CHILDREN'S ACTION ALLIANCE

Financial Statements
December 31, 2016 and 2015
With Independent Auditors' Report

Romek, Sanders & Company, P.C.

Certified Public Accountants

Members of American Institute of Certified Public Accountants
and Arizona Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Children's Action Alliance
Phoenix, Arizona

We have audited the accompanying financial statements of Children's Action Alliance (an Arizona corporation, not for profit), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Children's Action Alliance as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Romek, Sanders & Company, P.C.

August 14, 2017

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CHILDREN'S ACTION ALLIANCE
Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash	$ 311,891	$ 527,569
Investments (NOTE 2)	1,357,509	1,328,682
Investments designated for endowment (NOTES 2 and 3)	172,224	111,930
Investments restricted for endowment (NOTES 2 and 3)	905,245	920,244
Other receivable	4,099	0
Prepaid expenses	13,845	4,963
Leasehold improvements, furniture and equipment, at cost less accumulated depreciation of $1,216 and $19,188 (NOTE 5)	122,812	3,815
Total assets	$ 2,887,625	$ 2,897,203
LIABILITIES		
Accounts payable	$ 64,070	$ 0
Accrued expenses	65,383	22,713
Refundable advances	0	184,091
Total liabilities	129,453	206,804
NET ASSETS		
Undesignated	915,662	1,146,391
Designated (NOTE 6)	394,839	297,971
Net investment in leasehold improvements, furniture and equipment	122,812	3,815
Total unrestricted net assets	1,433,313	1,448,177
Temporarily restricted net assets (NOTE 7)	1,324,859	1,242,222
Total net assets	2,758,172	2,690,399
Total liabilities and net assets	$ 2,887,625	$ 2,897,203

The accompanying notes are an integral part of these statements

CHILDREN'S ACTION ALLIANCE
Statements of Activities
For the Years Ended December 31, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 135,752	$ 13,630	$ 149,382
Grants and contracts	318,900	1,442,506	1,761,406
Event income, net of direct benefits of $36,894 and $40,105	170,101	0	170,101
Interest	33,204	15,524	48,728
Realized and unrealized gains (losses), net	2,918	25,476	28,394
Loss on disposal of equipment	(1,325)	0	(1,325)
Net assets released from restrictions (NOTE 8):			
Satisfaction of program restrictions	1,414,499	(1,414,499)	0
Total revenues and other support	2,074,049	82,637	2,156,686
EXPENSES			
Program services			
Total program services	1,840,035	0	1,840,035
Supporting activities			
General and administrative	134,324	0	134,324
Fund raising	114,554	0	114,554
Total supporting activities	248,878	0	248,878
Total expenses	2,088,913	0	2,088,913
CHANGE IN NET ASSETS	(14,864)	82,637	67,773
NET ASSETS, beginning of year	1,448,177	1,242,222	2,690,399
NET ASSETS, end of year	$ 1,433,313	$ 1,324,859	$ 2,758,172

The accompanying notes are an integral part of these statements

2015		
Unrestricted	Temporarily Restricted	Total
$ 112,844	$ 7,500	$ 120,344
892,087	1,045,694	1,937,781
163,930	0	163,930
32,802	13,431	46,233
(48,763)	(21,770)	(70,533)
0	0	0
1,171,365	(1,171,365)	0
2,324,265	(126,510)	2,197,755
2,052,605	0	2,052,605
80,712	0	80,712
74,055	0	74,055
154,767	0	154,767
2,207,372	0	2,207,372
116,893	(126,510)	(9,617)
1,331,284	1,368,732	2,700,016
$ 1,448,177	$ 1,242,222	$ 2,690,399

CHILDREN'S ACTION ALLIANCE

Statement of Functional Expenses

For the Year Ended December 31, 2016

	2016				
	Total Program Services	General and Administrative	Fund Raising	Total Supporting Activities	Total
Salaries and related benefits	$ 990,851	$ 93,257	$ 81,599	$ 174,856	$ 1,165,707
Grants and contracts	88,867	0	0	0	88,867
Contractual services	448,388	19,398	7,791	27,189	475,577
Advertising and promotion	89,380	210	0	210	89,590
Office expenses	50,437	4,747	10,371	15,118	65,555
Information technology	6,350	0	705	705	7,055
Occupancy	53,155	4,493	3,932	8,425	61,580
Travel	19,612	2,091	982	3,073	22,685
Conferences, conventions and meetings	31,063	5,482	2,084	7,566	38,629
Depreciation	3,150	297	259	556	3,706
Insurance	475	1,765	0	1,765	2,240
Printing	38,177	2,009	6,296	8,305	46,482
Postage	4,370	411	391	802	5,172
Publications and subscriptions	1,747	164	144	308	2,055
Professional dues and memberships	14,013	0	0	0	14,013
	$ 1,840,035	$ 134,324	$ 114,554	$ 248,878	$ 2,088,913

CHILDREN'S ACTION ALLIANCE
Statement of Functional Expenses
For the Year Ended December 31, 2015

	2015				
	Total Program Services	General and Administrative	Fund Raising	Total Supporting Activities	Total
Salaries and related benefits	$ 895,789	$ 49,669	$ 49,669	$ 99,338	$ 995,127
Grants and contracts	446,467	0	0	0	446,467
Contractual services	361,569	16,927	4,856	21,783	383,352
Advertising and promotion	133,667	7,035	0	7,035	140,702
Office expenses	42,486	2,230	4,698	6,928	49,414
Information technology	14,271	0	1,500	1,500	15,771
Occupancy	52,100	2,894	2,894	5,788	57,888
Travel	27,380	402	658	1,060	28,440
Conferences, conventions and meetings	22,280	0	3,666	3,666	25,946
Depreciation	2,541	0	0	0	2,541
Insurance	860	995	0	995	1,855
Printing	30,673	0	4,267	4,267	34,940
Postage	4,362	217	1,847	2,064	6,426
Publications and subscriptions	6,514	343	0	343	6,857
Training, memberships and sponsorships	11,646	0	0	0	11,646
Total expenses	$ 2,052,605	$ 80,712	$ 74,055	$ 154,767	$ 2,207,372

The accompanying notes are an integral part of this statement

CHILDREN'S ACTION ALLIANCE

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 67,773	$ (9,617)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	3,706	2,541
Realized and unrealized (gains) losses and reinvested interest and dividends on investments, net of investment expenses	(77,122)	24,300
Distributions from endowment	56,000	55,000
Donated bonds	(53,000)	0
Loss on disposal of equipment	1,325	0
Changes in operating assets and liabilities		
(Increase) decrease in assets:		
Receivables		
Grants	0	161,245
Other	(4,099)	500
Prepaid expenses	(8,882)	0
Increase (decrease) in liabilities:		
Grants payable	0	(44,589)
Accounts payable	64,070	(5,970)
Accrued expenses	42,670	(575)
Refundable advances	(184,091)	54,091
Total adjustments	(159,423)	246,543
Net cash (used) provided by operating activities	(91,650)	236,926
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of leasehold improvements, furniture and equipment	(124,028)	0
Net purchase of investments	0	(7,500)
Net cash (used) by investing activities	(124,028)	(7,500)
NET (DECREASE) INCREASE IN CASH	(215,678)	229,426
CASH, beginning of year	527,569	298,143
CASH, end of year	$ 311,891	$ 527,569

The accompanying notes are an integral part of these statements

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies

Description of Organization

Children's Action Alliance (the "Organization") was incorporated in 1988 in the State of Arizona as a not for profit corporation. The Organization, based in Phoenix, Arizona, is an independent voice for Arizona children at the state capitol and in the community. The Organization works to improve children's health, education, and security through information and action. Through research, publications, media campaigns, and advocacy, the Organization seeks to influence policies and decisions affecting the lives of Arizona children and their families on issues related to health, child abuse and neglect, early care and education, budget and taxes, juvenile justice, children and immigration, and working families. The Organization works toward a future in which all children have health insurance, no child is raised in poverty and hunger, every child enters school ready to learn and succeed, no child endures the ravages of abuse and neglect, every child has a place to call home, and struggling teens have the support they need to become responsible adults.

Basis of Presentation

The Organization reports 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. There were no permanently restricted net assets as of December 31, 2016 or 2015.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all revenues when earned, rather than when received, and reflect all expenses when incurred, rather than when paid.

Temporarily Restricted Amounts

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a 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.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash

Cash includes cash deposited in checking and savings accounts at financial institutions and are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). From time to time, these deposits may exceed the insurance amounts provided by the FDIC. The Organization considers checking accounts with deposits available for operating activities to be cash.

NOTE 1 – Description and Summary of Significant Accounting Policies (continued)

Investments

All investments are stated at market value using quoted market prices. Unrealized gains and losses are included in the change in net assets. Expenses relating to investment revenues, including investment advisory fees, amount to $14,673 and $19,360 for the years ended December 31, 2016 and 2015, respectively, and have been netted with revenues in the accompanying statements of activities.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the financial statements.

Donated Assets and Services

Donated assets and other materials are recorded at estimated fair value at date of receipt.

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. There were no donated services during the years ended December 31, 2016 and 2015, which met the criteria for recognition.

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization's programs. However, these services are not reflected as contributions in the financial statements since the recognition criteria were not met.

Leasehold Improvements, Furniture and Equipment

Leasehold improvements, furniture and equipment are stated at historical cost. All acquisitions in excess of $2,500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. The cost of other maintenance and repairs is expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is three to nine years.

Refundable Advances

Refundable advances consist of balances of grants awarded to the Organization as of December 31, 2015, for future projects.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program service and supporting activities benefited. Directly identifiable expenses are charged to the applicable program service or supporting activity. Expenses related to more than one function are charged to program service and supporting activities on the basis of periodic expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NOTE 1 – Description and Summary of Significant Accounting Policies (continued)

Advertising

The Organization receives grant funds that require advertising to promote specific programs for children and families. The costs of advertising are expensed as incurred and during the years ended December 31, 2016 and 2015, totaled $89,380 and $120,702, respectively.

Reclassification

The December 31, 2015, financial statements have been reclassified to be consistent with the December 31, 2016, financial statements.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Arizona Revised Statutes. Contributions to the Organization are tax deductible within the limitations described by the Code.

As of December 31, 2016 and 2015, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense, if incurred. Additionally, there was no unrelated business income for the years ended December 31, 2016 and 2015.

The Organization's informational tax returns are subject to review and examination by federal and state authorities. The tax returns for the years ended December 31, 2013 to 2015 are open to examination by federal authorities and for the years ended December 31, 2012 to 2015 by state authorities.

Supplementary Disclosures – Statements of Cash Flows

No cash was paid for income taxes, excise taxes or interest during the years ended December 31, 2016 or 2015.

NOTE 2 – Investments

The investment portfolio is included in the statements of financial position as:

	2016	2015
Unrestricted	$ 1,357,509	$ 1,328,682
Designated for endowment	172,224	111,930
Restricted for endowment	905,245	920,244
	$ 2,434,978	$ 2,360,856

NOTE 2 – Investments (continued)

The Organization uses the following three-tiered fair value hierarchy that prioritizes the inputs for 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 lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on the assumptions of the financial institution where the assets are held, has little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments are accounted for on a recurring basis using the market approach under the fair value hierarchy at December 31, 2016, as follows:

	Level 1	Level 2	Level 3	Total
Cash sweep funds	$ 84,148	$ 0	$ 0	$ 84,148
Common stock	992,257	0	0	992,257
Fixed income securities	0	82,138	0	82,138
Mutual funds	705,269	0	0	705,269
Preferred/fixed rate cap securities	0	13,453	0	13,453
Series HH bonds	53,000	0	0	53,000
Pooled funds	0	504,713	0	504,713
	$ 1,834,674	$ 600,304	$ 0	$ 2,434,978

Investments are accounted for on a recurring basis using the market approach under the fair value hierarchy at December 31, 2015, as follows:

	Level 1	Level 2	Level 3	Total
Cash sweep funds	$ 92,524	$ 0	$ 0	$ 92,524
Common stock	1,131,083	0	0	1,131,083
Fixed income securities	0	54,167	0	54,167
Mutual funds	568,666	0	0	568,666
Preferred/fixed rate cap securities	0	14,293	0	14,293
Pooled funds	0	500,123	0	500,123
	$ 1,792,273	$ 568,583	$ 0	$ 2,360,856

NOTE 2 – Investments (continued)

Investments in pooled funds consist of funds invested in Arizona Community Foundation's long term pool, a common equity investment pool (the "Pool") that is managed by Arizona Community Foundation's Investment Committee. The Organization has ownership interest in the Pool, which is based upon the ratio of the market value of individual funds account balances to the total market value of the Pool. The ratio is used to allocate future activity and is recalculated each time a contribution or withdrawal is made.

NOTE 3 – Endowment

During a prior year, the Board of Directors established an endowment fund for the purpose of funding the early childhood program that includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors, are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restricted contributions to the fund are recorded as increases to temporarily restricted net assets. While the principal in the endowment can be expended with Board approval, the intent is that only the earnings will be used for the intended program and that principal not be expended.

The Organization has interpreted the State of Arizona's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as temporarily restricted net assets (a) the original value of gifts on the date received by the Organization, (b) the original value of subsequent gifts on the date received by the Organization and (c) accumulations to the temporarily restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization and, (7) the Organization's investment policies.

The Organization has adopted investment and spending policies for endowment assets with the objectives of preserving capital while concentrating on long-term growth. Accordingly, the investment process objective is to achieve, over a 3-5 year market cycle, returns that will exceed inflation, plus 5% to be distributed for the purpose of covering expenses as directed by the Board of Directors. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund and investment assets and allocation between asset classes and strategies are managed to not expose the fund to an unacceptable level of risk.

The spending policy determines the amount of money in a given year that will be distributed from the Organization's endowment assets. The current spending policy is to evaluate the earnings of the endowment fund for the prior year and the planned expenditures for staff and projects for the early childhood program as a part of the annual Organization budget process. Recommendations will then be made for distributions from the endowment fund. The target distribution will be 5% of the endowment fund balance, leaving the principal plus additional earnings in the fund. However, based on the needs of the Organization, distributions may be below or above 5%.

NOTE 3 – Endowment (continued)

The endowment net assets composition by type of fund as of December 31, 2016, is as follows:

	Unrestricted	Temporarily Restricted	Total
Donor-restricted funds	$ 0	$ 905,245	$ 905,245
Board-designated funds	172,224	0	172,224
Total	$ 172,224	$ 905,245	$ 1,077,469

The endowment net assets composition by type of fund as of December 31, 2015, is as follows:

	Unrestricted	Temporarily Restricted	Total
Donor-restricted funds	$ 0	$ 920,244	$ 920,244
Board-designated funds	111,930	0	111,930
Total	$ 111,930	$ 920,244	$ 1,032,174

The change in endowment net assets for the year ended December 31, 2016, is as follows:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, January 1, 2016	$ 111,930	$ 920,244	$ 1,032,174
Additions	53,000	0	53,000
Investment income, net of fees	7,294	41,001	48,295
Amounts appropriated for expenditures	0	(56,000)	(56,000)
Endowment net assets, December 31, 2016	$ 172,224	$ 905,245	$ 1,077,469

The change in endowment net assets for the year ended December 31, 2015, is as follows:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, January 1, 2015	$ 114,333	$ 976,083	$ 1,090,416
Additions	0	7,500	7,500
Investment income, net of fees	(2,403)	(8,339)	(10,742)
Amounts appropriated for expenditures	0	(55,000)	(55,000)
Endowment net assets, December 31, 2015	$ 111,930	$ 920,244	$ 1,032,174

NOTE 4 – Concentration

For the year ended December 31, 2015, the Organization recognized grant revenue from an Arizona state agency totaling $447,617, of which $315,038 was recorded as pass-through grant expense. This represents 20% of total revenues, gains and other support for the year. Funding from this source continued through the contract award period, which expired on June 30, 2015, and was not extended.

NOTE 5 – Leasehold Improvements, Furniture and Equipment

Leasehold improvements, furniture and equipment consists of the following at December 31:

	2016	2015
Leasehold improvements	$ 38,601	$ 0
Office furniture and equipment	85,427	73,003
	124,028	73,003
Less accumulated depreciation	(1,216)	(69,188)
	$ 122,812	$ 3,815

Total depreciation expense for the years ended December 31, 2016 and 2015, was $3,706 and $2,541, respectively.

NOTE 6 – Designated Net Assets

Designated net assets are determined by management and the Board, and consist of the following:

	2016	2015
Future projects	$ 222,615	$ 186,041
Endowment	172,224	111,930
	$ 394,839	$ 297,971

Net assets designated for future year projects consists of unrestricted grant revenue received that has been designated by management to fund anticipated projects in progress in the subsequent year.

The endowment funds are designated for early childhood programs and consist of the corpus of the initial investments designated by the Board of Directors and allocated earnings and expenses from the Organization's investment funds.

NOTE 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Future projects	$ 419,614	$ 321,978
Endowment	905,245	920,244
	$ 1,324,859	$ 1,242,222

Net assets temporarily restricted for future projects consists of donor restricted grant revenue received to fund anticipated projects in progress in the subsequent year.

The endowment funds are restricted for early childhood programs and consist of the corpus of the initial investments restricted by donors and allocated earnings and expenses from the Organization's investment funds.

NOTE 8 – Temporarily Restricted Expenses

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes for the years ended December 31, 2016 and 2015:

	2016	2015
Current year projects	$ 1,358,499	$ 1,116,365
Endowment	56,000	55,000
	$ 1,414,499	$ 1,171,365

NOTE 9 – Operating Lease Commitments

The Organization leased office space under a lease agreement that expires December 31, 2017. Under the agreement, rent expense was $3,948 per month through June 2015, and increased to $4,100 beginning July 2015 through December 2017.

In December 2016, an agreement was entered into for new office space. Under the agreement, which is for 103 months, rent is abated from December 2016 through June 2017. Beginning in July 2017, monthly rent payments will be $7,469 and increase annually up to $8,883 per month. As a part of the agreement, the landlord will reimburse the Organization for rent paid through the remainder of the previous office space lease agreement.

Rent expense for the new agreement is recognized on a straight-line basis over the lease term taking into consideration rent abatements and escalating payments. As a result, the Organization has recorded rent payable of $7,620 as of December 31, 2016, which is included in accrued expenses on the statements of financial position. Rent abatements are payable only in the event of default on the lease.

NOTE 9 – Operating Lease Commitments (continued)

Rental expense related to the agreements for the years ended December 31, 2016 and 2015 was $54,132 and $49,846, respectively.

The Organization also leases office space in Tucson, Arizona. Under a previous agreement, rent expense was $375 per month for the first year beginning June 2014, and increased to $400 per month after the first year. This lease was cancelable with written notification. A new lease was entered into during September 2015, for which rent expense is $420 per month. This lease can also be cancelled with written notification. Rent expense related to the agreements for the years ended December 31, 2016 and 2015, was $5,412 and $5,675, respectively.

Office equipment is leased under operating agreements. A lease agreement entered into in 2011 required 63 monthly payments of $772, plus applicable taxes, through January 2017. This lease was replaced with an agreement entered into in December 2016 which requires 63 monthly payments of $657, plus applicable taxes, through February 2022. Rental expense for office equipment lease agreements for the years ended December 31, 2016 and 2015, was $14,269 and $12,294, respectively.

Minimum future rental payments under these commitments are as follows:

Year ending December 31,		
2017	$	52,697
2018		98,725
2019		101,147
2020		103,992
Thereafter		362,461

NOTE 10 – Retirement Plan

The Organization has a 403(b) plan for eligible employees. For 2016 and 2015, employees' withholdings to the plan were matched up to 3%. The match is determined annually by the Board. Total contributions to the plan for the years ended December 31, 2016 and 2015, were $16,201 and $14,261, respectively.

NOTE 11 – Subsequent Events

Management has evaluated subsequent events through the report date that is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.