

Church Hill Activities & Tutoring, Inc.

Consolidated Financial Statements

August 31, 2016 and 2015

Church Hill Activities & Tutoring, Inc.

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Independent Auditor's Report

Board of Directors
Church Hill Activities & Tutoring, Inc.
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Church Hill Activities & Tutoring, Inc. ("CHAT"), which comprise the consolidated statement of financial position as of August 31, 2016 and 2015, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 Church Hill Activities & Tutoring, Inc. as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mitchell, Wiggins & Company LLP

Petersburg, Virginia
January 17, 2017

Church Hill Activities & Tutoring, Inc.

Consolidated Statements of Financial Position
August 31, 2016 and 2015

Assets	2016	2015
Cash	\$ 552,634	\$ 404,993
Grants receivable	320,600	354,594
Other assets	12,038	6,777
Property and equipment, net	873,806	780,261
Total assets	\$ 1,759,078	\$ 1,546,625
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 7,849	\$ 38,031
Accrued expenses	36,381	34,799
Note payable, short-term	154,338	-
Note payable	137,584	146,819
Total liabilities	336,152	219,649
Net Assets		
Unrestricted	1,047,507	783,139
Temporarily restricted	375,419	543,837
Total net assets	1,422,926	1,326,976
Total liabilities and net assets	\$ 1,759,078	\$ 1,546,625

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

***Consolidated Statement of Activities
Year Ended August 31, 2016***

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Contributions	\$ 1,654,969	\$ 220,878	\$ 1,875,847
Program income	68,879	-	68,879
Special events (net of expenses \$25,404)	48,669	-	48,669
Investment return	599	-	599
Other revenue	11,399	-	11,399
Total revenue and support	1,784,515	220,878	2,005,393
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions	389,296	(389,296)	-
Total revenues, other support and reclassifications	2,173,811	(168,418)	2,005,393
Expenses			
Program expenses	1,448,778	-	1,448,778
Management and general	287,658	-	287,658
Fundraising	173,007	-	173,007
Total expenses	1,909,443	-	1,909,443
Changes in net assets	264,368	(168,418)	95,950
Net assets, beginning	783,139	543,837	1,326,976
Net assets, ending	\$ 1,047,507	\$ 375,419	\$ 1,422,926

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

Consolidated Statement of Activities Year Ended August 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Contributions	\$ 1,274,378	\$ 664,497	\$ 1,938,875
Program income	82,254	-	82,254
Special events (net of expenses \$30,594)	93,520	-	93,520
Investment return (loss)	(119)	75	(44)
Other revenue	4,570	-	4,570
Total revenue and support	1,454,603	664,572	2,119,175
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions	365,377	(365,377)	-
Total revenues, other support and reclassifications	1,819,980	299,195	2,119,175
Expenses and Losses			
Program expenses	1,300,244	-	1,300,244
Management and general	271,544	-	271,544
Fundraising	176,022	-	176,022
Loss on sale of property and equipment	650	-	650
Total expenses and losses	1,748,460	-	1,748,460
Changes in net assets	71,520	299,195	370,715
Net assets, beginning	711,619	244,642	956,261
Net assets, ending	\$ 783,139	\$ 543,837	\$ 1,326,976

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

**Consolidated Statements of Cash Flows
Years Ended August 31, 2016 and 2015**

	2016	2015
Cash Flows from Operating Activities		
Changes in net assets	\$ 95,950	\$370,715
<i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</i>		
Contributions restricted for long-term purposes	-	(58,228)
Depreciation	51,349	31,355
Loss on sale of property and equipment	-	650
Donated property and equipment	(19,002)	-
(Gain) loss on sale of investment securities	(430)	464
Donated investments	(202,321)	(137,977)
Proceeds from sale of donated investments	202,751	137,513
<i>Changes in operating assets</i>		
Grants receivable	33,994	(354,594)
Other assets	(5,261)	(4,576)
<i>Changes in operating liabilities</i>		
Accounts payable	(30,182)	30,206
Accrued expenses	1,582	13,163
Net cash provided by operating activities	128,430	28,691
Cash Flows from Investing Activities		
Purchase of property and equipment	(125,892)	(176,683)
Proceeds from sale of property and equipment	-	150
Proceeds from sale of investments	-	78,936
Net cash (used in) investing activities	(125,892)	(97,597)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for purchase of capital assets	-	58,228
Net advances on note payable, short-term	154,338	-
Payments on long-term debt	(9,235)	(8,106)
Net cash provided by financing activities	145,103	50,122
Net change in cash and cash equivalents	147,641	(18,784)
Cash and cash equivalents, beginning	404,993	423,777
Cash and cash equivalents, ending	552,634	404,993
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	8,405	8,520

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

**Consolidated Statement of Functional Expenses
Year Ended August 31, 2016**

	Program Services				Supporting Services			Total
	After School	Work Leadership Institute	Academy	Tiny Tikes	Program Services Total	Management & General	Fundraising	
Salaries	\$ 285,331	\$ 67,477	\$ 380,948	\$ 128,323	\$ 862,079	\$ 173,362	\$ 117,172	\$ 1,152,613
Employee benefits	19,725	-	39,450	-	59,175	29,911	9,552	98,638
Payroll taxes	20,557	4,861	27,446	9,245	62,109	12,584	8,348	83,041
Total salaries and related expenses	325,613	72,338	447,844	137,568	983,363	215,857	135,072	1,334,292
Contract services	700	22,591	6,760	-	30,051	8,500	-	38,551
Contributions	-	-	2,250	-	2,250	-	-	2,250
Curriculum	2,240	-	2,912	898	6,050	-	-	6,050
Dues & subscriptions	6,149	10	2,615	674	9,448	569	5,025	15,042
Insurance	1,208	1,208	1,208	1,208	4,832	9,643	-	14,475
Materials & supplies	10,670	12,444	10,157	2,748	36,019	4,810	2,032	42,861
Meals & snacks	15,385	887	19,535	855	36,662	1,595	184	38,441
Ministry fund	889	-	-	-	889	-	55	944
Miscellaneous	-	-	-	175	175	1,405	-	1,580
Occupancy	60,392	11,986	24,000	21,243	117,621	6,909	100	124,630
Office expenses	6,047	440	857	-	7,344	15,560	-	22,904
Postage & delivery	583	500	645	568	2,296	1,109	512	3,917
Printing & copying	2,245	723	651	423	4,042	2,104	11,844	17,990
Program stipends	12,411	17,155	-	-	29,566	-	-	29,566
Rewards & incentives	2,025	74	1,632	457	4,188	255	-	4,443
Scholarships	27,781	-	-	-	27,781	-	-	27,781
Service charges & fees	5,030	1,334	1,556	1,342	9,262	14,430	-	23,692
Special events & trips	21,245	1,279	6,764	2,919	32,207	3,041	-	35,248
Staff development	14,050	3,007	8,411	2,729	28,197	-	18,183	46,380
Telephone, cable & internet	750	-	2,062	1,999	4,811	1,871	-	6,682
Transportation costs	33,781	9,361	18,409	3,030	64,581	-	-	64,581
Volunteer & staff appreciation	4,844	150	1,119	1,030	7,143	-	-	7,143
Total expenses	\$ 554,038	\$ 155,487	\$ 559,387	\$ 179,866	\$ 1,448,778	\$ 287,658	\$ 173,007	\$ 1,909,443

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.

**Consolidated Statement of Functional Expenses
Year Ended August 31, 2015**

	Program Services				Supporting Services			Total
	After School	Work Leadership Institute	Academy	Tiny Tikes	Program Services Total	Management & General	Fundraising	
Salaries & wages	\$ 331,554	\$ 32,164	\$ 365,606	\$ 84,792	\$ 814,116	\$ 156,661	\$ 117,172	\$ 1,087,949
Employee benefits	18,022	-	36,125	-	54,147	24,994	9,552	88,693
Payroll taxes	23,624	2,292	26,051	6,042	58,009	11,158	8,348	77,515
Total salaries and related expenses	373,200	34,456	427,782	90,834	926,272	192,813	135,072	1,254,157
Contract services	2,000	11,867	-	-	13,867	40,623	-	54,490
Contributions	-	-	2,250	-	2,250	-	-	2,250
Curriculum	1,144	28	3,202	272	4,646	-	-	4,646
Dues & subscriptions	12,103	-	1,449	225	13,777	3,863	-	17,640
Insurance	1,208	1,208	1,208	1,208	4,832	11,281	-	16,113
Materials & supplies	7,119	14,588	3,366	7,421	32,494	503	62	33,059
Meals & snacks	15,639	574	23,009	880	40,102	2,637	47	42,786
Ministry fund	34	-	62	-	96	188	169	453
Miscellaneous	-	-	187	-	187	133	-	320
Occupancy	61,324	6,771	23,312	11,471	102,878	2,675	50	105,603
Office expenses	71	-	135	79	285	538	-	823
Postage & delivery	534	511	549	504	2,098	-	4,953	7,051
Printing & copying	481	51	1,687	155	2,374	2,542	15,166	20,082
Program stipends	31,092	-	-	-	31,092	-	-	31,092
Rewards & incentives	2,215	14	850	309	3,388	129	-	3,517
Scholarships	16,965	-	3,130	-	20,095	-	-	20,095
Service charges & fees	4,357	517	3,828	1,714	10,416	9,388	43	19,847
Special events & trips	21,732	551	4,383	2,900	29,566	-	-	29,566
Staff development	3,129	535	2,659	1,295	7,618	-	20,460	28,078
Telephone, cable & internet	750	-	1,787	750	3,287	543	-	3,830
Transportation costs	12,429	12,755	18,209	3,138	46,531	-	-	46,531
Volunteer & staff appreciation	1,689	121	113	170	2,093	3,688	-	5,781
Total expenses	\$ 569,215	\$ 84,547	\$ 523,157	\$ 123,325	\$ 1,300,244	\$ 271,544	\$ 176,022	\$ 1,747,810

See Notes to Consolidated Financial Statements

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2016 and 2015

Note 1. Nature of Organization and Significant Accounting Policies

Nature of activities

Church Hill Activities & Tutoring, Inc. (CHAT) is a not-for-profit organization that was incorporated under the laws of the Commonwealth of Virginia since 2003. CHAT, located in Richmond, Virginia, encourages and supports personal transformation through spiritual formation, education, life enhancing skills, leadership development, mentoring, and community life to youth Pre-kindergarten through 12th grade. CHAT operates a private high school, Church Hill Academy, a preschool age program, Tiny Tykes, an After-School program, and the Work Leadership Institute, formerly called the Entrepreneurship Program. Donations represent CHAT's primary source of revenue. CHAT Properties, LLC, a wholly-owned subsidiary of CHAT, was formed in 2007 for the primary purpose of purchasing and holding real estate used in the operations of CHAT. In addition, CHAT Properties N Street, LLC, also a wholly-owned subsidiary of CHAT, was formed in 2012 for the primary purpose of purchasing and holding real estate used in the operations of CHAT. A summary of CHAT's significant accounting policies follows:

Consolidation

The consolidated financial statements include the accounts of Church Hill Activities & Tutoring, Inc. and its wholly-owned subsidiaries, CHAT Properties, LLC and CHAT Properties N Street, LLC.

Basis of accounting

CHAT's financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and cash equivalents

For purposes of the statements of cash flows, CHAT includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months as cash and cash equivalents. CHAT maintains bank accounts in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. CHAT had cash balances in a financial institution that exceeded federal depository insurance limits at August 31, 2016 and 2015.

Grants receivable

Grants receivable are recorded as received. Grants receivable due in the next year are reflected as current contributions and grants receivable and are recorded at their net realizable value. Grants receivable due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises to give are received to discount the amounts. An allowance for uncollectible grants receivable is provided based on management's evaluation of potential uncollectible grants receivable at year end. No allowance for uncollectible accounts has been provided because management has evaluated the receivables and believes they are fully collectible.

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2016 and 2015

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Property and equipment

Property and equipment with a cost of \$500 or more and that have an estimated useful life greater than one year are capitalized at cost, or if donated, at approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to thirty-nine years. Maintenance and repairs are charged to expense when incurred.

Investments

Investments acquired by gift are recorded at their fair value at the date of the gift. CHAT's policy is to liquidate all gifts of investments as soon as possible after the gift.

Revenue recognition

Contributions which include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor. Program support grants are recognized as revenue at the time of award if they are unconditional.

CHAT reports grants and contributions in the temporarily restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the statement of activities. However, if restrictions on grants and contributions are met in the same reporting period as the grant or contribution is received, the revenues are reported as increases in unrestricted net assets. Interest is recorded when earned.

Unrestricted net assets

CHAT reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of CHAT may be used at the discretion of CHAT's management and Board of Directors to support CHAT's purpose and operations.

Temporarily restricted net assets

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

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2016 and 2015

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Permanently restricted net assets

Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income only be utilized for purposes specified by the donor. CHAT had no permanently restricted net assets as of August 31, 2016 and 2015.

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. Actual results could differ from those estimates.

Income taxes

CHAT is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to CHAT's tax-exempt purpose may be subject to taxation as unrelated business income. CHAT had no unrelated business income during the years ended August 31, 2016 and 2015. In addition, CHAT qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

CHAT follows generally accepted accounting principles regarding "Accounting for Uncertain Tax Positions". This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in CHAT's consolidated financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The tax years of 2013 to 2015 remain subject to examination by the taxing authorities.

CHAT includes penalties and interest assessed by income taxing authorities in operating expenses. CHAT did not have penalties and interest expenses for the years ended August 31, 2016 and 2015.

CHAT Properties, LLC and CHAT Properties N Street, LLC are single member LLC entities and therefore considered disregarded entities for tax purposes.

In-kind contributions/expenses

Donated goods and services are recorded at fair market value at the date of the donation. Donated services are recognized in the financial statements at their fair value if the following criteria are met:

- i) The services require specialized skills and the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated, or
- ii) The services enhance or create an asset.

Church Hill Activities & Tutoring, Inc.

Notes to Consolidated Financial Statements

August 31, 2016 and 2015

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Although CHAT utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

For the years ended August 31, 2016 and 2015, CHAT received in-kind contributions from other than individual volunteers in the amount of \$0 and \$18,693, respectively, primarily for instructor support and architectural services, and \$14,335 and \$0, respectively, for repairs, office materials and supplies, which have been recognized as revenue and expense in the statement of activities. Also, CHAT received in 2016 and 2015 various property and equipment valued at \$19,002 and \$0, respectively, which have been capitalized as property and equipment.

Note 2. Grants Receivable

Unconditional promises to give are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 221,030	\$ 255,024
Receivable in one to five years	100,000	100,000
Total unconditional promises to give	<u>321,030</u>	355,024
Less discounts to net present value	<u>(430)</u>	(430)
Net unconditional promises to give at August 31st	<u>\$ 320,600</u>	<u>\$ 354,594</u>

The discount rate used on long-term pledges was .27 % as of August 31, 2016 and 2015.

Note 3. Property and Equipment

Property and equipment at cost, less accumulated depreciation, as of August 31, 2016 and 2015 on the statements of financial position include the following major classifications:

	<u>2016</u>	<u>2015</u>
Building	\$ 369,015	\$ 222,608
Building improvements	378,849	63,849
Building and improvements not in service	-	353,075
Furniture and equipment	50,101	42,165
Furniture and equipment not in service	23,724	-
Land	97,983	97,983
Vehicles	140,030	135,128
	<u>1,059,702</u>	914,808
Less accumulated depreciation	<u>(185,896)</u>	(134,547)
	<u>\$ 873,806</u>	<u>\$ 780,261</u>

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2016 and 2015

Note 3. Property and Equipment (Continued)

Total depreciation expense for the years ended August 31, 2016 and 2015 is \$51,349 and \$31,355, respectively.

Note 4. Operating Leases

CHAT leases facilities from a church and individuals which are currently on a month-to-month basis. Rent expense was \$56,900 and \$49,500 for the fiscal years ended August 31, 2016 and 2015, respectively. Rent expense includes amounts paid to the Founder & CEO who is a related party. Rent paid to the related party was \$14,400 and \$12,000 for the fiscal years ended August 31, 2016 and 2015, respectively.

Note 5. Note Payable, Short-Term

Note payable, short-term consists of the following:

	<u>2016</u>	<u>2015</u>
First Tennessee Bank National Association: 5.30%, \$250,000 line of credit, interest due monthly and principal due April 2017, unsecured	<u>\$ 154,338</u>	<u>\$ -</u>

Interest expense for the years ending August 31, 2016 and 2015 was \$1,372 and \$0, respectively.

Note 6. Long-Term Note Payable

	<u>2016</u>	<u>2015</u>
SunTrust Bank, N.A.: 4.85%, due in monthly installments of \$1,356 including interest, due July 2017, secured by real estate	<u>\$ 137,584</u>	<u>\$ 146,819</u>

Long-term note payable consists of the following at August 31, 2016 and 2015:

At August 31, 2016, aggregate maturities of long-term debt are as follows:

2017	<u>\$ 137,584</u>
	<u>\$ 137,584</u>

Interest expense for the years ending August 31, 2016 and 2015 was \$7,033 and \$8,520, respectively.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2016 and 2015

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Building campaign	\$ 2,819	\$ 96,975
EISTC program	21,460	5,000
Equipment capital outlay program	97,770	121,787
Work Leadership Institute program	73,996	134,570
Retail establishment program	165,000	150,000
Scholarships	14,374	35,505
	<u>\$ 375,419</u>	<u>\$ 543,837</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by grantors as of August 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Purpose restriction accomplished:		
Building campaign	\$ 109,156	\$ 119,065
EISTC program	167,768	133,004
Equipment capital outlay program	24,017	53,213
Work Leadership Institute program	60,574	40,000
Scholarships	27,781	20,095
	<u>\$ 389,296</u>	<u>\$ 365,377</u>

Note 8. Functional Allocation of Expenses

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

Note 9. Economic Dependency

For the year ended August 31, 2015, approximately 24% of total revenues and other support came from one funding source. A significant reduction in the level of this support, if this were to occur, may have a significant effect on CHAT's programs and activities. There were no significant funding sources for the year ended August 31, 2016.

For the years ended August 31, 2016 and 2015, 93% and 99% of grants receivable, or \$299,570 and \$349,570, respectively, represent amounts due from one funding source.

Church Hill Activities & Tutoring, Inc.
Notes to Consolidated Financial Statements
August 31, 2016 and 2015

Note 10. Retirement Plan

CHAT has a defined contribution plan under Internal Revenue Code (IRC) Section 403(b) covering certain employees. The plan allows for elective employee deferrals. There have been no employer contributions for the years ended August 31, 2016 and 2015, respectively.

Note 11. Subsequent Events

Management has evaluated subsequent events through January 17, 2017, the date the financial statements were available for issue.