Consolidated Financial Statements and Report of Independent Certified Public Accountants

MIND RESEARCH INSTITUTE

June 30, 2018 (With comparative summarized financial information for June 30, 2017)

Contents

Report of Independent Certified Public Accountants

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Board of Directors
MIND Research Institute

We have audited the accompanying consolidated financial statements of MIND Research Institute and its subsidiary, which comprise the consolidated statement of financial position as of June 30, 2018 and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of MIND Research Institute and its subsidiary as of June 30, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Report on 2017 summarized comparative information

We have previously audited MIND Research Institute's and its subsidiary's 2017 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 7, 2017. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Grant Thornton LLP

Los Angeles, California
October 9, 2018

MIND Research Institute

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2018
(With comparative summarized information at June 30, 2017)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 756,046	$ 1,141,592
Accounts receivable	3,186,689	3,982,837
Pledges receivable, current	1,397,971	2,213,897
Prepaid expenses and other current assets	534,944	329,501
Total Current Assets	5,875,650	7,667,827
FIXED ASSETS		
Equipment, furniture, and leasehold improvements	7,036,672	6,475,581
Less: accumulated depreciation	(5,098,686)	(4,177,933)
Total Fixed Assets, net	1,937,986	2,297,648
OTHER ASSETS		
Pledges receivable, noncurrent	2,422,992	726,519
Deposits	55,407	55,407
Intangible assets, net	1,045,655	979,033
Total Other Assets	3,524,054	1,760,959
TOTAL ASSETS	$ 11,337,690	$ 11,726,434
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 461,166	$ 796,784
Accrued expenses	3,030,775	1,762,436
Line of credit	604,306	1,800,000
Deferred revenue, current	4,833,043	7,049,421
Deferred rent, current	186,420	125,097
Total Current Liabilities	9,115,710	11,533,738
NONCURRENT LIABILITIES		
Deferred revenue, net of current	607,240	1,398,895
Deferred rent, net of current	356,170	454,283
Total Noncurrent Liabilities	963,410	1,853,178
TOTAL LIABILITIES	10,079,120	13,386,916
NET ASSETS (DEFICIT)		
Unrestricted	(5,266,154)	(6,895,478)
Temporarily restricted	6,524,724	5,234,996
Total Net Assets	1,258,570	(1,660,482)
TOTAL LIABILITIES AND NET ASSETS	$ 11,337,690	$ 11,726,434

See accompanying notes to consolidated financial statements.

MIND Research Institute

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2018
(With comparative summarized information for the year ended June 30, 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
SUPPORT AND REVENUES				
Contributions	$ 486,112	$ 7,734,102	$ 8,220,214	$ 5,681,259
In-kind revenues	176,386	-	176,386	220,262
Total Fundraising and Philanthropy	662,498	7,734,102	8,396,600	5,901,521
Program Fees-Schools	22,400,528	-	22,400,528	20,654,846
Net Assets Released from Restrictions	6,444,374	(6,444,374)	-	-
Cost of Sales	(15,200)	-	(15,200)	-
Interest income	4,313	-	4,313	1,923
Insurance compensation for theft loss	19,012	-	19,012	-
Loss on Impairment of Assets	(59,829)	-	(59,829)	(256,489)
Loss on Sublease	(131,620)	-	(131,620)	-
Loss on Termination of Lease	(124,627)	-	(124,627)	-
Loss on sale of securities	(748)	-	(748)	(3,129)
Total Other Support	(293,499)	-	(293,499)	(257,695)
TOTAL SUPPORT AND REVENUES	29,198,701	1,289,728	30,488,429	26,298,672
EXPENSES				
Program	23,073,174	-	23,073,174	25,499,930
Management	2,770,134	-	2,770,134	2,074,470
Fundraising	1,726,069	-	1,726,069	1,312,816
TOTAL EXPENSES	27,569,377	-	27,569,377	28,887,216
CHANGE IN NET ASSETS	1,629,324	1,289,728	2,919,052	(2,588,544)
BEGINNING NET ASSETS (DEFICIT)	(6,895,478)	5,234,996	(1,660,482)	928,062
ENDING NET ASSETS (DEFICIT)	$ (5,266,154)	$ 6,524,724	$ 1,258,570	$ (1,660,482)

See accompanying notes to consolidated financial statements.

MIND Research Institute

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018
(With comparative summarized information for the year ended June 30, 2017)

	2018						2017
	Program						
Expenses	Education	Research	Total	Fundraising	Management	Total	Total
Salaries	$ 12,970,352	$ 1,320,737	$ 14,291,089	$ 1,104,949	$ 2,120,921	$ 17,516,959	$ 18,102,456
Benefits	1,395,512	176,587	1,572,099	113,492	192,888	1,878,479	2,041,041
Payroll Taxes	891,113	91,951	983,064	73,220	124,676	1,180,960	1,303,173
Labor sub-total	15,256,977	1,589,275	16,846,252	1,291,661	2,438,485	20,576,398	21,446,670
Travel, Meals & Entertainment	1,280,557	56,613	1,337,170	112,329	106,746	1,556,245	1,653,604
Facility Expense	956,081	107,089	1,063,170	48,971	82,706	1,194,847	1,239,976
Outside Services	1,321,105	34,089	1,355,194	81,627	9,527	1,446,348	905,420
Conferences & Meetings	507,400	1,185	508,585	34,944	8,123	551,652	659,077
Information Technology	314,378	13,955	328,333	16,110	16,627	361,070	626,297
Office Expenses	443,253	8,532	451,785	15,009	24,440	491,234	567,734
Legal Fees	39,818	11,709	51,527	11,576	2,054	65,157	184,608
Printing & Publishing	49,497	25	49,522	730	278	50,530	178,125
Business Insurance	78,035	5,601	83,636	4,920	6,543	95,099	112,846
Accounting & Tax Fees	99,003	6,952	105,955	5,528	8,140	119,623	42,165
Interest	12,021	889	12,910	724	1,036	14,670	30,507
Other	46,411	2,112	48,523	53,210	453	102,186	182,732
Depreciation & Amortization	775,049	55,563	830,612	48,730	64,976	944,318	1,057,455
Totals	$ 21,179,585	$ 1,893,589	$ 23,073,174	$ 1,726,069	$ 2,770,134	$ 27,569,377	$ 28,887,216

See accompanying notes to consolidated financial statements.

MIND Research Institute

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2018
(With comparative summarized information for the year ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 2,919,052	$ (2,588,544)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization	944,316	1,057,455
Donation of equipment and intangible assets	(176,386)	(117,872)
Loss on disposal of equipment	-	17,030
Loss on impairment of intangible assets	59,829	256,489
(Increase) decrease in assets:		
Accounts receivable	796,148	2,980,083
Pledge receivables	(880,547)	(2,335,999)
Prepaid expenses and other current assets	(205,443)	(43,719)
Deposits	-	(3,677)
Increase (decrease) in liabilities:		
Accounts payable	(335,618)	227,055
Accrued expenses	1,268,339	(129,319)
Deferred revenues	(3,008,033)	(8,515)
Deferred rent	(36,790)	(94,857)
Net Cash Used In Operating Activities	1,344,867	(784,390)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(384,705)	(237,883)
Acquisition of intangible assets	(150,014)	(391,921)
Net Cash Used In Investing Activities	(534,719)	(629,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing on line of credit	(1,195,694)	1,800,000
Net Cash Provided by Financing Activities	(1,195,694)	1,800,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(385,546)	385,806
BEGINNING CASH AND CASH EQUIVALENTS	1,141,592	755,786
ENDING CASH AND CASH EQUIVALENTS	$ 756,046	$ 1,141,592
SUPPLEMENTARY INFORMATION		
Interest paid	$ 14,670	$ 30,507

See accompanying notes to consolidated financial statements.

NOTE 1—ORGANIZATION

The MIND Research Institute (the "Organization" or "MIND") is a nonprofit tax-exempt organization which was incorporated in April 1998. The Organization's mission is to ensure that all students are mathematically equipped to solve the world's most challenging problems through developing and deploying math instructional software and systems. A non-profit organization, MIND also conducts basic neuroscientific, mathematics, and education research to improve math education and advance scientific understanding.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Principles of Consolidation

The consolidated financial statements include the accounts of the MIND Research Institute and MIND Education, Inc., a 98% owned subsidiary, and are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For the years ended June 30, 2018 and 2017 MIND Education, Inc. had no assets and no activity. All intercompany amounts and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

Temporarily restricted net assets. Net assets that are subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. Temporarily restricted resources whose restrictions are met during the reporting period are recorded as unrestricted.

Permanently restricted net assets. Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Organization. As of June 30, 2018 and 2017, the Organization did not have any permanently restricted net assets.

Accounting 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, the Organization considers cash on hand and cash in other depository institutions with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable result from the sales of educational programs. The Organization's policy is to provide an allowance for doubtful accounts, when necessary, to reflect estimated uncollectible accounts. No allowance for doubtful accounts has been provided as management believes all amounts are collectible.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pledges Receivable
Unconditional promises to give are recognized in the period received and when collectability is reasonably assured. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Pledges to be received in more than one year are discounted to net present value based on the *Wall Street Journal* prime rate.

No allowance for uncollectible amounts has been established as management believes all pledges receivable to be fully collectible.

Equipment, Furniture, and Leasehold Improvements
Equipment, furniture, and leasehold improvements are carried at cost or, if donated, at the approximate fair value on the date of donation. Depreciation is provided on the straight-line method over estimated useful lives. The useful lives of equipment and furniture are estimated to range between three and seven years, and leasehold improvements are estimated to be the lesser of the lease term or economic life. In 2017, we changed the estimate of useful lives and depreciation of personal computers and similar equipment from five years to three years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repairs and maintenance are expensed as incurred.

Software Development Costs
Computer software developed or obtained for internal use is capitalized when certain criteria have been met. Costs incurred during the application development stage for internal-use software are capitalized in equipment, furniture, and leasehold improvements and amortized over the estimated useful life of the software, which is estimated by management to be five years.

Computer software development costs for software to be sold or marketed are considered research and development activities and are expensed as incurred.

Intangible Assets
Patent, trademark and copyright application costs are capitalized. When patents are approved, they are amortized on a straight-line basis over their expected lives. Indefinite lived intangible assets are evaluated for impairment annually and monitored for triggering events on an ongoing basis. The Organization determined that the carrying value of certain patent, trademark and copyright application costs exceeded their present values due to technical obsolescence; thus, the Organization reported a loss from impairment of intangible assets of $59,829 and $256,489 in FY 2018 and FY 2017 respectively.

Program Fees and Support
Revenue primarily consists of contributions and sales of educational software, subscriptions and related support and training services.

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. All contributions are considered to be unrestricted unless specifically restricted by the donor.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Program Fees and Support (continued)

The Organization's software sales consist of multiple elements of the above items. Revenue earned on perpetual software arrangements involving multiple elements is allocated to each element based on the relative fair values of those elements. The fair value of an element is based on vendor-specific objective evidence ("VSOE"). The Organization limits its assessment of VSOE of fair value for each element to the price charged when the same element is sold separately. VSOE calculations are updated annually. The Organization establishes VSOE of fair value for the related undelivered elements based on the bell-shaped curve method, where the entire population of separate transactions where the element is sold separately is evaluated to determine whether the range of prices paid is sufficiently narrow to provide evidence of VSOE of fair value. The software portion is recognized upon delivery, and the other elements are recognized ratably over the period of service.

The Organization derives revenue from subscription fees for access to and use of its math education system. Term software license fees and support are recognized ratably over the contract term of the arrangement beginning on the date that the subscription is made available to the customer because VSOE does not exist.

When evidence of fair value exists for the undelivered elements only, the residual method is used. Under the residual method, the Organization defers revenue related to the undelivered elements based on VSOE of fair value of each of the undelivered elements and allocates the remainder of the contract price net of all discounts to revenue recognized from the delivered elements.

For the years ended June 30, 2018 and June 30, 2017, the Organization estimates that deferred revenue as of its fiscal year end (June 30) which will be recognized as revenue over the subsequent 12 months is 89% and 83%, respectively.

The Organization ensures that the following criteria are met prior to recognition of revenue: there is persuasive evidence of an arrangement; the product has been delivered or services have been rendered; the fee is fixed or determinable; and collectability is reasonably assured.

Donated Services and Goods

The Organization recognizes the contribution of services if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria shall not be recognized.

Donated goods are recorded as contributions at their estimated fair value on the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated goods to a specific purpose.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates developed by management.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

401(k) Plan

The Organization offers a tax-qualified 401(k) defined contribution plan (the Plan) to all employees who meet eligibility requirements. Eligible employees are entitled to defer the lesser of 100 percent of their compensation or a fixed amount determined annually by the Internal Revenue Service. The Organization has the discretion to match participant contributions. For the years ended June 30, 2018 and 2017 the Organization made Plan matching contributions of $285,460 and $295,870, respectively. Vesting of the Plan matching contributions is based on years of continuous service, and are 100 percent vested after four years of service.

Income Tax Status

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has also been recognized by the California Franchise Tax Board as an Organization that is exempt from California franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax Obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The guidance is effective for fiscal years beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the guidance in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Management is currently evaluating the potential effect of this guidance on its consolidated financial statements and related disclosures.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncements (continued)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the potential effect of this guidance on its consolidated financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958). The provisions of this ASU include a change from three classes of net assets to two, net assets with donor restrictions and net assets without donor restrictions. Certain enhanced disclosures are also required. The amendments in this update are effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to current year presentation.

Reporting of Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 9, 2018, the date the financial statements were available to issue.

NOTE 3—PLEDGES RECEIVABLE

Pledges receivable as of June 30, are as follows:

	2018	2017
Receivable in less than one year	$ 1,397,971	$ 2,213,897
Receivable in greater than one year	2,454,600	766,400
Less: Present value discounts	(31,608)	(39,881)
Noncurrent portion	2,422,992	726,519
Total pledge receivables	$ 3,820,963	$ 2,940,416

NOTE 4—EQUIPMENT, FURNITURE, AND LEASEHOLD IMPROVEMENTS

A summary of equipment, furniture, and leasehold improvements as of June 30 is as follows:

	2018	2017
Equipment	$ 4,853,149	$ 4,497,123
Internal use software	657,163	651,911
Furniture	523,636	374,586
Leasehold improvements	1,002,724	951,961
	7,036,672	6,475,581
Less: accumulated depreciation	(5,098,686)	(4,177,933)
	$ 1,937,986	$ 2,297,648

For the years ended June 30, 2018 and 2017, depreciation expense recognized was $920,753 and $1,036,904, respectively.

NOTE 5—INTANGIBLE ASSETS

A summary of intangible assets as of June 30, is as follows:

	2018	2017
Patent costs	$ 708,513	$ 698,467
Trademarks and copyrights	473,884	393,745
	1,182,397	1,092,212
Less: accumulated amortization	(136,742)	(113,179)
	$ 1,045,655	$ 979,033

For the years ended June 30, 2018 and 2017, amortization expense recognized was $23,563 and $20,551, respectively. The weighted average remaining useful lives of the Organization's amortizing intangible assets is 64 months. The estimated future amortization expense related to intangible assets will be approximately $23,563 per year from fiscal 2018 to 2022 thereafter.

NOTE 6—LINE OF CREDIT

During November 2017, the Organization renewed its line of credit with a financial institution for $2,000,000. The line of credit is collateralized by the Organization's assets and matures in November 2018. The line of credit bears a variable interest rate based on the *Wall Street Journal* prime rate plus one quarter of one percent (0.250%). As of June 30, 2018, the line of credit's interest rate was 4.50 percent. The line of credit requires minimum monthly payments on interest incurred and requires payment of all outstanding balances upon maturity. The line of credit contains customary affirmative and negative covenants. For the years ended June 30, 2018 and 2017, the outstanding amounts under this line of credit was $604,306 and $1,800,000, respectively. For the years ended June 30, 2018 and 2017, the Organization incurred interest expense and fees of $14,670 and $30,507, respectively.

NOTE 7—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, is as follows:

	2018	2017
Time restricted	$ 701,733	$ 726,519
Purpose restricted	5,822,991	4,508,477
	$ 6,524,724	$ 5,234,996

Net assets were released from donor restrictions either by incurring expenses, which satisfied the restricted purposes or by the occurrences of other events specified by donors during the years ended June 30, 2018 and 2017.

NOTE 8—IN-KIND GOODS AND SERVICES

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. For the years ended June 30, 2018 and 2017, no amounts were recognized in the statement of activities and changes in net assets as they did not meet the criteria described in Note 2.

The Organization also receives donated materials, equipment, and storage space. For the years ended June 30, 2018 and 2017, the Organization recognized in-kind revenues of $176,386 and $220,262, respectively.

NOTE 9—RELATED PARTY TRANSACTIONS

For the years ended June 30, 2018 and 2017, the Organization received contributions from members of the Organization's board of directors or business or charitable entities related to them totaling $1,572,973 and $1,237,214, respectively.

Pledges receivable from the Organization's board of directors or business or charitable entities related to them are as follows as of June 30:

	2018	2017
Related party pledges receivable, current	$ 37,187	$ 57,997
Related party pledges receivable, noncurrent	132,600	166,400
	$ 169,787	$ 224,397

The Organization was provided with inventory storage space by an entity owned by a member of the Organization's board of directors. For each of the years ended June 30, 2018 and 2017, the Organization recognized in-kind rent of $2,892. The Organization also purchases legal services from an entity that employed a member of the Organization's board of directors until January 2018. For the year ended June 30, 2018, the Organization incurred legal services totaling $53,878 from said legal entity.

NOTE 10—LEASE COMMITMENTS

In September 2012, the Organization entered into a lease agreement for office space located in Irvine, California beginning in January 2013. The term of the lease extends through December 2020 and requires minimum monthly rent payments of $50,056. The lease includes certain tenant improvements and rent abatement during the lease period. In March 2018, a portion of the office space was subleased under a sublease agreement expiring December 2020. As of June 30, 2018 and 2017, the Organization recorded deferred rent of $542,590 and $579,380, respectively. In August 2016, the Organization entered into a lease for office space in Phoenix, Arizona, for a term of six months and required minimum monthly rent payments of $450. In January 2018, the term of that lease was extended through September 2018 on a month-to-month basis, requiring minimum monthly rent payments of $510. In April 2017, the Organization entered into a lease for office space in Austin, Texas. The term of the lease extends through May 2019 and requires minimum monthly rent payments of $3,606. The Organization also leased office equipment with maturities ranging from July 2017 to March 2018; such leases were bought out in January 2018.

For the years ended June 30, 2018 and 2017, rent expense was $849,260 and $998,048, respectively. Future minimum lease payments under non-cancelable operating leases having initial terms in excess of one year are as follows:

Year ending June 30,	
2019	$ 810,443
2020	804,576
2021	413,496
2022	-
	$ 2,028,515

Future income from the sublease agreement is as follows:

Year ending June 30,	
2019	$ 164,226
2020	164,226
2021	82,113
2022	-
	$ 410,565

NOTE 11—CONCENTRATION OF CREDIT RISK

For the years ended June 30, 2018 and 2017, the Organization received 27 percent and 22 percent of its revenue from its fundraising activities, respectively. Management anticipates continued support from its contributors in the future to be a substantial portion of the Organization's revenue.

Cash deposits in financial institutions may exceed federally insured limits at times during the year. As of June 30, 2018 and 2017, the Organization held cash and cash equivalents at financial institutions in excess of the Federal Deposit Insurance Corporation insurance amount of $250,000; however, the Organization monitors the financial institutions regularly and does not anticipate any losses from these deposits.

NOTE 11—CONCENTRATION OF CREDIT RISK - Continued

Cash deposited in financial institutions differs from cash presented in the consolidated statement of financial position due to timing differences.