

LIFE'S KITCHEN, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

LIFE'S KITCHEN, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Life's Kitchen, Inc.
Boise, Idaho

We have audited the accompanying financial statements of Life's Kitchen, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Life's Kitchen, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Life's Kitchen, Inc. 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 accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boise, Idaho
November 16, 2018

LIFE'S KITCHEN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 467,000	\$ 527,845
Accounts Receivable	13,030	21,785
Grants Receivable:		
Restricted	3,000	26,000
Inventory	6,542	7,384
Prepaid Expenses	15,734	10,240
Total Current Assets	505,306	593,254
PROPERTY AND EQUIPMENT		
Land	150,489	150,489
Kitchen Equipment	95,382	77,262
Vehicles	37,834	37,834
Office Equipment and Furniture	50,787	48,800
Construction in Progress	15,728	15,728
Total Property and Equipment	350,220	330,113
Less: Accumulated Depreciation	(139,062)	(128,550)
Total Property and Equipment, Net	211,158	201,563
Total Assets	\$ 716,464	\$ 794,817
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 12,130	\$ 8,987
Accrued Expenses	18,072	16,979
Deferred Revenue	3,275	2,069
Total Current Liabilities	33,477	28,035
NET ASSETS		
Unrestricted:		
Board Designated	400,000	400,000
Unrestricted	202,781	200,505
Temporarily Restricted	80,206	166,277
Total Net Assets	682,987	766,782
Total Liabilities and Net Assets	\$ 716,464	\$ 794,817

See accompanying Notes to Financial Statements.

**LIFE'S KITCHEN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 57,053	\$ 1,500	\$ -	\$ 58,553
Grants	55,500	94,602	-	150,102
Catering Services	141,614	-	-	141,614
Café	19,008	-	-	19,008
Contract Food Services	173,996	-	-	173,996
Fundraising	119,784	-	-	119,784
In-Kind Contributions	80,640	-	-	80,640
Investment Income	648	-	-	648
Net Assets Released from Restrictions	182,173	(182,173)	-	-
Total Support and Revenue	<u>830,416</u>	<u>(86,071)</u>	<u>-</u>	<u>744,345</u>
EXPENSES				
Program Services	623,290	-	-	623,290
Management and General	99,211	-	-	99,211
Fundraising	105,639	-	-	105,639
Total Expenses	<u>828,140</u>	<u>-</u>	<u>-</u>	<u>828,140</u>
NET INCREASE (DECREASE) IN NET ASSETS	2,276	(86,071)	-	(83,795)
Net Assets - Beginning of Year	<u>600,505</u>	<u>166,277</u>	<u>-</u>	<u>766,782</u>
NET ASSETS - END OF YEAR	<u><u>\$ 602,781</u></u>	<u><u>\$ 80,206</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 682,987</u></u>

See accompanying Notes to Financial Statements.

**LIFE'S KITCHEN, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 29,272	\$ 26,600	\$ -	\$ 55,872
Grants	83,900	113,500	-	197,400
Catering Services	118,605	-	-	118,605
Café	21,963	-	-	21,963
Contract Food Services	226,311	-	-	226,311
Fundraising	128,591	-	-	128,591
In-Kind Contributions	62,915	-	-	62,915
Investment Income	363	-	-	363
Net Assets Released from Restrictions	115,889	(115,889)	-	-
Total Support and Revenue	<u>787,809</u>	<u>24,211</u>	<u>-</u>	<u>812,020</u>
EXPENSES				
Program Services	639,937	-	-	639,937
Management and General	99,087	-	-	99,087
Fundraising	68,856	-	-	68,856
Total Expenses	<u>807,880</u>	<u>-</u>	<u>-</u>	<u>807,880</u>
NET INCREASE (DECREASE) IN NET ASSETS				
	(20,071)	24,211	-	4,140
Net Assets - Beginning of Year	<u>620,576</u>	<u>142,066</u>	<u>-</u>	<u>762,642</u>
NET ASSETS - END OF YEAR	<u><u>\$ 600,505</u></u>	<u><u>\$ 166,277</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 766,782</u></u>

See accompanying Notes to Financial Statements.

LIFE'S KITCHEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 264,070	\$ 63,062	\$ 67,003	\$ 394,135
Cost of Food Services	154,497	-	3,881	158,378
Lease Expense	61,907	9,814	3,775	75,496
Payroll Taxes	24,383	5,823	6,187	36,393
Retirement Plan	2,898	682	725	4,305
Professional Fees	22,164	12,340	5,280	39,784
Depreciation	8,619	1,367	526	10,512
Employee Benefits	2,856	692	735	4,283
Insurance	5,737	1,364	-	7,101
Student Support	5,659	-	-	5,659
Kitchen Supplies	12,552	-	1,106	13,658
Advertising and Marketing	1,412	168	7,826	9,406
Computer Expense	4,296	1,613	5	5,914
Office Expense	2,263	839	273	3,375
Automotive	5,696	8	32	5,736
Linen Service	2,570	-	-	2,570
Telephone	3,927	262	456	4,645
Repairs and Maintenance	4,929	-	-	4,929
Contract Labor	-	-	-	-
Printing	2,302	375	816	3,493
Equipment Rental	162	-	1,172	1,334
Postage and Delivery	244	308	961	1,513
Bank Service Charges	9,889	172	2,308	12,369
Dues and Subscriptions	5,925	251	2,463	8,639
Licenses and Permits	278	-	-	278
Educational Expense	12,102	-	-	12,102
Bad Debt Expense	-	-	-	-
Property Taxes	1,875	-	-	1,875
Interest	-	-	-	-
Other	78	71	109	258
Total Functional Expenses	\$ 623,290	\$ 99,211	\$ 105,639	\$ 828,140

See accompanying Notes to Financial Statements.

LIFE'S KITCHEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 249,373	\$ 55,056	\$ 19,432	\$ 323,861
Cost of Food Services	184,931	-	7,394	192,325
Lease Expense	58,397	3,650	10,949	72,996
Payroll Taxes	16,945	9,994	1,810	28,749
Retirement Plan	3,682	2,148	302	6,132
Professional Fees	8,736	10,957	4,290	23,983
Depreciation	9,035	1,298	163	10,496
Employee Benefits	19,654	3,468	-	23,122
Insurance	4,234	3,146	-	7,380
Student Support	5,052	-	-	5,052
Kitchen Supplies	13,775	27	21	13,823
Advertising and Marketing	870	555	13,096	14,521
Computer Expense	6,928	2,887	1,732	11,547
Office Expense	1,783	1,783	1,781	5,347
Automotive	3,366	69	10	3,445
Linen Service	2,817	-	-	2,817
Telephone	3,534	221	664	4,419
Repairs and Maintenance	3,326	499	-	3,825
Contract Labor	17,359	-	-	17,359
Printing	1,870	1,019	505	3,394
Equipment Rental	1,542	-	1,594	3,136
Postage and Delivery	-	355	1,488	1,843
Bank Service Charges	9,271	579	1,738	11,588
Dues and Subscriptions	1,903	627	1,576	4,106
Licenses and Permits	258	-	-	258
Educational Expense	7,700	-	-	7,700
Bad Debt Expense	-	-	-	-
Property Taxes	1,830	-	-	1,830
Interest	-	-	-	-
Other	1,766	749	311	2,826
Total Functional Expenses	\$ 639,937	\$ 99,087	\$ 68,856	\$ 807,880

See accompanying Notes to Financial Statements.

LIFE'S KITCHEN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase (Decrease) in Net Assets	\$ (83,795)	\$ 4,140
Adjustments to Reconcile Net Increase (Decrease) In Net Assets to Net Cash Used by Operating Activities:		
Depreciation	10,512	10,496
In-Kind Contribution of Property and Equipment	(3,996)	-
(Increase) Decrease in Assets:		
Accounts Receivable	8,755	(8,774)
Grants Receivable	23,000	(12,500)
Inventory	842	(796)
Prepaid Expenses and Other Assets	(5,494)	1,710
Increase (Decrease) in Liabilities:		
Accounts Payable	3,143	459
Accrued Expenses	1,093	(1,540)
Deferred Revenue	1,206	1,569
Net Cash Used by Operating Activities	(44,734)	(5,236)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(16,111)	(16,515)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(60,845)	(21,751)
Cash and Cash Equivalents - Beginning of Year	527,845	549,596
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 467,000	\$ 527,845
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Contributed Assets	\$ 3,996	\$ -

See accompanying Notes to Financial Statements.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Life's Kitchen, Inc. (the Organization) is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization was incorporated in December of 2001. The Organization is dedicated to transforming the lives of young adults by building self-sufficiency and independence through comprehensive food service and life skills training, placement in the food service industry, and continuing education. This is accomplished through an extensive 16-week program. Students receive hands-on training working in the custom catering, lunch cafe and contract food service businesses operated by the Organization. Life skills classes are taught by the Organization's staff and community volunteers.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization follows financial statement presentation requirements issued by the Financial Accounting Standards Board (FASB) for nonprofit entities. Under these provisions, net assets, revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Unrestricted net assets are free of donor-imposed restrictions. All revenues, expenses, gains, and losses that are not changes in temporarily or permanently restricted net assets are considered unrestricted. Included within unrestricted net assets as of June 30, 2018 and 2017, is \$150,000 of net assets designated by the board of directors for major capital expenditures. Also included within unrestricted net assets as of June 30, 2018 and 2017, is \$250,000 of net assets designated by the board of directors for operating expenses.

Temporarily Restricted - Temporarily restricted net assets include gifts for which donor imposed restrictions will be met either by the passage of time or by satisfying the purpose of the restriction.

Permanently Restricted - Contributions which donors have specified must be maintained in perpetuity. The related income may be unrestricted or temporarily restricted based on the donor's intent.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of presenting the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Restricted Assets

Restricted grants receivable are limited in use for payment of costs associated with temporarily restricted net assets as detailed in Note 3.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to earnings in the period in which they are determined to be uncollectible. Management determines whether accounts will be collected by regularly evaluating individual receivables. Recoveries of receivables previously written-off are recorded when received. Management determined that an allowance for doubtful accounts was not necessary as of June 30, 2018 and 2017.

Inventory

Inventory, consisting principally of food purchased by the Organization or donated to the Organization, is carried at the lower of cost or net realizable value.

Property and Equipment

Property and equipment are recorded at original cost. Donated assets are recorded at fair market value at the date of donation. Generally, according to the Organization's capitalization policy, furniture, fixtures, equipment, buildings, and improvements over \$600, are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the property and equipment and ranges from three to seven years.

Depreciation expense for the years ended June 30, 2018 and 2017, was \$10,512 and \$10,496, respectively.

Compensated Absences

Organization employees accrue flexible time off at a rate determined by the number of years of service with the Organization. Employees may accrue up to and carryover a maximum of 160 hours. Under most circumstances, flexible time off is payable upon termination of the employee. The amount of compensated absences included in accrued expenses is \$12,760 and \$11,305 at June 30, 2018 and 2017, respectively.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions are segregated for accounting purposes in order to ensure compliance with the donor's wishes. The Organization reports restricted support if the assets were received with donor purpose or timing restrictions placed on them. When the applicable restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization reports gifts of property and equipment as unrestricted support unless explicit donor restrictions are placed on the donated assets. Catering services, café, and contract food services are recorded at the time the sale occurs.

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met that promises become unconditional.

Donated Materials, Services, and Facilities

The Organization records the value of donated goods, services, and facilities when they would have purchased the donated goods, services, or facilities had they not been donated. Donated materials, services, and facilities are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. A substantial number of volunteers donated significant amounts of their time in the Organization's program activities which have not been recorded. Donations of goods, services, and facilities valued at \$80,640 and \$62,915 were recorded in the financial statements for the years ended June 30, 2018 and 2017, respectively.

Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the statements of activities. The Organization's policy is to allocate and record expenses to various cost centers based on the direct association of the expense to the particular cost center. Cost centers are segregated into individual programs, general administration, and fundraising. Costs that cannot be directly associated with one cost center are allocated to cost centers based on defined percentages depending on the type of expense. Significant attention is focused to assure that only costs directly attributable to programs are allocated to programs. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on percentage of employees' time spent on each activity.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$9,406 and \$14,521 for the years ended June 30, 2018 and 2017, respectively.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales Taxes

The Organization collects sales tax on catering, contract food service, and café sales. Revenues of the Organization are reported net of sales tax.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the IRC and is subject to federal income tax only on net unrelated business income. The Organization currently has no unrelated business income and is not considered a private foundation within the meaning of Section 509(a) of the IRC and all charitable contributions are considered tax deductible.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service (IRS).

Use of Estimates

The preparation of financial statements in accordance 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 and disclosures of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Organization maintains its cash deposits at various financial institutions which at times may exceed federally insured limits.

New Accounting Pronouncement Effective in Future Accounting Periods

Nonprofit Financial Statements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 *Not-For-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. This standard was issued to improve the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal year beginning after December 15, 2017, with early adoption permitted. Management will be evaluating the effects of this new standard.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement Effective in Future Accounting Periods (Continued)

Revenue from Contracts with Customers

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual periods beginning after December 15, 2018. Management is evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The standard will be effective for the entity for annual periods beginning after December 15, 2019; however, early application is permitted. Management is currently evaluating the impact this guidance will have on its financial statements.

Accounting for Contributions Received and Contributions Made

In June 2018, FASB issued ASU 2018-08 related to the accounting for contributions received and contributions made. This update applies to both resource recipients and resource providers and assists in evaluating whether a transfer of assets is an exchange transaction or a contribution and also assists with distinguishing between conditional and unconditional contributions. Distinguishing between contributions and exchange transactions determines which guidance should be applied. For contributions, the guidance in Subtopic 958-605 should be followed and for exchange transactions, Topic 606 should be followed. The ASU is effective for the Organization for the year ended December 31, 2019. The Organization is currently evaluating the impact this guidance will have on its financial statements.

Subsequent Events

Subsequent events have been evaluated through November 16, 2018, which is the date the financial statements were available to be issued.

LIFE'S KITCHEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for the following purposes as of June 30:

	2018	2017
Life Skills and Employability Training	\$ 20,000	\$ 89,450
Interfaith Program	1,500	6,692
Capital Campaign	51,532	70,135
Kitchen Equipment	7,174	-
Total Temporarily Restricted Net Assets	<u>\$ 80,206</u>	<u>\$ 166,277</u>

NOTE 3 LEASING ACTIVITIES

The Organization leases its facility from the city of Boise at below market value under an operating lease expiring on April 30, 2015; however, the lease has been extended on a month-to-month basis. The difference between the required annual payments and the fair market value is recorded as in-kind revenue in the year of receipt. The amount recognized in the years ended June 30, 2018 and 2017, for in-kind revenue and rental expense related to this lease was \$51,500 and \$49,000, respectively. Total rent expense under this lease was \$75,496 and \$72,996 for the years ended June 30, 2018 and 2017, respectively.

NOTE 4 CONDITIONAL PROMISES TO GIVE

During 2017, the Organization received a restricted grant totaling \$474,689 that contained a donor condition (primarily additional funding requirements), for infrastructure related to the Organization's capital campaign. Since this grant is a promise, conditioned on future uncertain events, it is not recorded as contribution revenue until donor conditions are met.

NOTE 5 RELATED PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, contributions received from members of the board of directors and related entities totaled \$7,334 and \$8,312, respectively.

NOTE 6 EMPLOYEE BENEFIT PLAN

The Organization established a SIMPLE IRA plan under Section 408(p) of the IRC, effective beginning July 1, 2010 (the Plan). The Plan provides Organization matching contributions. Each eligible employee must be notified of the Organization's contribution method and percentage within a reasonable period of time before the employees' 60-day election period for the calendar year. Effective for the calendar years 2018 and 2017, the Organization elected to match employee contributions of up to 3% of compensation. Simple IRA contributions totaled \$4,262 and \$6,132 for the years ended June 30, 2018 and 2017, respectively.