

MORRISSEY-COMPTON EDUCATIONAL CENTER
COMPILED FINANCIAL STATEMENTS - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

MORRISSEY-COMPTON EDUCATIONAL CENTER

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ACCOUNTANTS' COMPILATION REPORT

2479 E. Bayshore Rd., Suite 285
Palo Alto, CA 94303

To the Board of Directors of
Morrissey-Compton Educational Center
Redwood City, California

We have compiled the accompanying statement of assets, liabilities, and fund balance - modified cash basis of Morrissey-Compton Educational Center as of December 31, 2016, and the related statements of revenues, expenses and changes in fund balances - modified cash basis for the fiscal year then ended and cash flows for the years ended December 31, 2016 and 2016. The financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the modified cash basis of accounting.

The management of Morrissey-Compton Educational Center, is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of Morrissey-Compton Educational Center, in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The financial statements include certain summarized information for the year ended December 31, 2015. Such information is presented for comparative purposes only and does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements presented by fund for the year ended December 31, 2015, from which the summarized financial information was derived.

Since a principal of Morton & Associates, Inc. serves as a volunteer director, we are not independent with respect to Morrissey-Compton Educational Center.

Morton & Associates, Inc.
Morton & Associates Inc.
Certified Public Accountants

April 25, 2017

MORRISSEY-COMPTON EDUCATIONAL CENTER

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - MODIFIED CASH BASIS

AS OF DECEMBER 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

	Unrestricted	Permanently Restricted	Total All Funds December 31	
			2016	2015
ASSETS				
Current Assets				
Cash & Cash Equivalents	\$ 311,083	\$	\$ 311,083	\$ 398,059
Prepaid Expenses	<u>28,800</u>		<u>28,800</u>	<u>28,800</u>
Total Current Assets	<u>339,883</u>		<u>339,883</u>	<u>426,859</u>
Fixed Assets				
Property & Equipment	25,022		25,022	23,934
Accumulated Depreciation	<u>(10,291)</u>		<u>(10,291)</u>	<u>(6,374)</u>
Book Value	<u>14,731</u>		<u>14,731</u>	<u>17,560</u>
Endowment Assets				
Cash & Cash Equivalents	21,292		21,292	18,201
Investments at Cost	277,912	225,498	503,410	494,521
Unrealized Gain/Loss	<u>105,588</u>		<u>105,588</u>	<u>72,590</u>
Total Endowment Assets	<u>404,792</u>	<u>225,498</u>	<u>630,290</u>	<u>585,312</u>
Total Assets	<u>\$ 759,406</u>	<u>\$ 225,498</u>	<u>\$ 984,904</u>	<u>\$ 1,029,731</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 218	\$	\$ 218	\$
Deferred Revenue	<u>158,460</u>		<u>158,460</u>	<u>147,325</u>
Total Current Liabilities	<u>158,678</u>		<u>158,678</u>	<u>147,325</u>
NET ASSETS				
Operating Fund	181,205		181,205	279,534
Net Fixed Assets	14,731		14,731	17,560
Endowment	<u>404,792</u>	<u>225,498</u>	<u>630,290</u>	<u>585,312</u>
Total Net Assets	<u>600,728</u>	<u>225,498</u>	<u>826,226</u>	<u>882,406</u>
Total Liabilities & Net Assets	<u>\$ 759,406</u>	<u>\$ 225,498</u>	<u>\$ 984,904</u>	<u>\$ 1,029,731</u>

The Accompanying Accountant's Compilation Report and the Attached Notes
are an Integral Part of These Financial Statements.

MORRISSEY-COMPTON EDUCATIONAL CENTER

STATEMENT REVENUE, EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

	Unrestricted	Permanently Restricted	Total All Funds December 31	
			2016	2015
SUPPORT				
Contributions	\$ 380,530	\$	\$ 380,530	\$ 390,312
Contributions In-Kind				1,225
Total Support	<u>380,530</u>		<u>380,530</u>	<u>391,537</u>
PROGRAM REVENUE				
Tutoring	303,332		303,332	310,766
Education Evaluation	1,469,714		1,469,714	1,543,456
Education Consultation	142,439		142,439	206,224
County Contracts	187,604		187,604	198,131
Summer School	169,228		169,228	171,825
Therapy	<u>170,792</u>		<u>170,792</u>	<u>139,717</u>
Total Program Revenue	<u>2,443,109</u>		<u>2,443,109</u>	<u>2,570,119</u>
TOTAL SUPPORT & REVENUE	<u>2,823,639</u>		<u>2,823,639</u>	<u>2,961,656</u>
EXPENSES				
Educational Expenses				
Salaries	\$ 1,804,478	\$	\$ 1,804,478	\$ 1,844,885
Payroll Taxes	143,915		143,915	144,382
Benefits	103,709		103,709	84,811
Outside Services	13,885		13,885	14,469
Supplies	41,146		41,146	56,557
Scholarships	<u>356,477</u>		<u>356,477</u>	<u>395,457</u>
Total Educational Expenses	<u>2,463,610</u>		<u>2,463,610</u>	<u>2,540,561</u>
Facility Expenses				
Rent	165,228		165,228	161,743
Telephone	13,493		13,493	12,254
Insurance	44,576		44,576	36,280
Depreciation	<u>3,917</u>		<u>3,917</u>	<u>3,891</u>
Total Facility Expenses	<u>227,214</u>		<u>227,214</u>	<u>214,168</u>

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MORRISSEY-COMPTON EDUCATIONAL CENTER

STATEMENT REVENUE, EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

	Unrestricted	Permanently Restricted	Total All Funds December 31	
			2016	2015
Administrative Expenses				
Professional Fees	59,175		59,175	46,905
Dues & Taxes	3,849		3,849	8,687
Equipment Rental	31,003		31,003	45,769
Office Expense	63,385		63,385	63,687
Staff Training/Conferences	22,464		22,464	83,129
Outside Services	18,960		18,960	8,018
Postage & Shipping	1,721		1,721	3,617
Printing & Publications	15,607		15,607	12,727
Travel	1,589		1,589	2,449
Advertising	6,094		6,094	4,834
Entertainment	5,996		5,996	6,173
Miscellaneous	7,182		7,182	9,664
Contributions				325
Contributed Services				1,225
Total Administrative Expenses	<u>237,025</u>		<u>237,025</u>	<u>297,209</u>
TOTAL EXPENSES	<u>\$ 2,927,849</u>	<u>\$</u>	<u>\$ 2,927,849</u>	<u>\$ 3,051,938</u>
Net Operating Revenue (Deficit)	\$ (104,210)	\$	\$ (104,210)	\$ (90,282)
Other Income				
Interest & Dividends	\$ 13,553	\$	\$ 13,553	\$ 12,525
Gain (Loss) on Investments	1,479		1,479	4,509
Unrealized Gain (Loss) on Investments	<u>32,998</u>		<u>32,998</u>	<u>(22,191)</u>
Total Other Income	<u>48,030</u>		<u>48,030</u>	<u>(5,157)</u>
Excess Revenue Over Expenses	(56,180)		(56,180)	(95,439)
Net Assets Beginning	<u>656,908</u>	<u>225,498</u>	<u>882,406</u>	<u>977,845</u>
Net Assets Ending	<u>\$ 600,728</u>	<u>\$ 225,498</u>	<u>\$ 826,226</u>	<u>\$ 882,406</u>

The Accompanying Accountant's Compilation Report and the Attached Notes are an Integral Part of These Financial Statements.

MORRISSEY-COMPTON EDUCATIONAL CENTER

STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN ENDOWMENT FUNDS - MODIFIED CASH BASIS

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

	DECEMBER 31, 2016		DECEMBER 31, 2015	
	BOARD DESIGNATED	PERMANENTLY RESTRICTED	BOARD DESIGNATED	PERMANENTLY RESTRICTED
REVENUE	\$	\$	\$	\$
Contributions				
Dividends	13,529	-	12,499	12,499
Realized Gains/(Losses)	1,479	13,529	4,509	4,509
Unrealized Gains/(Losses)	32,998	1,479	(22,191)	(22,191)
Transfer from Checking		32,998		
TOTAL REVENUE	48,006	48,006	(5,183)	(5,183)
EXPENSES				
Administrative Expenses	3,028		2,954	2,954
Board Adjustment		3,028		
Transfer to Checking				
TOTAL EXPENSES	3,028	3,028	2,954	2,954
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	44,978	44,978	(8,137)	(8,137)
OPENING BALANCE	359,814	225,498	367,951	225,498
CLOSING BALANCE	404,792	225,498	359,814	225,498
	\$	\$	\$	\$

The Accompanying Compilation Report and the Attached Notes are Integral to These Financial Statements.

Morrissey Compton Educational Center
Schedule of Endowment Fund Contributions
Year End December 31, 2016

Date	Num	Donor	Donations	Total	FYE	Deposits Fiscal Year Total
Permanently Restricted Contributions						
12/27/00	334	Hans & Elizabeth Wolf	\$ 25,000.00			
6/11/01	7262	Allan & Katie Alcorn	5,000.00			
6/13/01	1180	Steven/Nancy Mayer	500.00			
				\$ 30,500.00	8/31/01	\$ 30,500.00
10/29/01	1025	June Bigge	\$ 5,000.00			
11/7/01	618560	Yogen & Peggy Dalai	10,000.00			
12/12/01	15681	Reller, William & Carolyn	500.00			
12/14/01	2716	Frye, Lawrence Mr. & Mrs.	1,000.00			
12/31/01		Nancy Mueller	10,142.00			
6/27/02	0587	W.Ferrell & Page Sanders	17,000.00			
				\$ 43,642.00	8/31/02	\$ 43,642.00
10/25/02		May Family Foundation	\$ 5,000.00			
1/17/03		Nancy Mueller	11,646.37			
7/23/03		W.Ferrell & Page Sanders	16,895.70			
				\$ 33,542.07	8/31/03	\$ 33,542.07
12/31/03		Nancy Mueller	\$ 10,000.00			
7/12/04		W.Ferrell & Page Sanders	16,014.12			
				\$ 26,014.12	8/31/04	\$ 16,014.12
1/3/06		Cam Neri	\$ 1,000.00			
5/24/06		Vanguard Endowment Plan	1,000.00			
				\$ 2,000.00	8/31/06	
9/15/06		Cam Neri	\$ 1,000.00			
12/18/06		John Brentar	2,000.00			
12/26/06		Carolyn Compton	1,000.00			
5/22/07		June Bigge	5,000.00			
8/30/07		Anonymous	25,000.00			
				\$ 34,000.00	8/31/07	\$ 4,000.00
1/2/08		Grace & J. Rosenberg	\$ 25,000.00			
3/7/08		Mid Peninsula Speech & Language	500.00			
4/9/08		Schoendorf, Joseph & Nancy	1,000.00			
8/20/08		C. Compton & P. Morrissey	5,000.00			
				\$ 31,500.00	8/31/08	\$ 46,000.00
8/31/09		Deposit			8/31/09	\$ 27,500.00
1/3/11		Barry & Anna Kane	400.00			
1/3/11		Mia Sangiacomo	200.00			
1/3/11		James & Geraldine Sangiacomo	400.00			
1/3/11		Yvonne & Angelo Sangiacomo	1,300.00			
1/3/11		Sandro & Jeanne Sangiacomo	300.00			
5/24/11		Enlight Foundation, Duar Family	10,000.00			
5/24/11		Robert Bauer & Rosylnd Bauer	100.00			
6/6/11		Cam Neri	500.00			
				\$ 13,200.00	8/31/11	13,200.00
12/6/11		Sonnennschein Scharfglass	100.00	100.00	12/31/11	100.00
5/31/12		Enlight Foundation	10,000.00			
6/4/12		Cam Neri	1,000.00			
				\$ 11,000.00	6/6/12	11,000.00
Total Permanently Restricted				\$ 225,498.19		\$ 225,498.19

Morrissey Compton Educational Center
Schedule of Endowment Fund Contributions
Year End December 31, 2016

Date	Num	Donor	Donations	Total	FYE	Deposits
						Fiscal Year
						Total
Board Designated Contributions						
3/12/01	34168	Melvin B & Joan F. Lane	\$ 25,000.00			
3/30/01	14380	St Paul Found (Lane-Gay)	30,000.00			
5/21/01	1342	The May Family Foundation	5,000.00			
8/14/01	2036	Nora Lynch	250.00			
8/22/01	2537	Patricia Bennett	1,000.00			
				\$ 61,250.00	08/31/01	\$ 61,250.00
8/31/01		Mrs. Hewitt	\$ 125,000.00			
9/18/01	37322	Cassidy Family/Pen Comm	500.00			
9/18/01	205	Phyllis Leveen	1,000.00			
9/26/01	113	V. DeLeon	5,000.00			
10/17/01	298	K. Panyarachun	1,000.00			
11/29/01	1685	The James Irvine Fndtn (Lane)	10,000.00			
12/2/01		Allan & Katie Alcorn	2,000.00			
12/27/01	648568	Dalal-Mayfield Group	5,000.00			
12/28/01	271	Dagenais, Donna	2,700.00			
12/31/01	1614	Schoendorf, Joseph & Nancy	5,000.00			
1/11/02	1926	Oberndorf, Susan & William	10,000.00			
4/22/02	255114	Kortschak Family Foundation	10,000.00			
4/29/02	1706	Harry & Pauline Austin	1,100.00			
4/29/02	5266	Draper Foundation	1,000.00			
7/25/02	19617	Saint Paul Foundation (Lane-Gay)	20,000.00			
				\$ 199,300.00	08/31/02	\$ 199,300.00
10/25/02		V. DeLeon	2,000.00			
10/25/02		K. Panyarachun	1,000.00			
Total				3,000.00	08/31/03	3,000.00
Total Board Designated				\$ 263,550.00		\$ 263,550.00
Total Endowment Contributions				\$ 489,048.19		\$ 489,048.19
Earnings						
			8/31/2002	(16,975.00)		
			8/31/2003	37,756.00		
			8/31/2004	36,588.00		
			8/31/2005	63,041.00		
			8/31/2006	18,792.00		
			8/31/2007	49,259.36		
			8/31/2008	(34,384.51)		
			8/31/2009	(99,755.75)		
			8/31/2010	6,817.92		
			8/31/2011	61,419.13		
			12/31/2011	(1,719.78)		
			12/31/2012	53,932.42		
			12/31/2013	65,984.00		
			12/31/2014	29,148.21		
			12/31/2015	(8,138.67)		
			12/31/2016	44,977.81		
Total Earnings				306,742.14		306,742.14
Transfer to Checking FYE 8-31-09				(38,000.00)		(38,000.00)
Board Action FYE 8-31-10				(27,500.00)		(27,500.00)
Transfer to Checking YE 12-31-11				(75,000.00)		(75,000.00)
Transfer to Checking YE 12-31-12				(75,000.00)		(75,000.00)
Transfer from Checking YE 12-31-14				50,000.00		50,000.00
Total Fund				\$ 630,290.33		\$ 630,290.33
Restricted				\$ 225,498.19		
Designated				\$ 404,792.14		
				\$ 630,290.33		

The Accompanying compilation Report and the Attached Notes are Integral to These Financial Statements

MORRISSEY-COMPTON EDUCATIONAL CENTER

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016

	<u>TOTAL CURRENT YEAR</u>	<u>TOTAL PRIOR YEAR</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Increase (Decrease) in Net Assets	\$ (56,180)	\$ (95,439)
Adjustments to Reconcile Net Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,917	3,891
Unrealized Gain (Loss) On Investment	(32,998)	22,191
Realized Gain/Loss on Investments:	(1,479)	(4,509)
Prepaid Expenses		500
Increase (Decrease) in Liabilities:		
Accounts Payable	218	
Deferred Revenue	<u>11,135</u>	<u>79,626</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	(75,387)	6,260
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in Investments	(10,501)	(9,545)
Property & Equipment	<u>(1,088)</u>	<u> </u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:	(11,589)	(9,545)
CASH FLOWS FROM FINANCING ACTIVITIES		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:	<u> </u>	<u> </u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(86,976)</u>	<u>(3,285)</u>
CASH & CASH EQUIVALENTS, BEGINNING	<u>398,059</u>	<u>401,344</u>
CASH & CASH EQUIVALENTS, ENDING	<u>\$ 311,083</u>	<u>\$ 398,059</u>
NON CASH TRANSACTIONS		
Contributed Goods & Services	<u>\$ </u>	<u>\$ 1,225</u>

The Accompanying Accountant's Compilation Report and the Attached Notes are an Integral Part of These Financial Statements.

MORRISSEY-COMPTON EDUCATIONAL CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Morrissey-Compton Educational Center is a non-profit, non-discriminatory educational organization offering individual and small group tutoring in basic academic skills for students from kindergarten to high school. The Organization also provides parents and students educational evaluations and consultation regarding academic problems. A summer school is conducted for remediation of basic skills, and in-service training in diagnosis and remediation of learning disabilities is provided for teachers.

Summary of Significant Accounting Policies

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with FASB ASC subtopic 958-205-05-6, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization in accordance with its by-laws. Under this category, the Organization maintains an Operating Fund and a Net Fixed Asset Fund. Any net assets designated by the Board for specific purposes, such as the amount the Board designated to the Endowment Fund, are also categorized as unrestricted net assets. The Organization has elected to report as an increase in unrestricted net assets any restricted revenue received in the current period for which the restrictions have been met in the current period.

Temporarily Restricted Net Assets include those assets that are expendable only for the purposes specified by the donor or for the purposes for which the fund was created.

MORRISSEY-COMPTON EDUCATIONAL CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: ORGANIZATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Permanently Restricted Net Assets include those assets that are subject to a non-expiring donor restriction. The Organization currently has an Endowment Fund which is part permanently restricted and part Board Designated.

Cash and Cash Equivalents include highly liquid investments and investments with a maturity of three months or less.

Investments include mutual funds which are subject to market changes. Unrealized gains and losses are recognized annually.

NOTE 2: FIXED ASSETS

Fixed assets are reported at cost, or if contributed, at the estimated fair market value when donated. Assets with an estimated useful life of two years or more and costing in excess of \$1,000 are capitalized and depreciated on a straight-line basis over an estimated useful life of five years for furniture, equipment and vehicles and twenty-seven to thirty years for building and improvements.

NOTE 3: RELATED PARTY TRANSACTIONS

The Organization obtains accounting services from a firm whose principal is also a member of the Board. Management believes that the Organization pays no more than it would under an arm's length transaction.

NOTE 4: SCHOLARSHIPS

Morrissey-Compton Educational Center provides scholarship assistance to families who are unable to pay full fee. Scholarships were granted as follows:

	<u>2016</u>	<u>2015</u>
Full Fee	\$ 2,129,878	\$ 2,224,178
Less: Scholarships	<u>356,477</u>	<u>395,457</u>
Net Revenue	<u>\$ 1,773,401</u>	<u>\$ 1,828,721</u>

MORRISSEY-COMPTON EDUCATIONAL CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 5: OPERATING LEASES

In June 2014, the Organization signed a new 10 year lease for its main office located at 595 Price Avenue, Redwood City, CA. The base monthly rent is 12,736 plus 62.4% of the buildings operating expenses.

In addition to its main office, the Organization also rents a satellite office in Half Moon Bay for \$800 per month.

Future minimum lease payments for base rent without operating expenses are as follows:

<u>For the Year Ended</u>		<u>Amount</u>
2018	\$	168,684
2019	\$	168,684
2020	\$	168,684
2021	\$	168,684
2022	\$	168,684

NOTE 6: INCOME TAXES

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and Section 23701d of the Revenue and Taxation Code of State of California.

NOTE 7: INVESTMENTS

Morrissey-Compton Education Center from time to time receives donations of stocks, which are valued at market at the time of donation. Any change in value between date of donation and date of sale is recognized as a realized gain or loss. In addition to the stocks in the account, Morrissey-Compton Educational Center also invests in money market accounts, mutual funds and United States Treasury Bills. These investment vehicles are not covered by FDIC insurance.

Investments are adjusted to market at year-end and the value change is recorded as unrealized gain or loss. Per FASB ASC 820-10-50-2F under the Topic of fair value measurement disclosure, a nonpublic entity is not required to disclose the information required by paragraph 820-10-50-2(bb) and (g) and paragraph 820-10-50-2E unless required by another Topic.

MORRISSEY-COMPTON EDUCATIONAL CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 8: ENDOWMENT FUND

The Organization has established an Endowment Fund, part of which is Board Designated. Earnings and appreciation are available to support the program. Any part of the earnings not transferred to operations by the board is added to the Board Designated portion of the Endowment Fund.

NOTE 9: CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

The Organization maintains cash balances at financial institutions in excess of the FDIC coverage limit of \$250,000. At December 31, 2016, the Organization's uninsured cash balance totaled approximately \$57,707.