VITAMIN ANGEL ALLIANCE, INC.

FINANCIAL STATEMENTS

December 31, 2018

VITAMIN ANGEL ALLIANCE, INC.
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DAMITZ
BROOKS
NIGHTINGALE
TURNER
MORRISSET

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vitamin Angel Alliance, Inc.

We have audited the accompanying financial statements of Vitamin Angel Alliance, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, 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; 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 above present fairly, in all material respects, the financial position of Vitamin Angel Alliance, Inc. as of December 31, 2018, 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.

Report on Summarized Comparative Information

We have previously audited Vitamin Angel Alliance's 2017 financial statements, and our report dated June 27, 2018, 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 December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Damitz, Brooks, Nightingale, Turner & Morrisset

Damitz, Brooks, Nightingale,
Turner & Morrisset
Santa Barbara, California
July 25, 2019

VITAMIN ANGEL ALLIANCE, INC.
Statement of Financial Position
December 31, 2018
(With Summarized Comparative Totals for 2017)

Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total 2018**	**Total 2017**
Assets				
Cash	$ 3,104,589	$ 150,000	$ 3,254,589	$ 6,048,631
Investments	7,165,709	-	7,165,709	4,619,883
Inventory	62,149,331	-	62,149,331	36,884,712
Pledges receivable	-	4,356,988	4,356,988	4,898,992
Prepaid expenses and deposits	77,864	-	77,864	62,251
Office furniture and equipment, net	62,234	-	62,234	81,491
Intangible assets, net	5,205	-	5,205	76,687
Total assets	$ 72,564,932	$ 4,506,988	$ 77,071,920	$ 52,672,647
Liabilities and Net Assets				
Liabilities				
Accounts payable	$ 739,611	$ -	$ 739,611	$ 697,012
Accrued payroll liabilities	378,940	-	378,940	414,657
Accrued deferred compensation	200,000	-	200,000	140,000
Total liabilities	1,318,551	-	1,318,551	1,251,669
Net Assets				
Without donor restrictions				
Board designated	4,419,006	-	4,419,006	4,457,742
Other net assets without donor restrictions	66,827,375	-	66,827,375	42,064,244
With donor restrictions	-	4,506,988	4,506,988	4,898,992
Total net assets	71,246,381	4,506,988	75,753,369	51,420,978
Total Liabilities and Net Assets	$ 72,564,932	$ 4,506,988	$ 77,071,920	$ 52,672,647

VITAMIN ANGEL ALLIANCE, INC.
Statement of Activities
Year Ended December 31, 2018
(With Summarized Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Revenues and Other Support				
In-kind contributions	$ 120,205,014	$ -	$ 120,205,014	$ 75,721,296
Contributions	11,095,660	4,506,988	15,602,648	14,069,465
Special event income	296,370	-	296,370	330,940
Investment income (loss), net	(17,009)	-	(17,009)	351,711
Net assets released from restrictions	4,898,992	(4,898,992)	-	-
Total revenues and other support	136,479,027	(392,004)	136,087,023	90,473,412
Expenses				
Nutrition and health projects	105,477,891	-	105,477,891	79,367,610
Management and general	1,099,190	-	1,099,190	2,090,526
Special events and fundraising	5,177,551	-	5,177,551	4,003,799
Total expenses	111,754,632	-	111,754,632	85,461,935
Increase (decrease) in net assets	24,724,395	(392,004)	24,332,391	5,011,477
Net assets, beginning of year	46,521,986	4,898,992	51,420,978	46,409,501
Net assets, end of year	$ 71,246,381	$ 4,506,988	$ 75,753,369	$ 51,420,978

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

VITAMIN ANGEL ALLIANCE, INC.
Statement of Functional Expenses
Year Ended December 31, 2018
(With Summarized Comparative Totals for 2017)

	Program Services	Supporting Services		Total	
	Nutrition and Health Projects	Management and General	Special Events and Fundraising	2018	2017
Salaries	$ 1,388,897	$ 466,752	$ 2,138,066	$ 3,993,715	$ 3,571,371
Payroll taxes and benefits	245,743	82,956	379,547	708,246	646,765
Total salaries and benefits	1,634,640	549,708	2,517,613	4,701,961	4,218,136
Conferences and meetings	-	23,287	-	23,287	11,243
Consulting	1,536,619	177,360	832,548	2,546,527	2,162,218
Depreciation and amortization	50,213	20,085	30,128	100,426	138,350
Development and promotion	-	-	1,046,800	1,046,800	1,500,657
Information technology	215,841	86,336	129,505	431,682	354,404
Insurance	52,208	20,883	31,325	104,416	93,530
Legal and accounting	104,998	136,758	-	241,756	326,572
Loss on disposal of asset	573	229	344	1,146	1,854
Occupancy	100,912	40,365	60,547	201,824	191,366
Office expenses	91,062	36,425	54,637	182,124	149,942
Postage and shipping	1,445,429	1,728	-	1,447,157	728,642
Products distributed - contributed	95,455,812	-	-	95,455,812	70,583,751
Products distributed - purchased	3,614,316	-	-	3,614,316	3,622,725
Program direct expense	1,094,139	-	-	1,094,139	852,079
Special events	-	-	94,228	94,228	107,938
Travel	81,129	6,026	379,876	467,031	418,528
Total expenses 2018	$ 105,477,891	$ 1,099,190	$ 5,177,551	$ 111,754,632	
Total expenses 2017	$ 79,373,766	$ 2,080,677	$ 4,007,492		$ 85,461,935

VITAMIN ANGEL ALLIANCE, INC.
Statement of Cash Flows
Year Ended December 31, 2018
(With Summarized Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Increase in net assets	$ 24,332,391	$ 5,011,477
Adjustments to reconcile increase in net assets to net cash used by operating activities		
Amortization	71,482	109,200
Depreciation	28,946	29,150
Donated securities	(11,560)	(25,973)
Net realized gain on investments	(50,408)	(84,936)
Net unrealized loss (gain) on investments	177,574	(213,180)
Net realized loss on disposal of fixed assets	1,146	1,854
Decrease (increase) in:		
Inventory	(25,264,619)	(4,823,084)
Pledges receivable	542,004	(1,274,567)
Prepaid expenses and deposits	(15,613)	(604)
Increase (decrease) in:		
Accounts payable	42,599	151,518
Accrued payroll liabilities	(35,717)	72,143
Accrued deferred compensation	60,000	60,000
Net cash used by operating activities	(121,775)	(987,002)
Cash flows from investing activities		
Purchase of investments	(3,704,074)	(796,897)
Proceeds from sales of investments	1,042,642	707,772
Purchase of office furniture and equipment	(10,835)	(33,297)
Net cash used by investing activities	(2,672,267)	(122,422)
Net decrease in cash and cash equivalents	(2,794,042)	(1,109,424)
Cash, beginning of year	6,048,631	7,158,055
Cash, end of year	$ 3,254,589	$ 6,048,631

1. ORGANIZATION

The Vitamin Angel Alliance, Inc. (the “Organization”), a California nonprofit corporation, was founded in 1998 and is headquartered in Santa Barbara, California. The mission of the Organization is to mobilize and deploy private sector resources to advance availability, access and use of micronutrients, for at-risk populations around the world.

The Organization's program services, aimed to alleviate undernutrition, focus on evidence-based approaches comprising: i) essential micronutrient supplementation (vitamin A and various formulations of multi micronutrient supplements for specialized populations, ii) control of childhood infections (including the deployment of anti-parasitic agents, primarily albendazole), iii) initiatives to optimize infant and young child feeding practices, iv) limited support for direct feeding programs and complementary feeding programs for young children from 3 to 5 years of age, and v) technical assistance to support deployment of products/services consistent with accepted best practices. We provide products/services and technical assistance, globally, to qualified field partners (primarily non-governmental organizations, and a limited number of governments) operating in the United States, Canada, and the United Kingdom; and selected low and middle income countries designated by the World Health Organization (the “W.H.O.”). As experiencing moderate to severe undernutrition or anemia or hidden hunger, and/or experiencing a moderate to severe prevalence levels of intestinal parasites. Our partners deploy supplies, appropriately, to at-risk pregnant women and young children 6-59 months of age (meaning hard-to-reach women and children with little to no access to national health services in their country).

The majority of products distributed by the Organization through its assistance programs are donated by manufacturers, wholesalers, and other organizations involved with the dietary supplement industry and/or the pharmaceutical industry. The Organization also purchases products for its programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Cont.)

Basis of Accounting

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

Net Assets

GAAP requires that the Organization report information regarding its financial position and activities according to two classes of net assets based on the existence and nature of donor imposed restrictions as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are permanent in nature, where by the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2018 there were no donor restricted funds that were permanent in nature.

Prior-Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but are not presented by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017 from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash consists of cash in banks and excludes cash equivalents held for investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Investments

ASC 820 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Pursuant to ASC 820, assets and liabilities recorded and maintained at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure fair value. ASC 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The Organization has no liabilities measured at fair value. Following is a description of the valuation methodologies used for cash and investments measured at fair value:

Cash and money market funds - *v*alued at face value (Level 1)

Equities and mutual funds - valued utilizing quoted prices available in active markets for identical investments as of the reporting date. (Level 1)

Fixed income securities - Valued utilizing benchmark yields, reported trades or broker dealer quotes. (Level 2)

Detailed information about fair value of investments and the unrealized gains and losses are discussed in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Inventory

Inventory consists primarily of Vitamin A, prenatal multivitamins, and anti-parasitic tablets. The Organization's policy is to distribute inventory at the earliest practical date, consistent with sound programmatic principles. While the distribution typically occurs in the same year of receipt, it may occur in the following year. The expense 'products distributed' is recorded when inventory is shipped. Inventory consists of the following as of December 31:

	2018	2017
Health supplies – Anti-parasitic tablets	$ 39,695,829	$ 24,357,692
Prenatal Multivitamins	20,441,175	11,209,412
High-dose vitamin A	2,012,327	1,317,608
	$ 62,149,331	$ 36,884,712

Purchased inventory is carried at cost, unless the purchase price has been discounted. If the Organization is able to purchase from a vendor at a price below the valuation price, the Organization records the discount as a gift in-kind (GIK) contribution. The discount is the difference between the amount that would be paid for the quantity of product purchased in an orderly transaction between market participants, and the purchase price paid by the Organization.

Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges receivable consist primarily of promises from corporate donors. The Organization uses the allowance method to determine uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible pledges at December 31, 2018 and 2017. There were no pledges receivable at December 31, 2018 with expected due dates beyond December 31, 2019.

Office Furniture and Equipment

Office furniture and equipment are carried at cost, or if acquired by gift, at the estimated fair market value on the date of donation. Expenditures for major renewals that extend the useful lives of office furniture and equipment are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of office furniture and equipment as follows:

	Years
Furniture and fixtures	5-7
Computers and office equipment	5

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenue Recognition

The Organization records contributions in the period received or promised as revenue without donor restrictions unless the donor stipulates any restrictions which are not met within the year the donation is received. Donor restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements. Donor restricted contributions whose restrictions are not met within the same year as received are recorded as an increase in net assets with donor restrictions. When a restriction expires due to purpose and/or time, net assets with donor restrictions are reclassified as net assets without donor restrictions.

Contributed Product

The Organization values gifts in-kind (GIK) at fair value. Accounting Standard Codification (ASC) 820 Fair Value Measurements and Disclosures issued by the Financial Accounting Standards Board (FASB) defines fair value 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."

The fair value is determined based on the principal market for each product. There is no commercial market for the products contributed to the Organization in the United States. Accordingly, the principal market for the products contributed are limited to the international commercial marketplace where non-governmental organizations, governments, and/or local pharmacies transact for the product. The Organization uses independent pricing guides to determine the fair value of each product based on each product's specific formulation. The sources of such pricing information vary and may include IMS Health data, International Drug Price Indicator (IDPI), "Sources and Prices of Selected Medicines for Children", and/or the average wholesale price found in RedBook©.

IMS Health data comes from a company called IMS Health that provides market intelligence to pharmaceutical and healthcare industries and provides wholesale pricing data. The International Drug Price Indicator IDPI is published by an international nonprofit organization based on prices from several sources including pharmaceutical suppliers, international development organizations and government agencies. The "Sources and Prices of Selected Medicines for Children" guide is published annually by UNICEF and the W.H.O. If the product formulations are not listed in IMS Health data, the IDPI or in the "Sources and Prices of Selected Medicines for Children" guide, the average wholesale price of the most similar products found in RedBook ® is used as a suitable pricing reference. RedBook ® is published by Thomson Reuters and is based on United States manufacturers' suggested wholesale prices.

Valuations typically are substantially lower than published retail prices. Contributed products provided to the Organization's partners around the world are recorded as an expense at the same fair value as there were recognized upon receipt as revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Contributed Services

The Organization recognizes contribution revenue for specialized services that would otherwise be purchased by the Organization in an amount equal to the fair value of those services. The legal consulting services were donated by a related party (Note 10). The following amounts were contributed and recognized as revenue:

Service Donated	2018 Fair Value	2017 Fair Value	Purpose
Accounting services	$ 8,300	$ 1,500	General
Legal consulting	171,011	262,940	General

Functional Allocation of Expenses

The statement of functional expenses present the natural classification detail of expenses by function. Direct expenses are charged to the appropriate program or supporting services. Certain costs have been allocated among the programs and supporting services benefited. Expenses allocated on a square footage basis include occupancy, depreciation, utilities, and insurance. Expenses allocated on the basis of estimates of time and effort include salaries and wages, benefits, payroll taxes, professional services, office expenses, and information technology.

Tax Exempt Status

The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, and is considered a public charity.

Uncertain Tax Positions

The Organization's IRS Form 990 is subject to review and examination by Federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The Organization's tax returns from the year 2015 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2014 to the present remain subject to examination by the state of California.

Use of Estimates

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant accounting estimates include valuation of contributed products and functional expense allocations. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization implemented ASU 2016-14 and adjusted the presentation of the financial statements accordingly.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of December 31, 2018:

Cash	$ 3,254,589
Investments	7,165,709
Pledges receivable	4,356,988
Less deferred compensation liability	(200,000)
Less board-designated operating reserve	(4,419,006)
	$ 10,158,280

As part of the liquidity management plan, the Organization maintains an operating reserve. Based on the available liquidity as of December 31, 2018 and expected 2019 cash income, the Organization does not anticipate using the operating reserve during the fiscal year ending December 31, 2019.

4. INVESTMENTS

At December 31, 2018, investments without donor restrictions consist of the following:

	Cost	Fair Value	Excess (Deficit) of Fair Value Over Cost
Money market funds (Level 1)	$ 3,823,033	$ 3,823,033	$ -
Mutual and exchange traded funds (Level 1)	509,111	498,277	(10,834)
Fixed income (Level 2)	1,509,539	1,637,148	127,609
Equities (Level 1)	1,219,355	1,207,251	(12,104)
	$ 7,061,038	$ 7,165,709	$ 104,761

4. INVESTMENTS (Cont.)

At December 31, 2017, investments without donor restrictions consist of the following:

	Cost	Fair Value	Excess (Deficit) of Fair Value Over Cost
Money market funds (Level 1)	$ 2,152,741	$ 2,152,741	$ -
Mutual and exchange traded funds (Level 1)	290,306	305,287	14,981
Fixed income (Level 2)	851,759	846,026	(5,733)
Equities (Level 1)	1,042,832	1,315,829	272,997
	$ 4,337,638	$ 4,619,883	$ 282,245

Investment income (loss) for the years ending December 31, 2018 and 2017 consists of the following:

	2018	2017
Interest and dividends	$ 140,005	$ 65,907
Net realized gain	50,408	84,936
Net unrealized gain (loss)	(177,574)	213,180
	12,839	364,023
Less investment fees	(29,848)	(12,312)
Total investment income (loss)	$ (17,009)	$ 351,711

5. OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment are summarized by major classifications as follows at December 31:

	2018	2017
Furniture and fixtures	$ 19,516	$ 28,172
Computers and office equipment	110,631	117,911
Less accumulated depreciation	(67,913)	(64,592)
	$ 62,234	$ 81,491

Depreciation expense for the years ended December 31, 2018 and 2017 was approximately $28,900 and $29,100, respectively.

6. INTANGIBLE ASSETS

The Organization has intangible assets relating to the development of its website and these costs are being amortized over three years on a straight-line basis. At December 31, 2018, the unamortized cost of these intangibles was approximately $329,500, net of accumulated amortization of approximately $324,300. The remaining unamortized cost of $5,205 will be amortized during the year ending December 31, 2019.

Amortization expense related to intangible assets for the years ended December 31, 2018 and 2017 was approximately $71,500 and $109,200, respectively.

7. OPERATING LEASE

The Organization leases its office under a non-cancelable operating lease agreement with an expiration date of July 31, 2019. Monthly lease payments due under the lease are adjusted by the annual change, if any, in the Consumer Price Index. Annual adjustments will have a minimum increase of 2% and a maximum increase of 5%. The Organization is also required to pay common area costs, including property taxes.

Rent expense for the building including common area costs and property taxes was approximately $177,200 and $165,800 for the years ended December 31, 2018 and 2017, respectively.

Future annual minimum lease payments under the existing operating lease is as follows:

Year ending December 31,	
2019	$ 98,000
	$ 98,000

8. BOARD DESIGNATED NET ASSETS

As of December 31, 2018 and 2017, the board has designated net assets without donor restrictions in the amount of $4,419,006 and $4,457,742, respectively, as an operating reserve fund.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of pledges receivable totaling $4,356,988 and $4,898,992 as of December 31, 2018 and 2017, respectively. These amounts will be released of donor restrictions upon collection. In 2018, the Organization received a donor restricted contribution from a foundation in the amount of $150,000, which subject to geographic use restrictions. The Organization anticipates fully utilizing this contribution during the year ending December 31, 2019.

10. CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. As of December 31, 2018, substantially all of the Organization's cash was maintained in financial institutions. The cash balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 for interest-bearing accounts. Cash equivalent balances held in brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC) up to $250,000 per institution. The Organization's uninsured cash balances totaled approximately $6,462,000 at December 31, 2018.

For the year ended December 31, 2018, 69% of cash contributions were attributable to three donors and 83% of In-kind contributions were attributable to three donors. Including the in-kind contribution component, 83% of inventory acquisitions were from two vendors.

11. RELATED PARTY TRANSACTIONS

A board member is a principal in a law firm that contributed legal consulting services in the amount of $171,011 and $262,900 for the years ended December 31, 2018 and 2017, respectively (Note 1). In addition a board member provided consulting services to the Organization totaling $140,580 and $138,140 for each of the years ended December 31, 2018 and 2017 respectively. The retired CFO and Chief Operating Officer provided consulting services totaling $75,000 to the Organization

12. EMPLOYEE BENEFITS

Effective April 1, 2013, the Organization established a qualified profit sharing retirement plan with a 401(k) deferred compensation provision covering substantially all employees. Employees must meet the minimum hours of service requirement of one year and be 21 years old in order to qualify for inclusion in the plan. Under the plan, qualified employees may elect to defer up to 90% of their salaries, subject to the Internal Revenue Code (IRC) limits. The Organization makes safe harbor contributions equal to 3% of each participant's compensation, which are 100% vested as of the date of contribution. In addition, the Organization may elect to make discretionary contributions to the plan, subject to IRC limits, which are allocated to participants in accordance with the plan document. Expenses of the plan are paid by the Organization and are included in the financial statements as a component of general and administrative expenses.

The Organization's contribution to the plan, consisting of safe harbor and a discretionary contribution component, totaled approximately $142,700 and $137,000 and for the years ended December 31, 2018 and 2017, respectively.

12. EMPLOYEE BENEFITS (Cont.)

The Organization established a non-qualified deferred compensation agreement under Section 457(f) of the IRC effective January 1, 2014. In September 2018, the agreement was amended to provide for deferred compensation of $75,000 annually for five years commencing with the year ending December 31, 2019. The agreement covers the president of the Organization. The agreement provides for a deferred compensation account to be funded annually as follows:

2014	$ 40,000
2015	40,000
2017	60,000
2018	60,000
2019 and thereafter	375,000
	$ 575,000

The account is owned by the Organization and is therefore included in investments on the accompanying Statement of Financial Position. As of December 31, 2018, $200,000 is vested. The remaining amount of $375,000 in the account will vest 100% as of December 31, 2023 or at the time of death, disability, or termination of employment without cause.

13. SUBSEQUENT EVENT

On April 5, 2019, the Organization entered into a non-cancelable operating lease agreement with an expiration date of July 31, 2026. The initial monthly lease payments will be approximately $25,100 with increases of approximately 3% annually. The Organization is also required to pay common area costs, including property taxes.

The Organization has evaluated subsequent events through July 25, 2019, which is the date that the financial statements were available to be issued.