THE TREVOR PROJECT

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JULY 31, 2016
(WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JULY 31, 2015)

THE TREVOR PROJECT
(A NONPROFIT ORGANIZATION)
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July 31, 2016

SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Trevor Project
(A Nonprofit Organization)
West Hollywood, California

Report on the Financial Statements

We have audited the accompanying statement of financial position of The Trevor Project (a nonprofit organization) (the "Organization"), as of July 31, 2016, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Trevor Project as of July 31, 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 United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

April 25, 2017

THE TREVOR PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
July 31, 2016
(with Comparative Totals at July 31, 2015)

ASSETS

	2016	2015
Assets		
Cash and cash equivalents	$ 1,446,136	$ 2,044,522
Restricted cash	85,255	85,204
Pledges receivable	221,476	450,056
Prepaid expenses and other assets	75,247	64,545
Property and equipment, net	81,750	116,357
Total assets	**$ 1,909,864**	**$ 2,760,684**

LIABILITIES AND NET ASSETS

	2016	2015
Liabilities		
Accounts payable	$ 3,116	$ 84,007
Accrued expenses	284,034	135,380
Deferred rent	40,427	40,427
Total liabilities	327,577	259,814
Commitments and contingencies (Note 6)		
Net assets		
Unrestricted	1,582,287	2,406,803
Temporarily restricted	-	94,067
Total net assets	1,582,287	2,500,870
Total liabilities and net assets	**$ 1,909,864**	**$ 2,760,684**

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

THE TREVOR PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2016
(with Comparative Totals for the Year Ended July 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Revenue and support				
Contributions	$ 3,336,108	$ -	$ 3,336,108	$ 3,331,280
Special events, net of $885,819 and $990,625 of expenses, respectively	1,199,735	-	1,199,735	1,078,326
In-kind contributions	373,066	-	373,066	350,447
Grants	304,142	-	304,142	832,682
Other income	8,470	-	8,470	47,955
Net assets released from restrictions	94,067	(94,067)	-	-
Total revenue and support	5,315,588	(94,067)	5,221,521	5,640,690
Functional expenses				
Program services	4,982,196	-	4,982,196	4,368,178
General and administrative	461,979	-	461,979	460,202
Fundraising	695,929	-	695,929	573,317
Total functional expenses	6,140,104	-	6,140,104	5,401,697
Changes in net assets	(824,516)	(94,067)	(918,583)	238,993
Net assets, beginning of year	2,406,803	94,067	2,500,870	2,261,877
Net assets, end of year	**$ 1,582,287**	**$ -**	**$ 1,582,287**	**$ 2,500,870**

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

THE TREVOR PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended July 31, 2016
(with Comparative Totals for the Year Ended July 31, 2015)

	Program Services	General and Administrative	Fundraising	2016 Total	2015 Total
Personnel expenses					
Salaries	$ 2,378,764	$ 237,876	$ 356,815	$ 2,973,455	$ 2,587,244
Payroll taxes	221,094	22,110	33,164	276,368	230,332
Employee benefits	433,478	43,348	65,021	541,847	504,159
Total personnel expenses	3,033,336	303,334	455,000	3,791,670	3,321,735
Other expenses					
Advertising and public relations	4,551	455	683	5,689	1,055
Bad debt expense	-	-	-	-	8,885
Conferences and events	11,854	-	2,963	14,817	9,099
Depreciation and amortization	27,686	2,768	4,153	34,607	70,776
Equipment	228,996	22,900	34,349	286,245	213,240
Occupancy costs	376,933	37,693	56,540	471,166	438,075
Office supplies	21,502	2,151	3,225	26,878	29,044
Postage costs	11,880	1,188	1,782	14,850	21,022
Printing	24,876	2,488	3,731	31,095	32,504
Processing fees and other expenses	91,116	9,112	13,667	113,895	130,708
Professional services	503,107	50,311	75,466	628,884	676,622
Research	83,565	-	-	83,565	-
Resource development	34,441	3,444	5,166	43,051	68,909
Telephone	63,510	6,351	9,527	79,388	89,145
Travel	130,690	13,069	19,604	163,363	194,021
Trevor Space rebuild	267,000	-	-	267,000	-
Visibility	67,153	6,715	10,073	83,941	96,857
Total other expenses	1,948,860	158,645	240,929	2,348,434	2,079,962
Total functional expenses	**$ 4,982,196**	**$ 461,979**	**$ 695,929**	**$ 6,140,104**	**$ 5,401,697**

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

THE TREVOR PROJECT
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For the Year Ended July 31, 2016
(with Comparative Totals for the Year Ended July 31, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (918,583)	$ 238,993
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	34,607	70,776
Changes in assets and liabilities		
Decrease (increase) in		
Pledges receivable	228,580	(234,317)
Prepaid expenses and other assets	(10,702)	29,909
(Decrease) increase in		
Accounts payable	(80,891)	68,524
Accrued expenses	148,654	(153,540)
Deferred rent	-	6,862
Net cash provided by (used in) operating activities	(598,335)	27,207
Cash flows from investing activities		
Cash transferred to restricted cash	(51)	(64)
Net cash used in investing activities	(51)	(64)
Cash flows from financing activities		
Principal payments of capital lease obligation	-	(3,085)
Net cash used in financing activities	-	(3,085)
Net (decrease) increase in cash and cash equivalents	(598,386)	24,058
Cash and cash equivalents, beginning of year	2,044,522	2,020,464
Cash and cash equivalents, end of year	**$ 1,446,136**	**$ 2,044,522**
Supplemental schedule of noncash financing activities		
Capital lease obligations forgiven when equipment was returned before the expiration of the capital lease agreement	**$ -**	**$ 2,337**

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

NOTE 1 – GENERAL

Organization and Nature of Activities

The Trevor Project (the "Organization"), a 501(c)(3) nonprofit organization, is the leading national provider of crisis intervention and suicide prevention services to lesbian, gay, bisexual, transgender and questioning ("LGBTQ") young people ages 13–24. Founded in 1998 by the creators of the Academy Award®-winning short film TREVOR, The Trevor Project offers innovative suicide prevention services that are accredited by the American Association of Suicideology, including the 24/7 free and confidential Trevor Lifeline (1-866-488-7386) and instant messaging intervention services through TrevorChat. The Organization also operates the largest online social network specifically for young LGBTQ people, TrevorSpace.org. Other programs include TrevorText, a free, confidential, secure service in which LBGTQ young people can text a trained Trevor counselor for support and crisis intervention and a suite of suicide prevention education programs including Trevor Lifeguard, Trevor CARE and Trevor Ally Workshops. The Organization also supports policy change at the federal and state level to enhance the mental health and well-being of LGBTQ young people through targeted interventions that address risk factors for suicide. Honored by the White House as a "Champion of Change," The Trevor Project has received and maintained a four-star rating from Charity Navigator for the year ended July 31, 2015. Learn more at www.TheTrevorProject.org.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. 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 as of and for the fiscal year ended July 31, 2015, from which the summarized information was derived.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)
The Organization classifies revenues, gains, expenses and losses based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization.

- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support.

- *Permanently restricted net assets* – Net assets that are restricted by the donors for investment in perpetuity. The Organization has no permanently restricted net assets as of July 31, 2016 and 2015.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents
For purposes of the statements of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Restricted Cash
Restricted cash consists of an amount held by the bank to provide for a letter of credit. The letter of credit is explained further in Note 6.

Pledges Receivable
Unconditional promises to give that are expected to be collected in future periods are recorded at net present value. An allowance for uncollectible receivables is based on specifically identified receivables using the age of the receivable and historical collection experience. Management believes all pledges receivable outstanding at July 31, 2016 are collectible.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost or at their estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful life of the assets. Amortization of leasehold improvements is provided using the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

The estimated useful lives of the related assets are as follows:

Computers, website and software	3–5 years
Furniture, fixtures and equipment	5 years
Leasehold improvements	Shorter of initial lease period or useful life of asset

The depreciation expense on assets acquired under capital leases are included with depreciation expense on owned asset.

Impairment of Long-Lived Assets

Impairment losses are recorded on long-lived assets and intangible assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management has determined that no indicators of impairment have occurred during the years ended July 31, 2016 and 2015.

Deferred Rent

The Organization recognizes benefits of rent abatement as well as escalating rent provisions on a straight-line basis over the term of the lease.

Revenue Recognition

Contribution and fundraising revenues are recognized in the period in which the revenues are earned.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with grantor stipulations that limit the use of the donated assets. When a grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Contributions
Contributions of donated noncash assets are recorded at their fair values in the period in which they are received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation and are recorded at their fair value in the period in which they are received.

The Organization records contributed rent for its headquarters and San Francisco call center, which is measured as the difference between the rent's fair market value per square foot and the actual amount paid. This contribution is recorded as revenue and expense in the period in which the facilities are occupied, as the rental agreement is on a month-to-month basis. As a result, during the years ended July 31, 2016 and 2015, the Organization recorded $1,797 and $7,189 for in-kind rent, respectively.

For the year ended July 31, 2016, the Organization also recorded in-kind contributions of $354,077 and $17,192 related to legal services and consulting services, respectively. For the year ended July 31, 2015, the Organization also recorded in-kind contributions of $326,958 and $16,300 related to legal services and the donation of a car auctioned by the Organization, respectively.

Members of the board of directors made additional contributions of time to participate in the Organization's programs, activities and fundraising. The value of these services is not reflected in these financial statements, since the value is indeterminable. In addition, members of the board of directors and employees made cash contributions to support special events. For the year ended July 31, 2016, the Organization received cash contributions of $120,679 and $12,811 from members of the board of directors and employees, respectively. For the year ended July 31, 2015, the Organization received cash contributions of $652,402 and $14,525 from members of the board of directors and employees, respectively.

Advertising
Advertising expenses are charged to expense as incurred. For the years ended July 31, 2016 and 2015, advertising expense was $5,689 and $1,055, respectively.

Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes
The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. Accordingly, no provisions for income taxes or related credits are included in these financial statements.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 740, "Uncertainty in Income Taxes" ("ASC 740"), the Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions.

The Organization recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the year ended July 31, 2016, the Organization performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

Jurisdiction	Open Tax Years
Federal	2012–2015
State	2011–2015

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. 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 an orderly transaction 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 requirements around fair value and establishes 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 following 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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)
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 classified all of its cash and cash equivalents in the Level 1 fair value hierarchy measured at fair value on a recurring basis at July 31, 2016.

The carrying amounts of pledges receivables, prepaid expenses and other assets, accounts payable and accrued expenses approximate their fair value because of the short maturity of these instruments.

Recently Issued Accounting Pronouncements
In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*, and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, this guidance requires that entities disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers - Principal versus Agent Considerations (Reporting Revenue Gross Versus Net)*, which clarifies gross versus net revenue reporting when another party is involved in the transaction. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers - Identifying Performance Obligations and Licensing*, which amends the revenue guidance on identifying performance obligations and accounting for licenses of intellectual property. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers - Narrow-Scope Improvements and Practical Expedients*, which provides narrow-scope improvements to the guidance on collectability, non-cash consideration, and completed contracts at transition. In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which amended the guidance on performance obligation disclosures and makes technical corrections and improvements to the new revenue standard. The standard is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and permits early adoption on a limited basis. The update permits the use of either the retrospective or cumulative effect transition method. The Organization's management is in the process of evaluating the impact of this accounting pronouncement on the Organization's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)
In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU No. 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU No. 2014-15 is effective for annual periods ending after December 15, 2016, with early adoption permitted. The Organization's management is in the process of evaluating the impact of this accounting pronouncement on the Organization's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use ("ROU") asset for all leases. For finance leases the lessee would recognize interest expense and amortization of the ROU asset and for operating leases the lessee would recognize a straight-line total lease expense. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. ASU No. 2016-02 is effective for annual and interim reporting periods within those years beginning after December 15, 2019 and early adoption is permitted. This update should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Organization's management is in the process of evaluating the impact of this accounting pronouncement on the Organization's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU No. 2016-05 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization's management is currently evaluating the impact the adoption of this guidance will have on the Organization's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)
In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU No. 2016-15 is effective for annual periods, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted. The Organization's management is in the process of evaluating the impact of this accounting pronouncement on the Organization's financial statements.

Concentration of Credit Risk
The Organization maintains its cash and cash equivalent balances in several financial institutions that, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category and the combined total insured up to at least $250,000. As of July 31, 2016 and 2015, the Organization had $867,737 and $1,605,584 in excess of the federally insured amounts, respectively. To date, the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 3 – PLEDGES RECEIVABLE

At July 31, 2016 and 2015, the Organization had receivables that represented unconditional promises to donate funds by various individuals and organizations.

	2016	2015
Due in less than 1 year	$ 221,476	$ 450,056
Total pledges receivable	**$ 221,476**	**$ 450,056**

At July 31, 2016, three donors accounted for approximately 46% of total outstanding pledges receivable. At July 31, 2015, four donors accounted for approximately 84% of total outstanding pledges receivable.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at July 31, 2016 and 2015 is as follows:

	2016	2015
Computers and software	$ 296,280	$ 296,280
Website	158,666	158,666
Furniture, fixtures and equipment	87,600	87,600
Leasehold improvements	7,189	7,189
Total property and equipment	549,735	549,735
Less accumulated depreciation and amortization	(467,985)	(433,378)
Property and equipment, net	**$ 81,750**	**$ 116,357**

Depreciation and amortization expense totaled $34,607 and $70,776 for the years ended July 31, 2016 and 2015, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at July 31, 2016 were available for the following purposes:

	Available July 31, 2015	Revenue, Net	Releases from Restriction	Available July 31, 2016
Social networking site	$ 40,000	$ -	$ (40,000)	$ -
Trevor Chat	54,067	-	(54,067)	-
Total	**$ 94,067**	**$ -**	**$ (94,067)**	**$ -**

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization has certain equipment and office space under non-cancelable operating leases that expire on various dates through 2020 and require minimum monthly payments of $31,797. Total rental expense was $367,783 and $357,192 for the years ended July 31, 2016 and 2015, respectively. Future minimum lease payments are as follows:

For the Years Ending July, 31,	
2017	$ 378,800
2018	296,793
2019	214,940
2020	108,928
Total	**$ 999,461**

Letter of Credit

The Organization maintains a letter of credit in the amount of $85,000 in accordance with the terms of one of the office facility lease agreements. The landlord may draw up to the full amount of the letter of credit, pursuant to the terms of the lease agreement.

Litigation

From time to time, the Organization is involved in certain legal matters which arise in the normal course of operations. Management believes, based in part on the advice of legal counsel, that the resolution of such matters will not have a material adverse effect on the financial position of the Organization.

NOTE 7 – 403(b) DEFERRED COMPENSATION PLAN

The Organization has a defined-contribution retirement 403(b) plan available for all eligible employees. Employees participate on a voluntary basis and make contributions up to $18,000. The Organization matches the employees' contributions up to 3% of the employees' compensation. Plan contributions made by the Organization were $55,272 and $57,327 for the years ended July 31, 2016 and 2015, respectively.

NOTE 8 – SUBSEQUENT EVENTS

Management evaluated all activity through April 25, 2017 (the issue date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.