OPERATION GRATITUDE, INC.
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

December 31, 2017

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

CONTENTS

Gursey | Schneider LLP

CERTIFIED
PUBLIC ACCOUNTANTS
& ADVISORS

1888 Century Park East, Suite 900
Los Angeles, CA 90067

310 552 0960 ph
310 557 3468 fx

www.gursey.com

Independent Auditor's Report

To the Board of Directors
Operation Gratitude, Inc.
Chatsworth, California

We have audited the accompanying financial statements of Operation Gratitude, Inc. (a California nonprofit public benefit corporation) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, 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.

Auditor's 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 auditor's 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 on the previous page present fairly, in all material respects, the financial position of Operation Gratitude, Inc. as of December 31, 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.

Gursey | Schneider LLP

June 5, 2018
Los Angeles, California

OPERATION GRATITUDE, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2017

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,847,011
Investments, at fair value	2,544,671
Contributions receivable	180,461
Prepaid expenses	41,739
Contributed inventory	5,748,971
Total Current Assets	10,362,853
OTHER ASSETS	
Property and equipment, net	250,113
Deposits	54,074
Total Other Assets	304,187
TOTAL ASSETS	$ 10,667,040

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 337,820
NET ASSETS	
Unrestricted	10,051,823
Temporarily restricted	277,397
Total Net Assets	10,329,220
TOTAL LIABILITIES AND NET ASSETS	$ 10,667,040

OPERATION GRATITUDE, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
Contributions	$ 3,042,481	$ 20,000	$ 3,062,481
Contributed goods for distribution	7,423,395	-	7,423,395
Contributed advertising	413,898	-	413,898
Contributed legal and other services	71,700	-	71,700
Subtotal - Contributions	10,951,474	20,000	10,971,474
Realized and unrealized gains, net	46,311	-	46,311
Interest income	18,628	-	18,628
Subtotal - Other Support	64,939	-	64,939
Net Assets Released from Restriction	1,775,321	(1,775,321)	-
TOTAL REVENUES AND SUPPORT	12,791,734	(1,755,321)	11,036,413
FUNCTIONAL EXPENSES:			
Program services	9,993,177	-	9,993,177
Management and general	324,083	-	324,083
Fundraising	280,394	-	280,394
TOTAL FUNCTIONAL EXPENSES	10,597,654	-	10,597,654
CHANGES IN NET ASSETS	2,194,080	(1,755,321)	438,759
NET ASSETS, BEGINNING OF YEAR	7,857,743	2,032,718	9,890,461
NET ASSETS, END OF YEAR	$ 10,051,823	$ 277,397	$ 10,329,220

OPERATION GRATITUDE, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Communications and marketing	$ 412,443	$ 1,039	$ 1,064	$ 414,546
Depreciation	25,931	5,388	3,592	34,911
Dues and subscriptions	-	-	55,598	55,598
Equipment rental	5,270	17,435	697	23,402
Goods delivered	6,605,210	-	-	6,605,210
Insurance	47,386	7,464	7,832	62,682
Merchant fees	-	34,366	-	34,366
Other	1,381	1,621	337	3,339
Payroll, benefits, and payroll taxes	963,271	152,051	155,493	1,270,815
Postage and shipping	709,365	2,114	2,016	713,495
Printing	4,635	529	548	5,712
Professional services	412,518	58,329	35,983	506,830
Rent and occupancy costs	334,182	21,706	9,124	365,012
Repairs and maintenance	5,745	825	882	7,452
Supplies	437,046	11,514	1,939	450,499
Taxes and licenses	-	5,132	-	5,132
Telephone and internet services	833	184	122	1,139
Travel	21,353	3,283	3,541	28,177
Website	6,608	1,103	1,626	9,337
TOTAL FUNCTIONAL EXPENSES	$ 9,993,177	$ 324,083	$ 280,394	$ 10,597,654
Percent of total expenses	*94.3%*	*3.1%*	*2.6%*	*100.0%*

OPERATION GRATITUDE, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	$ 438,759
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	34,911
Net realized and unrealized investment gains	(46,311)
(Increase) decrease in assets:	
Contributions receivable	1,473,134
Prepaid expenses	(24,101)
Contributed inventory	(818,385)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	267,588
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,325,595
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash paid for purchases of investments	(2,260,448)
Cash paid for purchases of property and equipment	(171,261)
NET CASH USED IN INVESTING ACTIVITIES	(2,431,709)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,106,114)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,953,125
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,847,011

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Operation Gratitude, Inc., a California non-profit public benefit corporation (the "Organization"), seeks to lift spirits and meet the evolving needs of the U.S. Military and First Responder communities, and to provide volunteer opportunities for Americans to express their appreciation to all who serve our nation.

The Organization sends more than 250,000 care packages each year. These care packages are filled with food, hygiene products, entertainment and handmade items, plus personal letters of support. The care packages are sent to individual Soldiers, Sailors, Airmen, Marines, and Coast Guardsmen deployed overseas, to their children left behind, and to Veterans, newly graduated Recruits, First Responders, Wounded Heroes and their Caregivers.

During the year ended December 31, 2017, the Organization assembled and distributed approximately 283,000 care packages, including 204,000 care packages to Deployed Troops, Recruit Graduates, Veterans and First Responders, and more than 8,000 of its trademarked "Battalion Buddy" stuffed animals to military children. Additionally, the Organization distributed goods in bulk quantities to U.S. military bases and to other military support charitable organizations. Occasionally, the Organization will distribute goods that do not conform to care package or other program requirements, or goods that are nearing their expiration date, to local community relief agencies.

During 2017, the Organization participated in the collection and distribution of goods for disaster relief efforts to aid regions affected by Hurricanes Harvey, Irma, and Maria. The Organization also collected and distributed goods to those affected by Southern California wildfires in late 2017. Management estimates the Organization distributed approximately $1.0 million of goods in bulk, or the equivalent of approximately 71,100 care packages, to various relief agencies assisting victims of the various hurricanes and fires.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net Assets – The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets – represent the portion of expendable funds that are available to support the operations and are not subject to donor-imposed restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

- Temporarily restricted net assets – consist of contributions that are restricted for use in specific programs or whose restrictions expire with the passage of time. The Organization records temporarily restricted cash contributions that are received and expended in the same year as temporarily restricted revenue. As the donor restrictions are satisfied, net assets are released from restrictions. At December 31, 2017, the Organization had temporarily restricted net assets of $277,397 of capital campaign funds.

- Permanently restricted net assets – comprise funds that are subject to restrictions that the principal may be maintained in perpetuity and invested for the purpose of producing present and future income that may be expended by the Organization. At December 31, 2017, there were no permanently restricted net assets.

Cash and Cash Equivalents – For financial statement purposes, the Organization considers cash on hand, cash held in checking accounts and highly liquid, short-term money market investments to be cash and cash equivalents.

Investments – The Organization accounts for its investments at fair value, determined by quoted market prices. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Bond premiums and discounts are amortized to the first call date using a method that approximates the effective interest method. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets, unless their use is temporary or permanently restricted by donors to a specified purpose or future period.

Investments, totaling $2,544,671 consist of various publicly traded common stock, exchange traded funds and mutual funds. These investments are valued at the closing price at the end of the year. This represents a Level 1 fair value measure.

Contributions Receivable – Unconditional contributions, including grants recorded at fair value, are recognized as revenues in the period received. The Organization reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. At December 31, 2017, the Organization evaluated the collectability of grants receivable and no allowance for uncollectible grants was considered necessary.

Contributed Inventory – The Organization receives most of the items it sends in care packages from private donations from corporations and individuals. Contributed inventory is recorded as unrestricted contributions when they are received and is valued at management's best estimate of fair value at the time they are received (a Level 3 fair value measure), net of inventory that is unusable for the Organization's purposes. Upon distribution, the inventory is recorded as a decrease in unrestricted net assets. Inventory that is unusable for the Organization's purposes is donated to other military support charities.

At December 31, 2017 inventory on hand consists primarily of home health products, consumer confectionary items, small electronic devices, music, movies, small dry grocery items, and other miscellaneous gifts. All inventories are warehoused in Chatsworth, California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Property and Equipment – Property and equipment are valued at cost or management's best estimate of fair value at the time of donation. Property and equipment are depreciated on a straight-line method over three or five years. Software developed for internal use is capitalized. Normal repairs and maintenance, as well as property and equipment purchases that are less than $1,000 are expensed as incurred.

Impairment of Long-Lived Assets – Long-lived assets such as property and equipment are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. The Organization has determined that no events occurred during the year ended December 31, 2017 that would give rise to impairment of its long-lived assets.

Contributed Management and Legal Services – Some management services provided to the Organization are donated. Contributed services are recognized by the Organization if the services received (a) increase or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Management estimates the fair value of such services to be $71,700 for the year ended December 31, 2017 (includes donated salaries of specialized skills employees and legal services). Also included are individuals with specialized technical skill, individuals with whom the Organization would not be able to operate.

Additionally, the Organization receives a significant amount of contributed time from volunteers who do not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements. Management estimates that approximately 525,290 volunteer hours for solicitation, collection, staging, letter writing, knitting scarves, and package assembly were received during the year ended December 31, 2017 by a support network of volunteers around the country. The purpose of the Organization could not be fulfilled without the significant contributions of volunteer time, which is not reflected in the accompanying financial statements.

Contributed Advertising and Other In-Kind Goods – The Organization receives donated advertisements including online advertisements, the production of a promotional video, public service announcements, and social media promotion on high-traffic websites. Management estimates the fair value of such services to be $413,898 for the year ended December 31, 2017.

Functional Allocation of Expenses – The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

Income Tax – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended. The Organization is also exempt from California Franchise taxes under Section 23701(d) of the State Revenue and Taxation Code. Therefore, no provision for federal or state income taxes is reflected in the accompanying financial statements.

The Organization's federal income tax and informational returns for tax years 2014 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California remain subject to examination by the California Franchise Tax Board for years 2013 and subsequent.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fair Value of Financial Instruments – FASB ASC Topic No. 820, "Fair Value Measurements" ("ASC 820"), applies to all assets and liabilities that are recognized or disclosed at fair value on a recurring basis. ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in the orderly transactions between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. In addition to defining fair value, ASC 820 expands the disclosure requirement around fair value and established a fair value hierarchy for valuation inputs. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the follow three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In general and where applicable, the Organization uses quoted prices in active markets for identical assets or liabilities to determine fair value. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then they use quoted prices for similar assets or inputs other than the quoted prices that are observable either directly or indirectly.

In accordance with ASC 820, the Organization has classified all of its cash and cash equivalents and investments in the Level 1 fair value hierarchy measured at fair value on a recurring basis at December 31, 2017. The carrying amounts of the Organization's other financial instruments such as contributions receivable, and accounts payable approximate their fair value because of the short maturity of these instruments.

Concentration of Credit Risks – The Organization maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. Bank accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Investments in money market accounts are not insured by the FDIC.

As of December 31, 2017, one donor accounted for approximately 47% of contributions receivable.

Recently Issued Accounting Standards – In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *"Leases"* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on the Organization's financial statements and related disclosures.

Also, on August 18, 2016, FASB issued new rules for nonprofit organizations under ASU 2016-14 *"Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities"* ("NFP"). This ASU changes the financial reporting format for nonprofit organization financial statements to simplify the way in which NFPs quantify and qualify their financial performance, their liquidity and cash flows, and their classification of net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Five significant changes in ASU 2016-14 are:

1. The existing three-class system of classifying net asset as unrestricted, temporarily restricted and permanently restricted will be replaced with a simpler two-class structure. Going forward, NFPs will differentiate net assets solely between those net assets with donor restriction and net assets without donor restrictions. NFPs will still be required to disclose the nature and amounts of donor-imposed restrictions.

2. The presentation of required disclosure of underwater endowment funds will change. When the fair market value of a donor-restricted endowment is less than the original gift amount or the amount the NFP is required to maintain by the donor or by law, NFPs will be required to also report the amount of the deficiency and their governing boards' policies or decisions to reduce or spend from these funds.

3. NFPs will be required to disclose in financial statement notes qualitative information regarding how they will manage available liquid resources to meet cash needs for general expenses for the year following the balance sheet date. In addition, NFPs will be required to provide on the face of financial statements or in disclosure notes detailed quantitative information regarding their availability of financial assets at the balance sheet date to meet cash needs for the next year.

4. Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements. In addition to this change in the presentation of expenses, the method used to allocate costs among program and supporting activities functions is required to be disclosed.

5. Finally, NFP's may continue to present the statement of cash flows using either the direct or indirect method of reporting. However, under the new reporting standard, NFPs employing the direct method to report cash flow will no longer be required to provide a reconciliation of net income to the cash amounts presented under the indirect method.

ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application.

Subsequent Events – Subsequent events have been evaluated through June 5, 2018, the date the financial statements were available to be issued.

NOTE 3 – USE OF ESTIMATES

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

NOTE 3 – USE OF ESTIMATES – (CONTINUED)

The most significant estimates relate to the valuation of contributed inventory, professional and other donated services, and the valuation of inventory on hand. Contributed inventory and donated services accounted for approximately 72% of total revenue and support for the year ended December 31, 2017 and inventory on hand accounted for approximately 54% of total assets as of December 31, 2017.

The valuation of contributed inventory is based on management's best estimate of fair value for each item received. Items are valued upon receipt. Fair values are determined based on numerous factors which may include (a) amounts specified by the donor as being the wholesale selling price, (b) current retail or selling price of similar items, if known, or (c) management's own subjective appraisals based on research. Additionally, items of a unique or personal nature which do not have readily determinable fair values and goods which do not conform to the Organization's size or quality requirements for shipping are either assigned a nominal value or not assigned a value.

During the fiscal year ended December 31, 2017, the Organization collected donated goods from corporations and individuals for natural disaster relief efforts. Due to the unexpected and compressed timing of relief efforts, estimates for a significant amount of contributed inventory received and items distributed for disaster relief were determined based on variables including (a) number of shipments and shipping pallet dimensions, (b) determination of equivalent care package unit dimensions and total number of units, and (c) management's best estimate of the value of disaster relief items in an equivalent care package unit. Disaster relief collections accounted for approximately 28% of contributed inventory.

The valuation of donated salaries is based on prevailing labor costs of executive and supervisory employees engaged in non-profit and logistics management roles. The key roles of contributed service which meet the criteria for recognition discussed would include a minimum level of employed staffing required to run the Organization.

NOTE 4 – INVESTMENTS

The cost basis and corresponding fair value of the Organization's investment holdings as of December 31, 2017 are summarized as follows:

	Cost or Value on Date of Receipt	Level 1 Fair Value
Mutual funds	$ 1,710,342	$ 1,698,832
Exchange traded funds	140,695	141,809
Stocks	666,424	704,030
	$ 2,517,461	$ 2,544,671

All investments were classified by type within the Level 1 fair value hierarchy. Investment income for the year ended December 31, 2017, consist of dividends and interest income of $18,628 and net realized and unrealized gains of $46,311.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

As of December 31, 2017, the Organization's contributions receivable are expected to be received as follows:

In one year or less	$	180,461
Between one year and five years		-
Total	$	180,461

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017:

Warehouse fixtures and equipment	$	152,302
Automobiles		68,432
Software		56,832
Website		113,398
		390,964
Less accumulated depreciation		(140,851)
Net property and equipment	$	250,113

Depreciation expense for the year ended December 31, 2017 was $34,911.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets were as follows at December 31, 2017:

	Available December 31, 2016	Contributions	Released from Restriction	Available December 31, 2017
Time restricted	$ 125,200	$ -	$ (125,200)	$ -
Capital Campaign	407,518	20,000	(150,121)	277,397
"Package With Care"	1,500,000	-	(1,500,000)	-
Total	$ 2,032,718	$ 20,000	$ (1,775,321)	$ 277,397

Capital Campaign – Operation Gratitude launched a two-year Capital Campaign in 2015 to purchase its own warehouse facility, which would provide room for growth in programming and volunteerism. Due to changing operational needs of the National Guard, Operation Gratitude moved into its new location in Chatsworth, CA that would accommodate the Organization's needs for at least the next three to five years.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS – (CONTINUED)

The Board suspended the Capital Campaign during the fiscal year ended December 31, 2016, and notified all donors that their funds could either be refunded or held in the Capital Campaign account to be used for tenant improvements, technology infrastructure, or a future building purchase. If at the end of five years, no building purchase is underway, the remaining funds would seed an endowment, the interest from which would be used to further Operation Gratitude's mission. All donors have agreed to leave their funds in the Capital Campaign account. The amounts will be included as temporarily restricted net assets until such time that (a) the funds are spent according to its intended purpose, or (b) converted to a permanently restricted endowment at the conclusion of the five-year period.

"Package with Care" Program – In 2015, Operation Gratitude entered into an agreement with a corporate sponsor to develop and administer a care package volunteer program for employees of the sponsor. The Organization completed all remaining obligations under the sponsorship agreement, and sponsored funds of $1.5 million was released from restrictions during the year ended December 31, 2017.

NOTE 8 – COMMITMENTS

Operating Leases – In December 2015, the Organization moved into its current location in Chatsworth, California, and entered into a non-cancelable operating lease agreement that expires on December 31, 2018. Total rent and occupancy expense (which includes the pass-through of certain building operating costs charged by the landlord) incurred for the year ended December 31, 2017 was $365,012.The future rental commitments under this operating lease over the next fiscal year total $339,372. The Organization has the option to extend the lease for up to an additional 12 months.

In addition, the Organization leases industrial equipment for warehousing and distributing goods throughout the year. Such equipment, such as staging equipment, forklifts, and other vehicles are rented on month-to-month terms.

Employment Agreement – The Organization has an employment contract with its founder that provides for a salary, subject to annual increases, and customary benefits provided to all employees. The contract expires on June 30, 2021. The future salary commitments under this employment agreement are summarized as follows:

Years Ending December 31,		
2018	$	134,832
2019		142,922
2020		151,497
2021		80,294
	$	509,545

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k) profit sharing plan that covers full time employees meeting certain eligibility requirements. Employees may contribute a portion of their compensation to the plan, limited to the maximum annual amount as set forth in the adoption agreement. The Organization has elected to satisfy the safe harbor contribution requirements by making a non-elective deferral. In addition, the Organization elected to make an elective contribution to the plan. The Organization recognized contribution expenses of $24,344 for the year ended December 31, 2017.

NOTE 10 – RELATED PARTY TRANSACTIONS

Some administrative operations are conducted in the residences of the Directors and Executive Officers without cost. No provision for donated rent, utilities, and small office equipment is included in the accompanying financial statements.