

Pajama Program, Inc.
(A Nonprofit Corporation)

**Financial Statements and
December 31, 2018 and 2017**

Pajama Program, Inc.
(A Nonprofit Corporation)

**Financial Statements and
December 31, 2018 and 2017**

<u>Table of Contents</u>	Page(s)
Independent Auditor's Report	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 16

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To the Board of Directors of
Pajama Program, Inc.

Independent Auditor's Report

I have audited the accompanying financial statements of Pajama Program, Inc., (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018 and 2017, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report, continued

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pajama Program, Inc. as of December 31, 2018 and 2017, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17, contribution receivable was not recorded during the year ended December 31, 2017 and a beginning receivable from 2016 was included. Consequently, PJP has restated its 2017 financial statements for the correction of this misstatement.



Certified Public Accountant

West Hempstead, New York
October 31, 2019

NORMAN PEARLMAN
CERTIFIED PUBLIC ACCOUNTANT

Pajama Program, Inc.
(A Nonprofit Corporation)

Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Assets		
Cash and Cash Equivalents	\$ 3,906,703	\$ 3,004,019
Contributions Receivable	669,967	1,023,539
Prepaid Expenses	39,718	17,149
Books and Pajamas Inventory	<u>771,021</u>	<u>863,158</u>
Total	<u>5,387,409</u>	<u>4,907,865</u>
Equipment and Leasehold Improvements:		
Equipment	50,402	33,146
Leasehold Improvements	<u>17,137</u>	<u>17,137</u>
	67,539	50,283
Less: Accumulated Depreciation	<u>(27,138)</u>	<u>(16,009)</u>
	40,401	34,274
Security Deposit - Rent	<u>4,878</u>	<u>4,878</u>
Total Assets	<u><u>\$ 5,432,688</u></u>	<u><u>\$ 4,947,017</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable and Accrued Expenses	<u>\$ 81,765</u>	<u>\$ 23,275</u>
Net Assets		
Without Donor Restrictions	5,242,616	4,897,075
With Donor Restrictions	<u>108,307</u>	<u>26,667</u>
	<u>5,350,923</u>	<u>4,923,742</u>
Total Liabilities and Net Assets	<u><u>\$ 5,432,688</u></u>	<u><u>\$ 4,947,017</u></u>

The accompanying summary of significant accounting principles and policies and notes to financial statements are an integral part of these financial statements.

Pajama Program, Inc.
(A Nonprofit Corporation)

Statements of Activities
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Net Assets without Donor Restrictions		
<i>Revenues and Other Support</i>		
Contributions	\$ 2,388,725	\$ 2,338,324
Special Events	427,464	420,948
Net Assets Released	<u>18,333</u>	<u>8,333</u>
Total Revenues and Other Support	2,834,522	2,767,605
<i>Book and Pajama Distributions</i>		
Purchased Books and Pajamas	<u>232,457</u>	<u>252,940</u>
Revenues and Other Support Less Book and Pajama Distributions	<u>2,602,065</u>	<u>2,514,665</u>
Expenses		
Wages	843,215	773,127
Program Expenses - Distribution Centers	176,161	160,472
Direct Costs of Special Events	159,715	133,166
Rent	147,037	139,399
Travel, Lodging and Meals	133,093	105,381
Freight and Postage	132,300	129,523
Payroll Taxes and Fringe Benefits	119,668	123,466
Marketing, Advertising and Promotion	115,875	59,006
Professional Fees	77,903	334,708
Program Expenses - Chapters	71,143	13,402
Repairs and Maintenance	64,400	41,374
Office Expenses	37,269	58,574
Licenses and Fees	25,921	10,177
Utilities and Telephone	24,421	19,615
Insurance	20,769	15,851
Volunteer Appreciation Expenses	15,063	9,048
Depreciation	14,629	3,346
Bank Charges and Credit Card Processing Fees	8,880	10,946
Background Checks	8,216	8,559
Dues and Subscriptions	7,294	29,611
Miscellaneous Fund Raising Expenses	<u>-</u>	<u>59,606</u>
Total Expenses	<u>2,202,972</u>	<u>2,238,357</u>
Increase in Net Assets without Donor Restrictions before In-Kind Increase in Revenue and Other Support over Book and Pajama Distributions and Interest Income	<u>399,093</u>	<u>276,308</u>

The accompanying summary of significant accounting principles and policies and notes to financial statements are an integral part of these financial statements.

Pajama Program, Inc.
(A Not-for-Profit Corporation)

Statements of Activities
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u> (Restated)
<i>Increase in Net Assets (from previous page)</i>	<u>\$ 399,093</u>	<u>\$ 276,308</u>
In-Kind:		
<i>Increase in Revenue and Other Support over Book and Pajama Distributions</i>		
Donated Books and Pajamas	\$ 3,465,603	\$ 3,347,535
Donated Rent	70,800	44,400
Donated Furniture	9,435	-
Total Revenues and Other Support	<u>3,545,838</u>	<u>3,391,935</u>
<i>Book and Pajamas Distributions</i>		
Beginning Inventory	863,157	828,913
Donated Books and Pajamas for Distribution	<u>3,465,603</u>	<u>3,347,535</u>
Books and Pajamas Available for Distribution	<u>4,328,760</u>	<u>4,176,448</u>
Ending Inventory	<u>(771,021)</u>	<u>(863,157)</u>
Total Book and Pajamas Distributions	<u>3,557,739</u>	<u>3,313,291</u>
Rent Expense - In-Kind	<u>70,800</u>	<u>44,400</u>
	<u>3,628,539</u>	<u>3,357,691</u>
(Decrease) Increase in Revenue and Other Support over Book and Pajama Distributions	<u>(82,701)</u>	<u>34,244</u>
Total Increase in Net Assets before Interest Income and Net Assets with Donor Restrictions	<u>316,392</u>	<u>310,552</u>
Interest Income	<u>29,149</u>	<u>21,810</u>
Increase in Net Assets without Donor Restrictions	<u>345,541</u>	<u>332,362</u>
Increase in Net Assets with Donor Restrictions		
<i>Contributions</i>		
Unconditional Promises to Give	8,333	25,000
Capital Fund	91,640	10,000
Net Assets Released - Time Released	<u>(18,333)</u>	<u>(8,333)</u>
Increase in Net Assets with Donor Restrictions	<u>81,640</u>	<u>26,667</u>
Increase in Net Assets (see Note 17)	<u>427,181</u>	<u>359,029</u>
Net Assets		
Beginning of Year - as originally reported	-	3,911,889
Beginning of Year - 2016 (Restated)	-	652,824
Beginning of Year - 2017 (Restated)	<u>4,923,742</u>	<u>-</u>
	<u>4,923,742</u>	<u>4,564,713</u>
Net Assets - End of Year	<u><u>\$ 5,350,923</u></u>	<u><u>\$ 4,923,742</u></u>

The accompanying summary of significant accounting principles and policies and notes to financial statements are an integral part of these financial statements.

Pajama Program, Inc.
(A Nonprofit Corporation)

Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Direct Costs of Special Events</u>	<u>Total</u>
Book and Pajama Distributions	\$ 3,557,739	\$ -	\$ -	\$ -	\$ 3,557,739
Wages	590,728	123,424	129,063	-	843,215
Cost of Pajamas and Books	232,457	-	-	-	232,457
Rent	202,299	15,538	-	-	217,837
Program Expenses - Distribution Centers	176,161	-	-	-	176,161
Catering, Event Planning and Presentation	-	-	-	139,867	139,867
Travel, Lodging and Meals	133,093	-	-	-	133,093
Freight and Postage	119,070	3,969	9,261	-	132,300
Payroll Taxes and Fringe Benefits	83,835	17,516	18,317	-	119,668
Marketing, Advertising and Promotion	-	-	115,875	-	115,875
Professional Fees	22,410	55,493	-	-	77,903
Program Expenses - Chapters	71,143	-	-	-	71,143
Repairs and Maintenance	-	64,400	-	-	64,400
Office Expenses	21,545	15,724	-	-	37,269
Licenses and Fees	-	25,921	-	-	25,921
Utilities and Telephone	2,442	21,979	-	-	24,421
Insurance	16,615	4,154	-	-	20,769
Miscellaneous	-	-	-	19,848	19,848
Volunteer Appreciation Expenses	15,063	-	-	-	15,063
Depreciation	-	14,629	-	-	14,629
Bank Charges and Credit Card Processing Fees	-	8,880	-	-	8,880
Background Checks	8,216	-	-	-	8,216
Dues and Subscriptions	-	7,290	-	-	7,290
Total Expenses	\$ 5,252,816	\$ 378,917	\$ 272,516	\$ 159,715	\$ 6,063,964

The accompanying summary of significant accounting principles and policies and notes to financial statements are an integral part of these financial statements.

Pajama Program, Inc.
(A Nonprofit Corporation)

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Management and General	Fund Raising	Direct Costs of Special Events	Total
Book and Pajama Distributions	\$ 3,313,291	\$ -	\$ -	\$ -	\$ 3,313,291
Wages	533,049	107,602	132,476	-	773,127
Professional Fees	294,153	40,555	-	-	334,708
Cost of Pajamas and Books	252,940	-	-	-	252,940
Rent	168,262	15,537	-	-	183,799
Program Expenses - Distribution Centers	160,472	-	-	-	160,472
Freight and Postage	116,571	3,886	9,066	-	129,523
Payroll Taxes and Fringe Benefits	85,126	17,184	21,156	-	123,466
Catering, Event Planning and Presentation	-	-	-	117,969	117,969
Travel, Lodging and Meals	94,842	-	10,539	-	105,381
Miscellaneous Fundraising Expenses	-	-	59,606	-	59,606
Marketing, Advertising and Promotion	-	-	59,006	-	59,006
Office Expenses	34,753	23,821	-	-	58,574
Repairs and Maintenance	-	41,374	-	-	41,374
Dues and Subscriptions	-	29,611	-	-	29,611
Utilities and Telephone	1,962	17,653	-	-	19,615
Insurance	12,682	3,169	-	-	15,851
Miscellaneous	-	-	-	15,197	15,197
Program Expenses - Chapters	13,402	-	-	-	13,402
Bank Charges and Credit Card Processing Fees	-	10,946	-	-	10,946
Licenses and Fees	-	10,177	-	-	10,177
Volunteer Appreciation Expenses	9,048	-	-	-	9,048
Background Checks	8,559	-	-	-	8,559
Depreciation	-	3,346	-	-	3,346
Total Expenses	\$ 5,099,112	\$ 324,861	\$ 291,849	\$ 133,166	\$ 5,848,988

The accompanying summary of significant accounting principles and policies and notes to financial statements are an integral part of these financial statements.

Pajama Program, Inc.
(A Nonprofit Corporation)

Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017 (Restated)
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 427,181	\$ 359,029
<i>Adjustments to Reconcile Increase in Net Assets without</i>		
<i>Donor Restrictions to Net Cash Provided by Operating Activities -</i>		
Depreciation	14,629	3,346
Donated Equipment	(9,435)	-
<i>Changes in Operating Assets and Liabilities:</i>		
Decrease (Increase) in Contributions Receivable	345,238	(354,048)
(Increase) Decrease in Prepaid Expenses	(22,569)	10,754
Decrease (Increase) in Books and Pajamas Inventory	92,137	(34,244)
Decrease (Increase) in Promises to Give	8,334	(16,667)
(Increase) in Security Deposits	-	(4,878)
Increase in Accounts Payable and Accrued Expenses	58,490	6,675
Net Increase (Decrease) in Operating Activities	<u>914,005</u>	<u>(30,033)</u>
Cash Flow Used in Investing Activities		
Acquisition of Equipment	<u>(11,321)</u>	<u>(30,639)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	902,684	(60,672)
Cash and Cash Equivalents		
Beginning of Year	<u>3,004,019</u>	<u>3,064,691</u>
End of Year	<u><u>\$ 3,906,703</u></u>	<u><u>\$ 3,004,019</u></u>
Supplementary Information		
Donated Equipment	\$ 9,435	\$ -

The accompanying summary of significant accounting principles and policies and notes to financial statements are an integral part of these financial statements.

Pajama Program, Inc.
(A Nonprofit Corporation)

Notes to Financial Statements
December 31, 2018 and 2017

1. Operations

Pajama Program, Inc. ("PJP") was incorporated on June 10, 2002 in New York State as a Nonprofit corporation. PJP is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. PJP received a determination letter for exempt 501(c)(3) status on November 22, 2002.

PJP promotes and supports a comforting bedtime routine for children affected by instability to help them thrive.

PJP's primary source of support is contributions from corporations, schools, and individuals. These contributions consist of cash, pajamas, or books.

PJP endeavors to distribute pajamas and books to the children it serves as soon as these items are received. Goods that have not as yet been distributed by year's end are classified as "inventory" and are not charged against revenue and support until they are shipped to approved children's groups around the country.

PJP donates goods through approved organizations that are recognized as charitable under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and government agencies that assist children, throughout the United States, of low-income families and those who have been victims of abuse and neglect. Awareness of PJP's services is networked through charitable organizations, government agencies and foundations. PJP headquarters is located at 171 Madison Avenue, New York, NY 10016.

In 2016, the Board of Directors along with key staff, undertook a strategic planning process to scale the organization for growth. Certain priorities were identified for further exploration by the strategic planning team, including initiatives with goals to increase awareness around mission, ensure proper infrastructure for organizational purposes, and create a plan for financial sustainability

PJP is currently registered to solicit funds in New York and several other states. As of December 31, 2018 and 2017, PJP had 65 volunteer chapter presidents and served all 50 states including the District of Columbia and Puerto Rico.

2. Summary of Significant Accounting Principles and Policies

This summary of the significant accounting principles and policies of PJP is presented to assist in evaluating the Corporation's financial statements included in this report. These principles and policies conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions which may impact the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and disclosures of contingencies during the reporting period. Actual results could differ from those estimates and assumptions. A summary of the accounting principles and policies followed by PJP is as follows:

- Assets, liabilities, revenue and expenses are recognized on the accrual basis. Expenses are recognized when incurred.

Pajama Program, Inc.
(A Not-for-Profit Corporation)

Notes to Financial Statements
December 31, 2018 and 2017

- Property and equipment are stated at cost or, if donated, at fair market value at the time of the donation and is depreciated on a straight-line basis over the estimated lives of the respective assets, ranging from five to seven years.
- Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:
 - *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
 - *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restriction are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.
- The carrying amounts of cash, receivables and accrued expenses approximate fair value because of the short-term nature of the items.
- Cash included in the accompanying statements of cash flows represents cash in checking accounts and money market savings accounts.
- PJP considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.
- For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash deposited with banks that include money market funds. These cash and cash equivalents approximate fair value because of the short maturities of these instruments.
- Financial instruments which potentially subject PJP to concentrations of credit risk include cash and cash equivalent accounts in financial institutions which, from time to time, exceed federal insurance limits. PJP places its temporary cash investments with credit-worthy, high quality financial institutions. By policy, these investments are kept within limits designed to prevent risks caused by concentration. PJP maintains cash deposits in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such cash deposits may exceed the FDIC coverage.
- One corporate donor accounts for over 10% of books and pajamas received by the organization.
- The organization expenses marketing, advertising and promotion costs as incurred. Marketing, advertising and promotion costs for the years ended December 31, 2018 and 2017 were \$115,875 and \$59,006, respectively.
- Donors may deduct contributions to PJP as provided in Section 170 of the IRS Code. Bequests, legacies, devises, transfers or gifts to PJP are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of IRS Code Sections 2055, 2106 and 2522.

Pajama Program, Inc.
(A Not-for-Profit Corporation)

Notes to Financial Statements
December 31, 2018 and 2017

- In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities." This ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in its financial statements and notes about its liquidity, financial performance, and cash flows. This update is effective for the year beginning January 1, 2018.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in non-interest bearing checking accounts and a money market account. Cash and cash equivalents at December 31, 2018 was \$3,906,703 and December 31, 2017 was \$3,004,019 consisting of:

	<u>2018</u>	<u>2017</u>
Money Market	\$ 3,772,545	\$ 1,912,164
Checking	133,738	1,091,710
Cash On-Hand	<u>420</u>	<u>145</u>
	<u><u>\$ 3,906,703</u></u>	<u><u>\$ 3,004,019</u></u>

4. Liquidity and Availability of Financial Assets

The following represents PJP's financial assets at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017 (Restated)</u>
Financial assets at year end:		
Cash	\$ 3,906,703	\$ 3,004,019
Contributions Receivable	<u>669,967</u>	<u>1,023,539</u>
Total Financial Assets	<u><u>\$ 4,576,670</u></u>	<u><u>\$ 4,027,558</u></u>

5. Contributions Receivable

Contributions receivable is as follows:

	<u>2018</u>	<u>2017 (Restated)</u>
Contributions without Donor Restrictions	\$ 661,634	\$ 1,006,872
Unconditional Promises to Give - with Donor Restrictions	<u>8,333</u>	<u>16,667</u>
Total	<u><u>\$ 669,967</u></u>	<u><u>\$ 1,023,539</u></u>

Pajama Program, Inc.
(A Not-for-Profit Corporation)

Notes to Financial Statements
December 31, 2018 and 2017

6. Inventory

Inventory consists of books and pajamas. For the year ended December 31, 2018, pajamas are valued at \$5.22 a pair and books are valued at \$2.67 each. For the year ended December 31, 2017, pajamas are valued at \$5.27 a pair and books are valued at \$2.65 each. Valuation is based on the average cost of pajamas and books purchased by the organization. These costs are then used to value those pajamas and books that are received from donors and distributed to recipients. Pajamas and books inventory at December 31, 2018 and 2017, were valued at \$771,021 and \$863,158, respectively.

7. Equipment and Leasehold Improvements

	<u>2018</u>	<u>2017</u>
Equipment	\$ 50,402	\$ 33,146
Leasehold Improvements	<u>17,137</u>	<u>17,137</u>
	67,539	50,283
Less: Accumulated Depreciation	<u>(27,138)</u>	<u>(16,009)</u>
Net of Depreciation	<u><u>\$ 40,401</u></u>	<u><u>\$ 34,274</u></u>

Depreciation expense years ended December 31, 2018 and 2017 was \$14,629 and \$3,346, respectively.

8. Contributions without Donor Restrictions

In 2018, contributions and special events of \$6,362,027 without donor restrictions, received by PJP have been recorded. In 2017, contributions and special events with no donor restrictions were \$6,151,207, as restated.

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Contributions and Special Events	\$ 2,816,189	\$ 2,759,272
Contributions-In Kind	<u>3,545,838</u>	<u>3,391,935</u>
	<u><u>\$ 6,362,027</u></u>	<u><u>\$ 6,151,207</u></u>

9. Contributions with Donor Restrictions

In 2017, contributions with donor restrictions consist of a donor's unconditional promise to give \$25,000, \$8,333 payable in 2017, \$8,333 in 2018 and \$8,334 in 2019. Contributions of \$91,640 with donor restrictions to the capital fund were made in 2018.

Pajama Program, Inc.
(A Not-for-Profit Corporation)

Notes to Financial Statements
December 31, 2018 and 2017

10. Special Fundraising Events and Activities

During 2018, PJP held one major fundraising event and other minor fundraisers. The net proceeds from these events are to be used in achieving PJP's commitment to its present and future recipients.

The fundraising events in 2018 were:

<u>Special Events</u>	<u>Revenue</u>	<u>Direct Costs of Special Events</u>	<u>Net</u>
Annual Fundraising Dinner	\$ 370,301	\$ 139,867	\$ 230,434
Others	57,163	19,848	37,315
Totals	<u>\$ 427,464</u>	<u>\$ 159,715</u>	<u>\$ 267,749</u>

The fundraising events in 2017 were:

<u>Special Events</u>	<u>Revenue</u>	<u>Direct Costs of Special Events</u>	<u>Net</u>
Annual Fundraising Dinner	\$ 354,628	\$ 117,969	\$ 236,659
Others	66,320	15,197	51,123
Totals	<u>\$ 420,948</u>	<u>\$ 133,166</u>	<u>\$ 287,782</u>

11. Rent Expense

PJP has entered into a lease for office space at 114 East 39th Street, New York, NY 10016 from April 1, 2013 through March 31, 2023 at a monthly rent ranging from \$7,500 to \$9,229 plus escalations. During 2018 and 2017, rentals under lease obligations were \$94,646 and \$103,584, respectively. Minimum future rental payments under this lease are summarized as follows:

<u>Year Ending December 31,</u>	
2019	\$ 100,332
2020	103,344
2021	105,408
2022	107,516
2023	<u>111,808</u>
Total	<u>\$ 528,408</u>

Pajama Program, Inc.
(A Not-for-Profit Corporation)

Notes to Financial Statements
December 31, 2018 and 2017

PJP has entered into a lease for space, to serve as a reading center, at 475 Bill Kennedy Way SE, Suite C, Atlanta, GA 30316, from June 20, 2017 through June 19, 2022 at a monthly rent ranging from \$4,513 to \$4,878 plus escalations. During 2018 and 2017, rentals under lease obligations were \$52,391 and \$35,815, respectively. Minimum future rental payments under this lease are summarized as follows:

Year Ending December 31,

2019	\$ 55,749
2020	56,845
2021	57,969
2022	<u>29,269</u>
Total	<u>\$ 199,832</u>

PJP has occupied space that serves as a reading center at the Andrus Children's Center, 1156 North Broadway, Yonkers, NY since 2006, on a month-to-month basis, at a donated rental value of \$600 per month. For the years ended December 31, 2018 and 2017, PJP received free use of this location. As a result, the statement of revenues and support includes \$7,200 of donated rent, and functional expenses include \$7,200 of rent expenses.

PJP has occupied space that serves as a reading center at the Middletown Township Parks & Recreation Poricy Park Conservancy located in Middletown, NJ since 2006, on a month-to-month basis, at a donated rental value of \$300 per month. For the years ended December 31, 2018 and 2017, PJP received free use of this location. As a result, the statement of revenues and support includes \$3,600 of donated rent, and functional expenses include \$3,600 of rent expense.

PJP has occupied space that now serves as headquarters at 171 Madison Avenue in New York City since 2006, on a month-to-month basis, at a donated rental value of \$5,000 per month. From January 1, 2017 through December 31, 2017, on a month-to-month basis, donated rent value was estimated at \$2,800 per month. For these periods, PJP received free use of this location. As a result, the statements of revenues and support for 2018 and 2017 include \$60,000 and \$33,600 of donated rent, and functional expenses include \$60,000 and \$33,600 of rent expense, respectively.

Total rent expense for the year ended December 31, 2018 was \$217,837 consisting of paid rental expense of \$147,037 and in-kind rent of \$70,800. For the year ended December 31, 2017, total rent expense was \$183,799 consisting of paid rental expense of \$139,399 and in-kind rent of \$44,400.

12. Employee 401(k) Plan

PJP provides a 401(k) retirement plan. To be eligible, participants must have been employed three months and have attained the age of 21 years. The organization does not contribute to this plan.

Pajama Program, Inc.
(A Not-for-Profit Corporation)

Notes to Financial Statements
December 31, 2018 and 2017

13. Contributions

Contributions are as follows:

	<u>2018</u>	<u>2017</u> <u>(Restated)</u>
Contributions	\$ 2,834,522	\$ 2,767,605
In-Kind Contributions		
Books and Pajamas	3,465,603	3,347,535
Rents	70,800	44,400
Furniture	9,435	-
	<u>3,545,838</u>	<u>3,391,935</u>
Totals	<u>\$ 6,380,360</u>	<u>\$ 6,159,540</u>

14. Contributed Services

No amounts have been reflected in the financial statements for contributed services. Other than rent, PJP generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist PJP. The value of this contributed time and expense is not reflected in the accompanying financial statements because it does not meet the recognition criteria and cannot be objectively measured or valued.

15. Tax Status

PJP is a qualified nonprofit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local taxes under comparable laws. Accordingly, it is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. PJP recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required for the years 2018 and 2017.

16. Capital Campaign

PJP initiated a campaign to renovate its reading center located at 114 East 39th Street and support program growth. From January 1, 2013 through December 31, 2018, children have made 14,200 visits to our NYC Reading Center to participate in our programming, but the waitlist has grown exponentially. Through this campaign, PJP will be able to invite 33% more children per year to attend its programs.

Pajama Program, Inc.
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Notes to Financial Statements
December 31, 2018 and 2017

17. Restatement

During the year ended December 31, 2017, PJP discovered a contribution receivable of \$1,006,872 that had not been accrued in the financial statements. Furthermore, in 2016 a receivable of \$652,824 was included in the 2017 financial statements. The correction of this error required a restatement of the 2017 financial statements as reflected in the Statements of Financial Position, Activities and Cash Flows.

		2017 (Restated)
		<u> </u>
Schedule of Net Assets - 2017		
Beginning of Year - as originally reported		\$ 3,911,889
2016 Receivable Recorded in 2017		<u>652,824</u>
		4,564,713
Increase in Net Assets before Restatement	\$ 4,981	
Restatement - Increase in Contributions	<u>354,048</u>	<u>359,029</u>
Net Assets - Restated End of Year		<u><u>\$ 4,923,742</u></u>

18. Subsequent Events

PJP evaluated events and transactions that occurred subsequent to the date of the statement of financial position but prior to the issuance date of the financial statements to determine the necessity for recognitions and/or reporting of any of these events and transactions in the financial statements. As of October 31, 2019, there are no subsequent events to be recognized or reported.