

THE AMERICAN CHESTNUT FOUNDATION

Asheville, North Carolina

Financial Statements

Year Ended June 30, 2016



THE AMERICAN CHESTNUT FOUNDATION

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THE AMERICAN CHESTNUT FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The American Chestnut Foundation

We have audited the accompanying financial statements of The American Chestnut Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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.

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

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

To the Board of Directors
The American Chestnut Foundation
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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 American Chestnut Foundation as of June 30, 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.

CARTER, P.C.

Asheville, North Carolina
March 14, 2017

THE AMERICAN CHESTNUT FOUNDATION

Statement of Financial Position June 30, 2016

Assets

Current assets:

Cash and equivalents	\$ 907,058
Accounts receivable	44,691
Grants receivable	121,281
Inventory	11,207
Prepaid expenses	<u>44,723</u>
Total current assets	1,128,960

Investments	2,274,072
Property and equipment	1,738,985
Intangible asset	<u>14,584</u>

Total assets \$ 5,156,601

Liabilities and net assets

Current liabilities:

Current maturities of note payable	\$ 7,176
Deferred compensation payable	86,528
Accounts payable	86,983
Accrued expenses	100,554
Deferred revenue	1,175
Chapter funds escrow	<u>197,842</u>
Total current liabilities	480,258

Note payable, net of current maturities 13,052

Total liabilities 493,310

Net assets:

Unrestricted	4,287,433
Temporarily restricted	345,831
Permanently restricted	<u>30,027</u>
Total net assets	<u>4,663,291</u>

Total liabilities and net assets \$ 5,156,601

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Activities Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and other revenues				
Contributions	\$ 1,663,312	\$ 270,000	\$	\$ 1,933,312
Membership dues	365,647			365,647
Federal grants	18,886	80,000		98,886
Investment income	320,288		1,155	321,443
Merchandise sales	6,275			6,275
Realized losses on investments	(9,016)			(9,016)
Other income	16,314			16,314
Loss on sale of assets	(4,856)			(4,856)
Net assets released from restrictions	<u>421,516</u>	<u>(421,516)</u>		
Total public support and other revenues	<u>2,798,366</u>	<u>(71,516)</u>	<u>1,155</u>	<u>2,728,005</u>
Expenses				
Program services:				
External research	462,743			462,743
National office operations	481,040			481,040
Marketing and communication	145,618			145,618
Regional science	662,074			662,074
Education and outreach	5,670			5,670
Chapter and membership	218,612			218,612
Research farm operations	564,233			564,233
Forestry and mine land	<u>44,309</u>			<u>44,309</u>
Total program services	<u>2,584,299</u>			<u>2,584,299</u>
Supporting services:				
Management and general	299,685			299,685
Fundraising	<u>68,801</u>			<u>68,801</u>
Total supporting services	<u>368,486</u>			<u>368,486</u>
Total expenses	<u>2,952,785</u>			<u>2,952,785</u>
Increase (decrease) in net assets before net unrealized gains (losses) on investments	(154,419)	(71,516)	1,155	(224,780)
Net unrealized gains (losses) on investments	<u>(402,865)</u>		<u>4,155</u>	<u>(398,710)</u>
Increase (decrease) in net assets	(557,284)	(71,516)	5,310	(623,490)
Net assets, beginning of year	<u>4,844,717</u>	<u>417,347</u>	<u>24,717</u>	<u>5,286,781</u>
Net assets, end of year	<u>\$ 4,287,433</u>	<u>\$ 345,831</u>	<u>\$ 30,027</u>	<u>\$ 4,663,291</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses Year Ended June 30, 2016

	Program Services				
	External Research	National Office Operations	Marketing & Communi- cation	Regional Science	Education & Outreach
Salaries and wages	\$	\$ 329,848	\$ 70,348	\$ 262,344	\$
Payroll taxes		32,880	5,801	21,396	
Employees benefits		30,188	13,719	31,931	
Workers' comp				1,816	
Total salaries and related expenses		392,916	89,868	317,487	
Grants	425,162				
Research	37,581			62,955	
Farm and lab expenses				4,966	
Chapter and member expenses					
Office expenses			6,848	1,630	1,902
Professional services			2,646		
Travel expenses		16,748		31,444	3,146
Utilities				2,140	
Rent		19,020			
Dues and subscriptions			8,759	2,526	
Taxes and licenses					
IT expenses			262	150,286	
Investment expenses		15,602			
Training and recruiting		2,953		7,758	251
Insurance					
Advertising and promotion		4,934	33,991	49,305	20
Repairs and maintenance					
Other expenses		18,575	3,244	31,577	351
Total expenses before interest, depreciation, and amortization	462,743	470,748	145,618	662,074	5,670
Interest					
Depreciation		9,836			
Amortization		456			
Total expenses	\$ 462,743	\$ 481,040	\$ 145,618	\$ 662,074	\$ 5,670

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses (continued)
Year Ended June 30, 2016

	Program Services			Total Program Services
	Chapter & Membership	Research Farm Operations	Forestry & Mine Land	
Salaries and wages	\$ 64,046	\$ 256,900	\$ 22,338	\$ 1,005,824
Payroll taxes	5,489	23,989	1,731	91,286
Employees benefits	13,182	33,567		122,587
Workers' comp		4,131	1,309	7,256
Total salaries and related expenses	<u>82,717</u>	<u>318,587</u>	<u>25,378</u>	<u>1,226,953</u>
Grants				425,162
Research				100,536
Farm and lab expenses		91,464	179	96,609
Chapter and member expenses	43,867	5,019		48,886
Office expenses	58,237	14,028	407	83,052
Professional services	11,251	1,823		15,720
Travel expenses		10,094	17,307	78,739
Utilities		20,122	590	22,852
Rent				19,020
Dues and subscriptions		450		11,735
Taxes and licenses		225		225
IT Expenses	9,949	3,266		163,763
Investment expenses				15,602
Training and recruiting		970	326	12,258
Insurance		193		193
Advertising and promotion	12,541	3,340		104,131
Repairs and maintenance		27,804		27,804
Other expenses	<u>50</u>	<u>8,652</u>	<u>122</u>	<u>62,571</u>
Total expenses before interest, depreciation, and amortization	218,612	506,037	44,309	2,515,811
Interest		4,551		4,551
Depreciation		53,645		63,481
Amortization				<u>456</u>
Total expenses	<u>\$ 218,612</u>	<u>\$ 564,233</u>	<u>\$ 44,309</u>	<u>\$ 2,584,299</u>

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

THE AMERICAN CHESTNUT FOUNDATION

Statement of Functional Expenses (continued)
Year Ended June 30, 2016

	Supporting Services			Total Expenses
	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 61,846	\$ 20,615	\$ 82,461	\$ 1,088,285
Payroll taxes	6,165	2,055	8,220	99,506
Employees benefits	5,849	1,950	7,799	130,386
Workers' comp				7,256
Total salaries and related expenses	73,860	24,620	98,480	1,325,433
Grants				425,162
Research				100,536
Farm and lab expenses				96,609
Chapter and member expenses				48,886
Office expenses	34,003	15,726	49,729	132,781
Professional services	61,655	1,225	62,880	78,600
Travel expenses	22,723	9,923	32,646	111,385
Utilities	9,798	782	10,580	33,432
Rent	37,971		37,971	56,991
Dues and subscriptions	91	4,322	4,413	16,148
Taxes and licenses	712	2,150	2,862	3,087
IT expenses	7,669		7,669	171,432
Investment expenses	2,925	975	3,900	19,502
Training and recruiting	21,114	237	21,351	33,609
Insurance	24,899		24,899	25,092
Advertising and promotion		7,841	7,841	111,972
Repairs and maintenance				27,804
Other expenses	2,265	1,000	3,265	65,836
Total expenses before interest, depreciation, and amortization	299,685	68,801	368,486	2,884,297
Interest				4,551
Depreciation				63,481
Amortization				456
Total expenses	\$ 299,685	\$ 68,801	\$ 368,486	\$ 2,952,785

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

THE AMERICAN CHESNUT FOUNDATION

Statement of Cash Flows Year Ended June 30, 2016

Cash flows from operating activities	
Decrease in net assets	\$ (623,490)
Adjustments to reconcile changes in net assets to net cash	
Provided by (used in) operating activities:	
Depreciation	63,481
Amortization	456
Discount on deferred compensation	5,201
Donated stock	(11,366)
Net unrealized losses on investments	398,710
Realized losses on investments	9,016
Loss on sale of assets	4,856
Working capital changes - sources (uses):	
Accounts receivable	(15,213)
Grants receivable	117,349
Prepaid expenses	(41,519)
Accounts payable	(43,508)
Accrued expenses	34,407
Deferred revenue	(7,543)
Chapter funds escrow	<u>10,350</u>
Net cash used by operating activities	<u>(98,813)</u>
Cash flows from investing activities	
Proceeds from sale of investments	418,925
Purchase of investments	(142,441)
Proceeds from surrender of life insurance policy	13,464
Purchase of property and equipment	<u>(218,075)</u>
Net cash provided by investing activities	<u>71,873</u>
Cash flows from financing activities	
Deferred compensation payments	(90,000)
Payments on long-term debt	<u>(127,791)</u>
Net cash used in financing activities	<u>(217,791)</u>
Net decrease in cash and equivalents	(244,731)
Cash and equivalents at beginning of year	<u>1,151,789</u>
Cash and equivalents at end of year	<u>\$ 907,058</u>
Supplemental disclosure of cash flow information	
Cash paid for interest	<u>\$ 4,551</u>

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

THE AMERICAN CHESNUT FOUNDATION

Notes to Financial Statements
June 30, 2016

Note 1 - Summary of Significant Accounting Policies

Organization

The American Chestnut Foundation (Foundation) was incorporated in June 1983 as a nonprofit corporation. The Foundation conducts research to develop a blight-resistant American chestnut tree for reintroduction back into forest ecosystems within the native range of this species.

Basis of Accounting

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

Income Tax Status

The Foundation is incorporated as a nonprofit corporation under the laws of the District of Columbia. The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization other than a private foundation under section 509(a)(2).

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate document and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.
- Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

Note 1 - Summary of Significant Accounting Policies (continued)

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets, if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Donated Assets

Donated materials are recorded as contributions in the accompanying financial statements at their fair value at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased by the Foundation. No amounts have been reflected in the accompanying financial statements for donated services since recognition criteria were not met.

Cash and Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents.

Receivables

Receivables consist of amounts due from accounts receivable, agencies for grants awarded by governmental agencies but not yet received as of year-end, and other receivables. An allowance for doubtful accounts has not been established, as management believes that all amounts are collectible.

Inventory

Inventory consists of merchandise available for sale on the Foundation's website. Inventories are stated at the lower of cost or market determined by the average cost method.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Note 1 - Summary of Significant Accounting Policies (continued)

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements and Disclosures

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of assets ranging from five to thirty-nine years.

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Membership Dues

Membership dues are received from members who sign up for or renew an annual membership with the Foundation. Revenue is recognized at the time of receipt.

Federal Grants

Federal grants consist of awards from governmental agencies which are recognized at the time of the award.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services by statistical means. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Advertising

Advertising costs are expensed as incurred. For the year ended June 30, 2016, costs charged to expense were \$891.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Management believes that the estimates and assumptions are reasonable in the circumstances, however, actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2016</u>
Norcross Wildlife	\$ 2,700
Delmarva	1,212
Raystown Lake	5,380
Restoration Branches	4,709
Tucker Foundation	30,000
Cole	150,000
Greenewalt	2,862
Ballyshannon	27,687
Grants receivable	<u>121,281</u>
<u>Temporarily restricted net assets</u>	<u>\$ 345,831</u>

Permanently restricted net assets consist of donated stock, where the income and expenses contain the same permanent restrictions. Permanently restricted net assets totaled \$30,027 at June 30, 2016.

Note 3 - Receivables

Accounts receivable consists of the following:

<u>At June 30</u>	<u>2016</u>
Accounts receivable	\$ 41,727
Sales tax receivable	<u>2,964</u>
<u>Accounts receivable</u>	<u>\$ 44,691</u>

Grants receivable consist of funds due from the United States Department of Agriculture. Grants receivable at June 30, 2016 were \$121,281.

Note 4 - Fair Value Measurements

Investments are recorded at fair market value. Investments received by gift are recorded at market value at the date of receipt.

Investments consist of money market funds, mutual funds, and equities, and are recorded at fair value based on current quoted market prices provided by investment custodians or other models. The fair value of each financial instrument in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following table sets forth carrying the estimated fair values for financial instruments:

<u>At June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Market</u>
Mutual funds	\$ 1,738,597	\$	\$	\$ 1,738,597
Equities	530,091			530,091
Fixed income	<u>5,384</u>	<u></u>	<u></u>	<u>5,384</u>
<u>Total investments</u>	<u>\$ 2,274,072</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,274,072</u>

Note 5 - Property and Equipment

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2016</u>
Land	\$ 839,853
Land improvements	122,981
Farm equipment	598,190
Farm buildings	756,672
Office equipment	96,193
Leasehold improvements	<u>32,563</u>
	2,446,452
Less, accumulated depreciation	<u>707,467</u>
<u>Property and equipment</u>	<u>\$ 1,738,985</u>

Depreciation expense for the year ended June 30, 2016, was \$63,481.

Note 6 - Intangible Asset

Intangible asset consists of a trademark purchased by the Foundation at a cost of \$18,232, which is being amortized over its useful life. Accumulated amortization as of June 30, 2016 was \$3,648. Amortization expense for the year ended June 30, 2016 was \$456.

Note 6 - Intangible Asset (continued)

Future amortization expense as of June 30, 2016, is as follows:

<u>Years Ending June 30</u>	<u>Amortization</u>
2017	\$ 456
2018	456
2019	456
2020	456
2021	456
Thereafter	<u>12,304</u>
<u>Total future amortization expense</u>	<u>\$ 14,584</u>

Note 7 - Line of Credit

The Foundation maintains a line of credit with maximum borrowings of \$1,000,000 and an interest rate of LIBOR plus 3%. There were no advances on the line of credit during the year ended June 30, 2016, and there was no outstanding balance as of June 30, 2016. This line of credit is collateralized by investments.

Additionally, the Foundation maintain another line of credit with maximum borrowings of \$300,000 and interest at the prime rate. There were no advances on the line of credit during the year ended June 30, 2016, and there was no outstanding balance as of June 30, 2016. This line of credit is secured by buildings on land owned by the Foundation.

Note 8 - Note Payable

The Foundation has a note payable, payable in 120 monthly installments of \$722 including interest at 6%. The note matures in January 2019 and is collateralized by land. The outstanding balance on this note was \$20,288 at June 30, 2016.

The note payable matures as follows:

<u>Years Ending June 30</u>	<u>Payments</u>
2017	\$ 7,176
2018	8,086
2019	4,966
2020	
2021	<u> </u>
<u>Total principal repayments on long-term debt</u>	<u>\$ 20,228</u>

Note 9 - Lease Commitments

The Foundation leases office space and equipment under non-cancelable operating leases. The leases require various monthly payments and expire through May 2024. Total rent expense for the year ended June 30, 2016 was \$53,695.

Future minimum payments for the Foundation under all operating leases are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 57,568
2018	58,202
2019	65,168
2020	67,152
2021	62,311
Thereafter	<u>186,992</u>
<u>Total future minimum rental payments</u>	<u>\$ 497,393</u>

Note 10 - Deferred Compensation

The Foundation entered into a deferred compensation agreement with a former President and CEO. Under the terms of this agreement, the former President will collect a salary for four years in the amount of \$90,000 per year beginning June 2013 and ending May 2017. The total obligation of \$332,815 was recorded in 2013 and represented the present value of the \$90,000 annual obligation for four years, discounted using a 4% interest rate. At June 30, 2016, the remaining balance of the obligation was \$86,528, and is all considered current.

Note 11 - Concentrations of Credit Risk

Uninsured Cash Balances

The Foundation maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016, the uninsured balance was \$465,082.

Receivables

At June 30, 2016, approximately 73% of total receivables resulted from federal grants receivable.

Contributions

During the year ended June 30, 2016, the Foundation received contributions of \$820,000, which approximates 35% of the Foundation's total support and revenues from an individual Board member's donor-advised fund.

Note 12 - Retirement Plan

The Foundation participates in a retirement plan for employees who may defer a portion of their compensation. The employer match is as follows. Employees who have served two years are eligible to receive an employer match up to 5% of their salary. Employees who have served eight years and participated in the retirement plan for two years are eligible for an employer match up to the maximum allowable by law. Employer contributions for the year ended June 30, 2016 were \$18,281.

Note 13 - Income Taxes

Uncertain Tax Positions

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions material to the financial statements.

Note 14 - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Foundation has received proceeds from several federal grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Foundation carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

Note 15 - Related Party Transactions

Board members contribute funds to the Foundation in support of its operations. These amounts are discussed in Note 11.

Note 16 - Prior Period Adjustment

During the year ended June 30, 2016, it was discovered that certain amounts were not properly recognized in the financial statements during the year ended June 30, 2015. As result, adjustments were made to decrease deferred revenue by \$150,998, decrease the allowance for doubtful accounts by \$4,500, and increase accrued expenses by \$26,885. Ending net assets for the year ended June 30, 2015, increased by \$128,613 from the amount previously reported by the predecessor auditor.

Note 17 - Subsequent Events

Subsequent events have been evaluated through March 14, 2017, which is the date the financial statements were available to be issued. During the period from June 30, 2016, and through this date, no circumstances, other than the matter described below, occurred that require recognition or disclosure in these financial statements.

In November 2016, the Organization drew funds in the amount of \$250,000 from an existing line of credit. This amount was subsequently repaid as of March 14, 2017.