. The agreement provides for a 3% increase in the monthly lease payment and triple net charges beginning in year six and continuing each subsequent year.

The Organization also rents two other program facilities on a month-to-month basis. Monthly rents for these facilities are \$450 and \$350.

Rent expense for the years ended June 30, 2017 was \$73,827, including triple net charges. At June 30, 2017, the Organization is committed to the following annual minimum lease payments including triple net charges:

<u>Year ending June 30:</u>	Minimum Payment	Amortization of Straight Line Deferred Rent (Deferred Liability)	Straight Line Expense
2018	\$ 73,226	\$ (12,896)	\$ 60,330
2019	75,424	(15,094)	60,330
2020	77,682	(17,352)	60,330
2021	13,010	(2,956)	10,054
	\$ 239,342	\$ (48,298)	\$ 191,044

11. Advertising Costs

Advertising costs are expensed as incurred. For the years ended June 30, 2017, advertising expenses was \$24,061.

12. Subsequent Events

The Organization has evaluated events subsequent to June 30, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 13, 2017, which is the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.