Big Thought and Affiliate

Consolidated Financial Statements
June 30, 2018 and 2017

Sutton Frost Cary LLP
Certified Public Accountants

Big Thought and Affiliate
Contents

Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Big Thought and Affiliate

We have audited the accompanying consolidated financial statements of Big Thought and Affiliate (Organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the 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.

Sutton Frost Cary LLP
Certified Public Accountants and Consultants
600 Six Flags Drive, Suite 600 Arlington, Texas 76011
www.sfcllp.com
Phone 817.649.8083
Fax 817.649.3202

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization 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 30, 2018

Big Thought and Affiliate
Consolidated Statements of Financial Position
June 30, 2018 and 2017

Assets

	2018	2017
Cash	$ 731,896	$ 566,808
Investments	1,509,781	976,584
Pledges receivable, net	632,167	2,216,959
Government grants receivable	116,702	388,345
Accounts receivable	48,303	34,128
Prepaid expenses and other assets	30,019	38,270
Property and equipment, net	254,368	329,500
Total assets	$ 3,323,236	$ 4,550,594

Liabilities and Net Assets

	2018	2017
Accounts payable	$ 422,032	$ 316,289
Accrued expenses	277,223	226,102
Deferred revenue, rent and lease incentive	282,882	283,478
Note payable	-	13,726
Total liabilities	982,137	839,595
Unrestricted net assets	2,005,993	3,112,597
Temporarily restricted net assets	335,106	598,402
Total net assets	2,341,099	3,710,999
Total liabilities and net assets	$ 3,323,236	$ 4,550,594

See notes to consolidated financial statements.

Big Thought and Affiliate
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	$ 1,519,273	$ 2,131,508	$ 3,650,781
Government grants	-	917,404	917,404
Program income	2,706,099	-	2,706,099
Other income	44,026	-	44,026
Interest income	8,494	-	8,494
Net assets released from restrictions	3,312,208	(3,312,208)	-
Total support and revenue	7,590,100	(263,296)	7,326,804
Expenses:			
Program	7,215,697	-	7,215,697
Supporting	988,403	-	988,403
Fundraising	492,604	-	492,604
Total expenses	8,696,704	-	8,696,704
Decrease in net assets	(1,106,604)	(263,296)	(1,369,900)
Net assets at beginning of year	3,112,597	598,402	3,710,999
Net assets at end of year	$ 2,005,993	$ 335,106	$ 2,341,099

See notes to consolidated financial statements.

Big Thought and Affiliate
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	$ 475,561	$ 3,682,494	$ 4,158,055
Government grants	-	1,124,700	1,124,700
Program income	1,705,652	-	1,705,652
Other income	75,116	-	75,116
Special event, net of direct benefits to donors of $65,758	191,759	-	191,759
Interest income	541	-	541
Net assets released from restrictions	6,081,826	(6,081,826)	-
Total support and revenue	8,530,455	(1,274,632)	7,255,823
Expenses:			
Program	5,987,177	-	5,987,177
Supporting	586,000	-	586,000
Fundraising	524,053	-	524,053
Total expenses	7,097,230	-	7,097,230
Increase (decrease) in net assets	1,433,225	(1,274,632)	158,593
Net assets at beginning of year	1,679,372	1,873,034	3,552,406
Net assets at end of year	$ 3,112,597	$ 598,402	$ 3,710,999

See notes to consolidated financial statements.

Big Thought and Affiliate
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Program	Supporting	Fundraising	Total
Agency fees	$ 1,430,681	$ -	$ -	$ 1,430,681
Artist fees	754,982	-	-	754,982
Contract services	808,364	125,543	53,295	987,202
Depreciation	60,106	15,026	-	75,132
Insurance	51,741	12,349	-	64,090
Marketing	60,827	-	11	60,838
Office	3,000	11,430	10,491	24,921
Other	31,519	72,984	29,504	134,007
Postage and printing	28,762	4,094	1,503	34,359
Professional fees	34,060	171,784	44,200	250,044
Rent, utilities and telephone	118,349	29,587	-	147,936
Salaries and related benefits	3,292,040	302,339	343,856	3,938,235
Supplies	165,352	-	8,448	173,800
Technology	281,917	229,661	433	512,011
Training	13,013	-	-	13,013
Travel	80,984	13,606	863	95,453
Total expenses by function	$ 7,215,697	$ 988,403	$ 492,604	$ 8,696,704
	83.0%	11.4%	5.6%	100.0%

See notes to consolidated financial statements.

Big Thought and Affiliate
Consolidated Statement of Functional Expenses
Year Ended June 30, 2017

	Program	Supporting	Fundraising	Total
Agency fees	$ 1,298,857	$ -	$ -	$ 1,298,857
Artist fees	348,774	-	-	348,774
Contract services	742,808	28,895	65,958	837,661
Depreciation	100,370	14,779	-	115,149
Insurance	63,022	6,759	-	69,781
Marketing	127,439	50	-	127,489
Office	2,975	11,031	16,663	30,669
Other	17,733	74,065	15,876	107,674
Postage and printing	31,574	6,202	2,481	40,257
Professional fees	62,895	73,430	-	136,325
Rent, utilities and telephone	140,480	15,608	-	156,088
Salaries and related benefits	2,663,364	266,789	396,823	3,326,976
Supplies	116,304	-	17,666	133,970
Technology	193,787	73,598	4,363	271,748
Training	10,165	-	-	10,165
Travel	66,630	14,794	4,223	85,647
Direct costs of special event	-	-	65,758	65,758
Total expenses by function	5,987,177	586,000	589,811	7,162,988
Less expenses included with revenues on the statement of activities -				
Direct costs of special event	-	-	(65,758)	(65,758)
Total	$ 5,987,177	$ 586,000	$ 524,053	$ 7,097,230
	84.3%	8.3%	7.4%	100.0%

See notes to consolidated financial statements.

Big Thought and Affiliate
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (1,369,900)	$ 158,593
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	75,132	115,149
Donated securities	-	(240,604)
Net realized and unrealized gains from investments	(3,208)	(18,986)
Amoritization of discount on pledges receivable	(10,363)	(22,855)
Changes in assets and liabilities:		
Pledges receivable	1,595,155	(49,546)
Government grants receivable	271,643	(201,745)
Accounts receivable	(14,175)	73,426
Prepaid expenses and other assets	8,251	(17,768)
Accounts payable	105,743	(93,741)
Accrued expenses	51,121	(91,728)
Deferred revenue, rent and lease incentive	(596)	(29,925)
Net cash provided (used) by operating activities	708,803	(419,730)
Cash flows from investing activities:		
Proceeds from sales of investments	2,503,207	2,575,000
Purchases of investments	(3,033,196)	(2,190,398)
Purchases of property and equipment	-	(9,204)
Net cash provided (used) by investing activities	(529,989)	375,398
Cash flows from financing activities:		
Repayments on note payable	(13,726)	(40,276)
Net cash used by financing activities	(13,726)	(40,276)
Net change in cash	165,088	(84,608)
Cash at beginning of year	566,808	651,416
Cash at end of year	$ 731,896	$ 566,808
Supplemental cash flow information -		
Cash paid during the year for interest	$ 11,970	$ 15,124

See notes to consolidated financial statements.

1. Organization

Big Thought is a Texas nonprofit corporation formed in 1987 under Section 501(c)(3) of the Internal Revenue Code (IRC). Big Thought's mission is to make imagination a part of everyday learning. Big Thought envisions communities where every learner is immersed in opportunities to imagine, create, and succeed.

Since its inception 30 years ago, Big Thought has grown to become a national model, first in arts education, then in out-of-school time systems, and again in summer learning systems. Today, Big Thought is one of six U.S. community partnerships that are helping to scale national best practices in social and emotional learning. Throughout its iterations, Big Thought has risen to the task of being an effective and flexible organization that can work with communities and partners to close the opportunity gap. Two consistent themes drive Big Thought's work: 1) Empowering youths' creativity and 2) Helping to build social and emotional well-being.

Big Thought approaches its work by building creative learning communities - a group of partners such as schools, city agencies, universities, museums, libraries, nonprofits, funders and others - working together to organize and implement resources and programs. Big Thought's solutions embrace social justice, criminal justice, education, and workforce readiness. Big Thought desires to use its standing to uplift the work of its partners and the best practices that address these issues, and to uplift the lives and the voices of those who are most affected. Big Thought is uniquely positioned to tell the stories of the people, the partners, and the programs that are guiding children on their path to the future.

Big Thought approaches this work across three fronts:

> Systems: Big Thought's system-wide partnerships provide students with increased access to and dosage of the city's assets. Big Thought works to empower its partners to raise the overall quality of the city's educational experiences. Big Thought's systems work includes Learning Partners (in-school arts and culture) and Dallas City of Learning (summer and afterschool arts, culture, and STEM (Science/Technology/Engineering/Math initiatives)).
>
> Programs: Big Thought designs, develops, curates, and executes rigorous local programs that explicitly impact students. They include Thriving Minds (afterschool), Creative Solutions (adjudicated youth), Artivism (social justice), DaVerse (literary performing arts), The Fellowship Initiative (leadership), and Library Out Loud (literacy and culture).
>
> Research, Evaluation and Design: Big Thought's cross-functional team drives the organization and the greater community toward continuous improvement of its work with students, partners and communities. This work positions Big Thought to deliver its work with fidelity, and also enables Big Thought to document, package and scale its work.

Big Thought approaches its work by building creative learning communities - a group of partners such as schools, city agencies, universities, museums, libraries, nonprofits, funders and others - working together to organize and implement resources and programs.

Big Thought focuses its efforts in three areas of civic outcome:

> Successful students - Creative learning helps keep students engaged in school and instills skills - like innovation, problem-solving and critical thinking - essential as they prepare to join the 21st century workforce.
>
> Strong families - Engaging parents is vital to a child's academic success. Creative learning opens the door to family involvement, providing diverse, high-quality opportunities for families to learn together.
>
> Vibrant communities - A strong cultural scene is a hallmark of any great city. Arts and culture provide jobs, enhance community and business relationships, contribute to economic vitality and help make a community an attractive place to live.

Big Thought is supported primarily through government grants and contracts and contributions from foundations, corporations and individuals.

The affiliate, Big Thought Endowment Fund (Fund), is a Texas nonprofit corporation incorporated June 3, 2003. It is a tax-exempt organization under Section 501(c)(3) and 509 (a)(3) of the IRC. The sole purpose for establishing the Fund is to provide an organization that will operate for the benefit of, and will support the mission of Big Thought. A majority of the board of directors of the Fund also serve as directors of Big Thought.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Consolidated Financial Statements

The consolidated financial statements include the accounts and transactions of Big Thought and its affiliate, the Fund (collectively, the Organization). All significant inter-organizational accounts and transactions have been eliminated in consolidation.

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.

Temporarily restricted net assets - Net assets subject to donor 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 purpose. There are no permanently restricted net assets at June 30, 2018 and 2017.

Revenues are reported as increases 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 are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Financial Instruments and Credit and Market Risk Concentrations

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

The Organization maintains cash balances at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2018 and 2017 the Organization's uninsured bank balances totaled $505,754 and $601,036, respectively. Management has placed these funds with a high credit quality institution in order to minimize risk. The Organization has not experienced any losses on such accounts.

Pledges, government grants and accounts receivable are unsecured and are primarily due from donors and government agencies. The Organization periodically evaluates the collectability of pledges, government grants and accounts receivable and maintains allowances as necessary.

For the years ended June 30, 2018 and 2017, the Organization received 43% and 25%, respectively, of its support and revenue from two funding sources. The balance due from two funding sources totaled 51% and 40% of total receivables at June 30, 2018 and 2017, respectively.

The Organization operates mainly in the Dallas, Texas area. Therefore, results of operations are subject to economic conditions of the area.

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 and disclosure of contingent 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.

Federal Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the 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. Effective January 1, 2018, the Organization began incurring unrelated business income tax on the value of qualified parking provided to its employees. Accordingly, a provision has been made for federal income tax in the accompanying consolidated financial statements as of and for the year ended June 30, 2018.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns 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.

Pledges, Government Grants and Accounts Receivable

Pledges receivable are recorded at the estimated fair value when received, government grants receivable are recorded based on the reimbursable amount incurred, and accounts receivable are generally recorded at the invoiced amount. The collectability of the Organization's receivables is reviewed on an ongoing basis, using an assessment of the current status of individual accounts and current economic conditions.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost or if acquired by gift, at the fair value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 3 to 10 years, except for leasehold improvements which are depreciated using the lessor of the useful life of the asset or the term of the lease.

Revenue Recognition

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give (pledge) has been received. Unconditional promises to give 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. If funds are received related to the conditional promise, the amounts received are accounted for as a refundable advance.

Government grants are recognized as contract terms are fulfilled. Cost reimbursement grants are recognized as support when the allowable costs are incurred. Fees for contract services are recognized as revenue when the contracted services are performed. Contributions and grants are considered to be available for unrestricted purposes unless restricted by a donor for specific purposes.

Program fees includes fees for in-school and out-of-school programs. The revenue is recognized at the time the service is provided.

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.

Deferred Rent and Lease Incentives

The Organization has entered into an office lease which includes lease incentives, rent abatements and escalating rent over the term of the lease. In accordance with GAAP, rent cost is accounted for on a straight-line basis over the rent term.

Allocation of Functional Expenses

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

Contract Compliance

The Organization is responsible for compliance with provisions of contracts and grant agreements. 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.

Estimates and Assumptions

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

Reclassification

Certain amounts in the 2017 financial statements have been reclassified to be consistent with the 2018 presentation.

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 consolidated 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 with have on the 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 assets or liabilities 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 methodology used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Money Market Funds

Money market funds are valued at the net asset value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy. Investments totaling $1,509,781 and $976,584 for the years ended June 30, 2018 and 2017, respectively, consist solely of money market funds and are valued using Level 1 inputs.

4. Pledges, Government Grants and Accounts Receivable

Pledges receivable as of June 30, are as follows:

	2018	2017
Receivable in less than one year	$ 603,967	$ 1,874,289
Receivable in one to five years	45,000	369,833
Total	648,967	2,244,122
Less allowance for doubtful accounts	(14,657)	(14,657)
Less discount to present value	(2,143)	(12,506)
	$ 632,167	$ 2,216,959

The discount rate used on long-term pledges at June 30, 2018 and 2017 was 5.0% and 3.5%, respectively.

Government grants and accounts receivable are due within the next year and are considered to be fully collectible by management at June 30, 2018 and 2017; accordingly no allowance for doubtful accounts is required.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2018	2017
Furniture and equipment	$ 1,526,288	$ 1,526,288
Leasehold improvements	358,691	358,691
	1,884,979	1,884,979
Accumulated depreciation	(1,630,611)	(1,555,479)
Property and equipment, net	$ 254,368	$ 329,500

6. Lines of Credit

The Organization has an unsecured line of credit with Frost Bank allowing the Organization to borrow up to $650,000. Interest is at .25% above the bank's prime rate (5% as of June 30, 2018) and is payable monthly until January 1, 2019, when all unpaid principal and interest will be due. No amounts were outstanding as of June 30, 2018 and 2017.

The Organization had an unsecured line of credit with Inwood National Bank allowing the Organization to borrow up to $150,000. Interest was at .5% above the bank's prime rate (4.25% as of June 30, 2017) and was payable monthly until October 14, 2017, when all unpaid principal and interest was due. No amounts were outstanding as of June 30, 2018 and 2017. This line of credit was not renewed past October 14, 2017.

7. Note Payable

On October 13, 2015, the Organization entered into a loan agreement with a bank totaling $80,000. The loan bears interest at 4.118% and is collateralized by certain equipment. The loan requires monthly principal and interest payments of $3,481 until maturity on October 13, 2017. The balance outstanding on June 30, 2017 was $13,726. The loan was paid in full during the year ended June 30, 2018.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts restricted by donors for the following purposes at June 30:

	2018	2017
Restricted as to time	$ 1,773	$ 6,984
Restricted as to purpose:		
City of Learning	333,333	591,418
	$ 335,106	$ 598,402

9. Leases and Subleases

The Organization entered into a non-cancelable operating lease agreement for office space expiring April 30, 2023. The lease includes lease incentives, rent abatements and fixed rent escalations, which are amortized and recorded over the lease term on a straight-line basis.

The following is a schedule of future required minimum lease payments under the lease agreement for the years ending June 30:

2019	$ 185,991
2020	185,991
2021	185,991
2022	185,991
2023	154,993

Operating lease expense totaled $137,602 and $140,574 for the years ended June 30, 2018 and 2017, respectively.

In March 2017, the Organization entered into a sublease agreement with Project Still I Rise, Inc. a 501(c)(3) partner organization, expiring February 12, 2019. The sublease is cancelable with 30 days' notice by either party.

10. Retirement Plan

The Organization has a tax deferred annuity plan qualified under Section 403(b) of the IRC. Employees can make contributions, subject to certain limitations, on a pretax basis. The Organization does not contribute to the plan.

11. Related Party Transactions

The Organization receives contributions from related parties, including board members and employees. For the years ended June 30, 2018 and 2017 related party contributions totaled $125,106 and $468,471, respectively.

12. 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.

Note on Fiscal Year 2018 accrual-based deficit:

The $1.4M gap can be attributed to non-profit accounting standards, requiring over $1.6M of Contributed Income received in FY18 (in cash) to be recognized as Revenue in prior fiscal years, that is, upon receipt of the Contributed Income's initial pledge.