Businesses United in Investing, Lending and Development

Financial Statements

June 30, 2016
(With Comparative Totals for 2015)

armanino

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Businesses United in Investing, Lending and Development
Redwood City, California

We have audited the accompanying financial statements of Businesses United in Investing, Lending and Development (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (the "U.S."); 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 U.S. 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 above present fairly, in all material respects, the financial position of Businesses United in Investing, Lending and Development as of June 30, 2016, 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 U.S.

Report on Summarized Comparative Information

We have previously audited Businesses United in Investing, Lending and Development's 2015 financial statements, and our report dated October 20, 2015 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Jose, California

October 5, 2016

Businesses United in Investing, Lending and Development
Statement of Financial Position
June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,663,049	$ 1,766,131
Current portion of grants receivable and promises to give	571,804	876,807
Prepaid expenses	8,393	15,650
Total current assets	4,243,246	2,658,588
Property and equipment, net	151,122	190,356
Other assets		
Cash held for endowment	221,002	226,126
Grants receivable and promises to give, net of current portion	876,077	445,503
Deposits	54,854	33,154
Total other assets	1,151,933	704,783
Total assets	$ 5,546,301	$ 3,553,727
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 167,687	$ 86,162
Accrued payroll and related benefits	7,639	11,084
Accrued vacation	305,436	242,221
Total current liabilities	480,762	339,467
Net assets		
Unrestricted		
Undesignated	2,981,910	1,475,801
Board designated for endowment	221,002	226,126
Total unrestricted	3,202,912	1,701,927
Temporarily restricted	1,862,627	1,512,333
Total net assets	5,065,539	3,214,260
Total liabilities and net assets	$ 5,546,301	$ 3,553,727

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

Businesses United in Investing, Lending and Development
Statement of Activities
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Support and revenue				
Grants and contributions	$ 3,912,468	$ 5,776,521	$ 9,688,989	$ 6,379,216
Government grants	310,139	-	310,139	280,185
Contributions in-kind	455,005	-	455,005	252,523
Special events (includes in-kind income of $127,750 and $153,822)	2,628,626	-	2,628,626	2,710,668
Less special event costs (includes in-kind expenses of $127,750 and $153,822)	(758,814)	-	(758,814)	(704,641)
Interest income	2,402	-	2,402	469
Incubator income (loss), net	(13,171)	-	(13,171)	9,002
Program service fees	39,000	-	39,000	40,048
Rental income	-	-	-	20,950
Other revenue	33,250	-	33,250	-
Loss on disposal of equipment	(271)	-	(271)	(12,534)
Net realized gain (loss) on investments	(5,833)	-	(5,833)	12,533
Net assets released from restriction	5,426,227	(5,426,227)	-	-
Total support, revenue and net assets released from restriction	12,029,028	350,294	12,379,322	8,988,419
Functional expenses				
Program services	7,364,430	-	7,364,430	5,912,437
Support services				
Management and general	1,817,242	-	1,817,242	1,306,181
Fundraising (Note 2)	1,346,371	-	1,346,371	1,567,125
Total support services	3,163,613	-	3,163,613	2,873,306
Total functional expenses	10,528,043	-	10,528,043	8,785,743
Change in net assets	1,500,985	350,294	1,851,279	202,676
Net assets, beginning of year	1,701,927	1,512,333	3,214,260	3,011,584
Net assets, end of year	$ 3,202,912	$ 1,862,627	$ 5,065,539	$ 3,214,260

Businesses United in Investing, Lending and Development
Statement of Functional Expenses
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	Program services	Support services: Management and general	Support services: Fundraising	Support services: Total support services	2016 Total	2015 Total
Personnel expenses						
Salaries	$ 4,807,585	$ 512,075	$ 811,378	$ 1,323,453	$ 6,131,038	$ 5,246,785
Employee benefits	504,058	52,433	86,326	138,759	642,817	584,308
Payroll taxes	380,575	40,601	64,166	104,767	485,342	434,585
Total personnel expenses	5,692,218	605,109	961,870	1,566,979	7,259,197	6,265,678
Professional fees	202,189	448,438	156,514	604,952	807,141	614,165
Donated professional fees	58,977	382,455	-	382,455	441,432	87,817
Occupancy, including in-kind	519,459	33,439	68,973	102,412	621,871	547,986
Travel	205,473	94,515	50,026	144,541	350,014	270,209
Conferences, conventions and meetings	182,327	106,165	23,802	129,967	312,294	229,879
Supplies, including in-kind	161,319	28,165	7,931	36,096	197,415	198,797
Depreciation	81,193	9,220	15,985	25,205	106,398	98,318
Awards	76,187	-	-	-	76,187	101,224
Telephone	48,008	10,666	9,490	20,156	68,164	66,071
Office equipment and software	38,288	6,391	2,090	8,481	46,769	45,260
Printing and publication	27,516	3,019	13,309	16,328	43,844	56,339
Advertising and media expenses	20,297	25	21,768	21,793	42,090	3,444
Accounting and audit fees	-	31,971	-	31,971	31,971	48,672
Dues and subscriptions	8,126	16,896	4,737	21,633	29,759	29,820
Training	8,861	18,413	661	19,074	27,935	22,715
Insurance	16,161	5,528	2,836	8,364	24,525	23,425
Other operating expenses	3,966	12,053	3,083	15,136	19,102	50,191
Outside services	7,258	774	1,224	1,998	9,256	9,229
Postage and shipping	4,280	3,820	527	4,347	8,627	11,377
Licenses fees	2,327	180	1,545	1,725	4,052	5,127
	$ 7,364,430	$ 1,817,242	$ 1,346,371	$ 3,163,613	$10,528,043	$ 8,785,743
Percentage of total	70.0 %	17.2 %	12.8 %	30.0 %	100.0 %	

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

Businesses United in Investing, Lending and Development
Statement of Cash Flows
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities		
Changes in net assets	$ 1,851,279	$ 202,676
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	106,398	98,318
Donated furniture and equipment	-	(104,646)
Loss on disposal of equipment	271	12,534
Changes in operating assets and liabilities		
Grants receivable and promises to give	(125,570)	60,490
Prepaid expenses	7,257	(7,665)
Deposits	(21,700)	(1,419)
Accounts payable and accrued expenses	81,524	(95,144)
Accrued payroll and related benefits	(3,445)	(20,794)
Accrued vacation	63,216	20,088
Net cash provided by operating activities	1,959,230	164,438
Cash flows from investing activities		
Change in cash held for endowment	5,124	(2,873)
Purchase of property and equipment	(67,436)	(38,353)
Net cash used in investing activities	(62,312)	(41,226)
Net increase in cash and cash equivalents	1,896,918	123,212
Cash and cash equivalents, beginning of year	1,766,131	1,642,919
Cash and cash equivalents, end of year	$ 3,663,049	$ 1,766,131

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

1. NATURE OF OPERATIONS

Businesses United in Investing, Lending and Development ("BUILD" or the "Organization"), is a tax-exempt, nonprofit organization founded in 1999 that uses entrepreneurship to excite and propel disengaged, low income students through high school to college success. By helping students start their own small businesses - and teaching them 21st Century skills that improve their academic performance and help them prepare for college - BUILD youth acquire the knowledge, skills and experiences necessary to succeed in school and career.

BUILD was incorporated in 2001 in California and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to the Organization qualify for the maximum charitable deduction for federal income tax purposes.

2. EXPANSION AND DEVELOPMENT COSTS

Beginning in 1999 as an elective class in one school in East Palo Alto, California, the BUILD program is now operating in a total of 32 schools in the San Francisco Bay Area, Washington D.C., Boston, and New York City. Over the past four years, BUILD's student enrollment has grown on average 18% annually, currently serving over 2,000 students.

Record of Success - BUILD's greatest success is the academic and social advancement its current 2,000+ students are making every day. In year-end surveys, our teachers report that they see significant improvement in their freshmen students' communication, collaboration, problem solving, grit, and innovation. These skills lead to high success in the students' academic pursuits. For our latest senior class (Class of 2016), 97% of BUILD's seniors successfully graduated from high school on time, 98% were admitted to a postsecondary institution, and 82% of those admitted were granted admission to a four-year institution.

BUILD is not only growing to serve more students; it is committed to serving them better. BUILD recently expanded its mission to include not only college eligibility but also college persistence and success. BUILD believes that attaining a post secondary degree (i.e. receiving a bachelor's degree, associate's degree or trade certificate) is essential for youth to find good-paying jobs in our economy. Reaching these outcomes will put BUILD students on the path to the American Dream and break the cycle of poverty in their families.

Raising the bar to post-secondary educational success demands that BUILD reshape its curriculum to push much harder on academics, particularly 21st Century skills that research shows promote college success and to integrate academics more explicitly into the entrepreneurship curriculum.

2. EXPANSION AND DEVELOPMENT COSTS (continued)

To support programmatic growth and new curriculum development, BUILD has focused on expanding its fundraising capacity with a resulting increase in development costs. The Organization is putting into place a national development team that can keep pace with BUILD's growth and ensure financial sustainability over the long term for each site and the Organization as a whole.

3. PROGRAM SERVICES

BUILD's four-year, in-school and after-school programs are as follows:

Entrepreneurs 1 (E1) - Freshman Year - Planning a business. Freshmen enroll in rigorous, credit bearing class for the entire academic year. Students learn the tenets of time management, goal setting and professional communication etiquette. In teams of 3-5 members, students develop comprehensive 20-30 page business plans based on ideas they create. The year culminates with participation in BUILD'S Youth Business Plan Competition held at university graduate schools of business in our three regions.

Entrepreneurs 2 (E2) - Sophomore Year - Running a business. Sophomores meet after school for up to 6 hours per week, for the entire academic year. In BUILD's Youth Business and Academic Incubator, they begin to operate small business while learning negotiation, business ethics, venture capital, and more. Teams are assigned Venture Capital Advisors, who act on BUILD's behalf to finance student business with funding from BUILD. Simultaneously, sophomores receive academic coaching, advising and tutoring to ensure they get on track to graduate high school eligible for college.

Entrepreneurs 3 (E3) - Junior Year - Preparing for college. Juniors meet after school and are trained on advanced topics relating to college selection. Students continue to operate their businesses, but now focus more on developing college readiness skills so they will be prepared to attend the college of their choice. In preparation for college, students are trained on essay writing, interviewing, financial aid, and standardized testing. To assist students in the college selection process, BUILD staff members accompany students on college tours in various parts of the country.

Entrepreneurs 4 (E4) - Senior Year - Selecting and applying for college. Seniors work with BUILD mentors and staff to identify their schools, write and prepare college admission essays and applications, and package their BUILD experience into a portfolio. Students continue to hone their interviewing and presentation skills, in preparation for communicating with college admissions officers. When possible, BUILD assists in arranging for communicating with local BUILD alumni. BUILD staff provides students' parents with information about scholarships and financial aid resources through workshops and meetings.

3. PROGRAM SERVICES (continued)

BUILD graduates have been awarded such honors as the National Foundation for Teaching Entrepreneurship (NFTE) National Youth Entrepreneur of the Year, Merrill Lynch Growing Up CEO and Gates Millennium Scholarship. The Organization's students have been admitted to over 90 colleges and universities, including New York, Brown, Stanford, Louisiana State and Hampton Universities, as well as University of California Berkeley, Davis, Los Angeles, and Merced. BUILD has been featured in the media, including CNN, PBS, NPR, San Francisco Chronicle, San Jose Mercury News, Bay Area Business Woman News, and Palo Alto Weekly News. BUILD's CEO was recently awarded the 2012 Manhattan Institute Award for Social Entrepreneurship, the Ashoka Fellowship, and was honored with KQED and Wells Fargo's 2011 Women's History Month Local Heroes Award.

BUILD's success will continue to grow as the Organization continues to serve more students as well as deepen its impact in 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of BUILD have been prepared on the accrual basis of accounting.

Basis of presentation

In accordance with accounting principles generally accepted in the United States of America, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, plus any net assets designated by the Board for specific purposes.
- *Temporarily restricted net assets* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year-end of the current reporting period.
- *Permanently restricted net assets* - include those assets which are subject to a non-expiring donor restriction, such as endowments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative financial statements

The financial statements include prior year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the period. Accordingly, actual results could differ from those estimates

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Grants receivable

The Organization considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary

Promises to give

Unconditional promises to give are recognized as contribution support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date
- L*evel 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over $1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 2 to 5 years. Depreciation is charged to the activity benefiting from the use of the property or equipment. Depreciation expense for the years ended June 30, 2016 and 2015 totaled $106,398 and $98,318, respectively.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2016 and 2015. The accrued vacation balances as of June 30, 2016 and 2015 were $305,436 and $242,221, respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized in the period in which the service is provided.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restricted is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Contributions In-kind

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the financial statements the estimated value of these services is disclosed in (Note 9).

Income tax

Businesses United in Investing, Lending and Development is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under various state codes and statues of California, Massachusetts, Maryland, Virginia, New York, Pennsylvania and Washington D.C. Accordingly, no provision for income taxes has been made in the accompanying students.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended June 30, 2016 and 2015 was $0 and $200, respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of functional expenses

Directly identifiable expenses are charged to programs and support services. Management's estimate of indirect salary expense allocation for senior management team members (whose job description is over programs and support services) is based on annual time studies. Management's estimate of indirect salary expense allocation for other employees is based on individual employee estimated time spent based on their job descriptions, their goals for the year and prior year allocation. Management's estimate of other indirect costs is based on salary expense or square footage.

Uncertainty in taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization it is federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Organization files information returns in the U.S. federal jurisdiction and state of California. The Organization's federal returns for the years ended June 30, 2013 and beyond remain subject to possible examination by the Internal Revenue Service. The Organization's California returns for the tax years ended June 30, 2012 and beyond remain subject to possible examination by the Franchise Tax Board.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2016 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2016. Subsequent events have been evaluated through the date the financial statements became available to be issued, October 5, 2015.

5. GRANTS RECEIVABLE AND PROMISES TO GIVE

Grants receivable and promises to give consist of unconditional promises to give by various donors. The Organization's management has estimated that the following amounts will be collected within the 4-year period after June 30, 2016. The Organization records pledges expected to be collected in more than one year at the present value of the assets to be received in the future. The discount rate used as of June 30, 2016 and 2015 ranged from 2.6% to 3.0%.

5. GRANTS RECEIVABLE AND PROMISES TO GIVE (continued)

Grants receivable and promises to give consist of the following:

	2016	2015
Grants receivable and promises to give	$ 1,524,029	$ 1,352,111
Discounts to net present value	(76,148)	(29,801)
	1,447,881	1,322,310
Current portion of grants receivable and promises to give	(571,804)	(876,807)
	$ 876,077	$ 445,503

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2016	2015
Computer equipment	$ 378,962	$ 331,481
Leasehold improvements	104,899	126,330
Software	56,559	56,559
Furniture and fixtures	54,706	41,206
Office equipment	17,948	17,948
	613,074	573,524
Accumulated depreciation	(461,952)	(383,168)
	$ 151,122	$ 190,356

7. LINE OF CREDIT

The Organization has a $2,000,000 line of credit with Boston Private Bank Inc. The line of credit is secured by the Organization's personal and real property and bears interest at Prime Rate plus 1.0% or the Floor Rate of 4.50% per annum (3.50% as of June 30, 2016). The amount available under the line of credit at June 30, 2016, was $2,000,000. As of June 30, 2016, BUILD had no outstanding balance on the line of credit.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2016	2015
Purpose restrictions		
New York	$ 305,000	$ 210,456
National program - Athena	275,000	45,103
Boston	184,929	52,372
National office	95,000	75,000
Bay Area sites	60,000	-
Incubator team accounts	39,018	52,257
Washington D.C. programs	18,848	-
Peninsula programs	-	104,516
Fundraising	-	20,000
Student college tours	-	200
	977,795	559,904
Time restrictions		
General support for future period	884,832	952,429
	$ 1,862,627	$ 1,512,333

Temporarily restricted net assets released from restriction during the year were as follows:

	2016	2015
Purpose restrictions		
Capital Campaign - general operations	$ 2,050,846	$ 248,317
Boston	1,046,310	910,327
Bay Area sites	626,850	458,466
Washington D.C. programs	503,209	654,949
Peninsula programs	342,941	671,156
New York	303,184	59,543
National program - Athena	270,103	1,023,712
Oakland programs	224,345	269,477
General operations	25,000	476,411
Fundraising	20,000	15,000
Incubator team accounts	13,239	-
Student college tours	200	-
Student launch camps	-	105,224
East Oakland	-	79,558
	5,426,227	4,972,140
Time restrictions		
General support for future period	-	25,000
	$ 5,426,227	$ 4,997,140

9. CONTRIBUTIONS IN-KIND

The estimated fair value of donated supplies, equipment, expert services and facilities are recorded as contributions.

In-kind contributions received were as follows:

	2016	2015
Professional services	$ 441,432	$ 87,817
Computer equipment	-	104,646
Facilities	3,240	500
Supplies and minor equipment	10,333	59,560
	455,005	252,523
Special event supplies and auction items	127,750	153,822
	$ 582,755	$ 406,345

During the years ended June 30, 2016 and 2015, the Organization also received donated services from volunteers that do not require specific expertise but which are nonetheless central to the Organization's operations. During the years ended June 30, 2016 and 2015 , mentors dedicated approximately 18,418 and 15,291 hours to tutoring services. The estimated value of tutoring services based on the nature of the services and the amount of time donated is estimated to be approximately $541,860 and $438,161, respectively.

10. BOARD DESIGNATED FOR ENDOWMENT

As of June 30, 2016, the Board of Directors had designated $221,002 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Organization's policy is to build the endowment. Currently endowment funds are only used for William Lazier Scholarship payments. Annually, additional funds are deposited into the endowment account to offset these scholarship payments to ensure the Organization protects and grows the principal investment. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide modest returns on investment with the goal of capital preservation.

10. BOARD DESIGNATED FOR ENDOWMENT (continued)

To achieve that objective, the Organization has adopted an investment policy that is focused on capital preservation, which protects the principal investment and grows it at a modest rate with little to no risk of loss. Endowment assets are invested in a money market account. The Organization's Finance Committee will review the investment strategy and make a recommendation to the Board of Directors. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 1% to 3% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment composition

Changes in endowment net assets for the year ended June 30, 2016 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Balance, June 30, 2015	$ 226,126	$ -	$ -	$ 226,126
Investment return				
Investment income	26	-	-	26
Fees	(150)	-	-	(150)
Total investment return	(124)	-	-	(124)
Appropriation of endowment assets for expenditure	(5,000)	-	-	(5,000)
	(5,124)	-	-	(5,124)
Balance, June 30, 2016	$ 221,002	$ -	$ -	$ 221,002

10. BOARD DESIGNATED FOR ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the year ended June 30, 2015 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Balance, June 30, 2014	$ 223,253	$ -	$ -	$ 223,253
Investment return				
Investment income	23	-	-	23
Fees	(150)	-	-	(150)
Total investment return	(127)	-	-	(127)
Contributions	5,000	-	-	5,000
Appropriation of endowment assets for expenditure	(2,000)	-	-	(2,000)
	2,873	-	-	2,873
Balance, June 30, 2015	$ 226,126	$ -	$ -	$ 226,126

11. OPERATING LEASE COMMITMENTS

The Organization conducts its operations from facilities leased under various non-cancelable operating and month-to-month leases. Rent expense for these facilities for the years ended June 30, 2016 and 2015 was $618,632 and $547,486, respectively.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,	
2017	$ 438,205
2018	61,461
	$ 499,666

12. RETIREMENT PLAN

Beginning July 1, 2014, the Organization launched a tax deferred 403(b) retirement plan (the "Plan") to provide retirement benefits for all eligible employees. The plan provides for Organization contributions of 2-2.5% of eligible employee compensation. Vesting is based on years of service, with 100% vesting of employer matching contributions upon eligibility. The Organization's contributions for the years ended June 30, 2016 and 2015 were $63,475 and $42,826, respectively. All of the Plan's administration costs were paid for by the Plan.