

**A NOISE WITHIN**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**A NOISE WITHIN  
FINANCIAL STATEMENTS  
JUNE 30, 2016**

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## Independent Auditor's Report

To the Board of Directors  
A Noise Within  
Pasadena, California

We have audited the accompanying financial statements of A Noise Within, which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of activities, cash flows and functional expenses for the years 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**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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, 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Noise Within as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to be 'J. Smith', written in a cursive style.

October 18, 2016

**A NOISE WITHIN  
STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	JUNE 30,	
	2016	2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents(Note 3)	\$ 951,439	\$ 797,821
Accounts Receivable	8,410	-
Unconditional promises to give - capital campaign, net of reserve for uncollectible promises to give of \$0 and \$2,900 (Note 4)	3,550	37,793
Unconditional promises to give - other (Note 4)	265,714	60,881
Prepaid expenses and other current assets	92,470	80,465
<b>Total current assets</b>	1,321,583	976,960
<b>NONCURRENT UNCONDITIONAL PROMISES TO GIVE</b>		
Capital campaign (Note 4)	-	2,710
Unconditional promises to give - other, noncurrent (Note 4)	143,501	-
<b>Total noncurrent unconditional promises to give</b>	143,501	2,710
<b>PROPERTY AND EQUIPMENT, at cost less accumulated depreciation (Note 2)</b>	11,456,501	11,712,948
<b>INTANGIBLE ASSETS, at cost less accumulated amortization (Note 1)</b>	6,250	-
<b>LOAN FEES</b>	-	3,035
<b>TOTAL ASSETS</b>	<b>\$ 12,927,835</b>	<b>\$ 12,695,653</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt (Note 5)	\$ 13,475	\$ 13,658
Revenues received in advance	335,613	338,641
Accrued expenses and other current liabilities	106,691	109,016
<b>Total current liabilities</b>	455,779	461,315
<b>LONG-TERM DEBT, net of current maturities (Note 5)</b>	459,953	593,368
<b>NET ASSETS</b>		
<b>Unrestricted</b>		
Board designated	60,000	-
Other unrestricted	11,505,861	11,541,679
<b>Total unrestricted</b>	11,565,861	11,541,679
<b>Temporarily restricted (Note 4)</b>	446,242	99,291
<b>Total net assets</b>	12,012,103	11,640,970
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,927,835</b>	<b>\$ 12,695,653</b>

See Notes to Financial Statements

**A NOISE WITHIN  
STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30.

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, SUPPORT AND RECLASSIFICATIONS</b>						
<b>REVENUES</b>						
Box Office	1,134,846	\$ -	\$ 1,134,846	1,085,918	\$ -	\$ 1,085,918
Education Programs	143,912	-	143,912	147,315	-	147,315
Other	60,426	-	60,426	105,275	-	105,275
	<u>1,339,184</u>	<u>-</u>	<u>1,339,184</u>	<u>1,338,508</u>	<u>-</u>	<u>1,338,508</u>
<b>SUPPORT</b>						
Donations and grants	1,194,808	446,242	1,641,050	971,050	-	971,050
Capital campaign donations and grants	-	-	-	-	14,747	14,747
In Kind Donations	5,069	-	5,069	-	-	-
Special event income	107,168	-	107,168	65,694	-	65,694
Interest and investment income	207	-	207	134	-	134
	<u>1,307,252</u>	<u>446,242</u>	<u>1,753,494</u>	<u>1,036,878</u>	<u>14,747</u>	<u>1,051,625</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Restrictions satisfied by payment	99,291	(99,291)	-	235,870	(235,870)	-
<b>TOTAL REVENUES AND SUPPORT</b>	<u>2,745,727</u>	<u>346,951</u>	<u>3,092,678</u>	<u>2,611,256</u>	<u>(221,123)</u>	<u>2,390,133</u>
<b>EXPENSES</b>						
<b>PROGRAM EXPENSES</b>						
Theatre productions	1,335,682	-	1,335,682	1,552,289	-	1,552,289
Education programs	547,033	-	547,033	165,497	-	165,497
	<u>1,882,715</u>	<u>-</u>	<u>1,882,715</u>	<u>1,717,786</u>	<u>-</u>	<u>1,717,786</u>
<b>SUPPORTING SERVICES</b>						
General and administrative expenses	273,239	-	273,239	191,774	-	191,774
Fundraising and development costs	209,538	-	209,538	186,839	-	186,839
	<u>482,777</u>	<u>-</u>	<u>482,777</u>	<u>378,613</u>	<u>-</u>	<u>378,613</u>
<b>TOTAL EXPENSES</b>	<u>2,365,492</u>	<u>-</u>	<u>2,365,492</u>	<u>2,096,399</u>	<u>-</u>	<u>2,096,399</u>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE INTEREST, DEPRECIATION AND AMORTIZATION</b>	380,235	346,951	727,186	514,857	(221,123)	293,734
<b>INTEREST EXPENSE</b>	27,640	-	27,640	37,345	-	37,345
<b>DEPRECIATION AND AMORTIZATION</b>	328,413	-	328,413	326,880	-	326,880
<b>INCREASE (DECREASE) IN NET ASSETS</b>	24,182	346,951	371,133	150,632	(221,123)	(70,491)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>11,541,679</u>	<u>99,291</u>	<u>11,640,970</u>	<u>11,391,047</u>	<u>320,414</u>	<u>11,711,461</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 11,565,861</u>	<u>\$ 446,242</u>	<u>\$ 12,012,103</u>	<u>\$ 11,541,679</u>	<u>\$ 99,291</u>	<u>\$ 11,640,970</u>

See Notes to Financial Statements

**A NOISE WITHIN  
STATEMENT OF CASH FLOWS**

	YEARS ENDED JUNE 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 371,133	\$ (70,491)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	328,413	323,845
Realized (gains) losses on sale of marketable securities	(3,929)	2,502
Donated marketable securities	-	(59,842)
Change in operating assets and liabilities:		
Accounts receivable	(8,410)	-
Unconditional promises to give - capital campaign	36,953	39,364
Unconditional promises to give - other	(348,334)	27,069
Prepaid expenses and other current assets	(12,005)	(10,882)
Deferred revenue	(3,028)	(63,561)
Accrued expenses and other current liabilities	(2,325)	57,021
Net Cash Provided By Operating Activities	<u>358,468</u>	<u>245,025</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of marketable securities	3,929	62,444
Purchase of property and equipment	(68,931)	(144,692)
Website improvements (acquisition of intangible asset)	(6,250)	-
Net Cash Used In Investing Activities	<u>(71,252)</u>	<u>(82,248)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt borrowings	(133,598)	(198,712)
Net Cash Used In Financing Activities	<u>(133,598)</u>	<u>(198,712)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	153,618	(35,935)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>797,821</u>	<u>833,756</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 951,439</u>	<u>\$ 797,821</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 27,640	\$ 37,345
Cash paid for income taxes	NONE	NONE
Noncash investing transactions	NONE	NONE

See Notes to Financial Statements

**A NOISE WITHIN  
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30,

	2016					2015				
	Program Services			Fundraising and Development	Total	Program Services			Fundraising and Development	Total
	Theatre Productions	Education Programs	General and Administrative			Theatre Productions	Education Programs	General and Administrative		
Salaries	\$ 468,577	\$ 225,166	\$ 169,426	\$ 139,350	\$ 1,002,519	\$ 512,160	\$ 91,031	\$ 90,757	\$ 128,743	\$ 822,691
Bonuses	-	-	-	-	-	-	-	600	-	600
Payroll taxes	44,382	21,329	16,053	13,197	94,961	51,810	9,210	8,914	13,025	82,959
Employee benefits	97,167	48,584	8,097	8,097	161,945	151,325	-	2,569	-	153,894
Non-salaried actors and technicians	117,166	58,583	-	-	175,749	182,722	-	-	-	182,722
Professional fees	-	-	28,980	-	28,980	-	-	22,342	-	22,342
Marketing	170,397	3,018	-	-	173,415	165,463	5,488	-	-	170,951
Materials and supplies	79,949	39,974	-	-	119,923	96,239	21	6,052	237	102,549
Utilities	44,118	22,059	3,677	3,677	73,531	38,384	30,707	7,677	-	76,768
Credit card fees	25,227	-	-	-	25,227	21,902	-	-	-	21,902
Printing	73,351	1,732	77	7,244	82,404	56,638	995	73	7,169	64,875
Postage	31,681	1,306	1,663	2,589	37,239	32,968	443	531	3,409	37,351
Royalties and fees	30,592	15,296	-	-	45,888	41,308	-	-	-	41,308
Insurance	56,888	28,444	-	-	85,332	70,229	-	-	-	70,229
Telephone	10,532	5,266	878	878	17,554	10,071	-	3,357	-	13,428
Repairs and maintenance	43,964	21,982	3,664	3,664	73,274	68,849	-	7,650	-	76,499
Teachers	-	33,708	-	-	33,708	-	8,633	-	-	8,633
Bookkeeping and accounting	-	-	26,442	-	26,442	-	-	26,446	-	26,446
Refreshments and concessions	8,432	4,216	-	-	12,648	12,891	-	-	-	12,891
Production expenses	7,231	3,635	-	-	10,866	8,040	4,836	-	-	12,876
Computer and technology	1,139	933	2,651	2,413	7,136	1,779	1,097	4,696	3,013	10,585
Special event	4,201	20	-	25,334	29,555	4,337	38	-	20,950	25,325
Copier lease	3,918	1,959	1,959	1,959	9,795	4,069	2,034	2,034	2,034	10,171
Taxes and licenses	3,974	497	497	-	4,968	7,452	930	930	-	9,312
Dues and subscriptions	6,113	-	-	-	6,113	6,324	-	-	-	6,324
Photography and video	-	1,700	-	175	1,875	-	2,830	-	468	3,298
Transportation	-	4,784	-	-	4,784	-	4,895	-	-	4,895
Grant writing support	-	-	-	-	-	-	-	-	3,945	3,945
Conferences and seminars	3,867	1,974	814	99	6,754	2,666	956	905	390	4,917
Bad debt	-	-	9,465	-	9,465	-	-	-	-	-
Employee search	-	-	46	373	419	-	-	245	1,980	2,225
Loan closing costs	1,466	183	183	-	1,832	4,663	583	583	-	5,829
Bank charges	-	-	165	-	165	-	-	1,877	-	1,877
Net (gain) loss on sales of securities	-	-	(3,929)	-	(3,929)	-	-	2,502	-	2,502
Miscellaneous	1,350	685	2,431	489	4,955	-	770	1,034	1,476	3,280
	<u>\$ 1,335,682</u>	<u>\$ 547,033</u>	<u>\$ 273,239</u>	<u>\$ 209,538</u>	<u>\$ 2,365,492</u>	<u>\$ 1,552,289</u>	<u>\$ 165,497</u>	<u>\$ 191,774</u>	<u>\$ 186,839</u>	<u>\$ 2,096,399</u>

See Notes to Financial Statements



A NOISE WITHIN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

A Noise Within (The Organization) is a California public benefit corporation organized in 1992 which operates a classical theatre company in Pasadena, California. The Organization's operations include theatrical performances in its own facilities and educational programs.

**Basis of Presentation of Financial Statements**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (US GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Use of Estimates**

Generally accepted accounting principles require management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Liquidity**

Assets are presented according to their proximity to cash and liabilities are presented according to their nearness of payment or use of cash.

**Classification of Net Assets**

The Organization reports its information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted net assets* – includes unrestricted funds for general operations and support used in operations after meeting initial grantor or donor restrictions. Restricted funds whose donor-imposed restrictions were released in the same year as receipt of funds have been reported as unrestricted net assets.

*Temporarily restricted net assets* – includes funds subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When donor-imposed restrictions expire due to accomplishing the stipulated purpose or through passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

A NOISE WITHIN  
NOTES TO FINANCIAL STATEMENTS  
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**1 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

**Classification of Net Assets (continued)**

*Permanently restricted net assets* – are subject to donor-imposed restrictions that do not expire. Funds are held in perpetuity, while the income is available for general or designated program use.

At June 30, 2016 and 2015, the Organization did not have any permanently restricted net assets.

**Cash and Cash Equivalents**

All highly liquid cash investments with an original maturity of three months or less when purchased are considered to be cash equivalents. As of June 30, 2016 and 2015, and at various times during the fiscal years, the Organization maintained cash balances in excess of federally insured limits. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk of cash or cash equivalents maintained in financial institutions.

**Money Market Funds and Marketable Securities**

Money market funds and marketable securities are valued using quoted market prices.

**Property, Equipment and Depreciation**

Property and equipment are carried either at cost when purchased or fair market value on the date donated. Depreciation is provided using straight-line methods over the estimated useful lives of the respective assets. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of repairs and maintenance is charged to operations as incurred; significant improvements and betterments are capitalized.

Estimated useful lives are five years for office furniture, equipment and computers, five to ten years for production equipment and forty years for the building.

**Intangible Assets**

The Organization capitalized major modifications to its website as intangible assets. Intangible assets are carried at cost or, if donated, at the fair market value of the date received. Amortization is recognized on the straight-line method over an estimated useful life of three years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Normal maintenance and updates are expensed as incurred. During the fiscal year ended June 30, 2016, the Organization did not yet put the newly constructed website into service, thus no amortization has been recorded for this period.

A NOISE WITHIN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**1 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

**Revenue Recognition**

Box office revenues are deferred and recognized as the performances are presented. Revenues for the educational programs are deferred and recognized as the services are provided.

Grants and donations are recognized at net realizable value at the time the right to the donation becomes unconditional.

**Donated Property and Services**

The Organization records donated property and equipment at estimated fair market value on the date donated. During the fiscal year ended June 30, 2016, the organization received approximately \$5,069 in donated goods. No donated goods were recognized by the Organization during the fiscal year ended June 30, 2015.

Services donated by volunteers are recorded as revenues and expenses if the services require specialized skills and would otherwise be purchased by the Organization. No donated services were recorded in the fiscal years ended June 30, 2016 or 2015. During the fiscal years ended June 30, 2016 and 2015, approximately 400 volunteers provided 1,150 and 1,128 hours, respectively, of services that are essential to the operation of the organization but which are not recognizable under generally accepted accounting principles.

**Functional Allocation of Expenses**

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

**Income Tax Status**

The Organization has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and under Revenue and Taxation Code Section 23701(d), respectively.

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

A NOISE WITHIN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**2 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30,  
2016

	Cost	Accumulated Depreciation	Net
Land	\$ 2,013,000	\$ -	\$ 2,013,000
Building	10,308,127	1,159,843	9,148,284
Building improvements	105,555	20,195	85,360
Production equipment	269,701	98,178	171,523
Office furniture, equipment and computers	130,818	92,484	38,334
	<u>\$ 12,827,201</u>	<u>\$ 1,370,700</u>	<u>\$ 11,456,501</u>
2015			
	Cost	Accumulated Depreciation	Net
Land	\$ 2,013,000	\$ -	\$ 2,013,000
Building	10,308,127	902,155	9,405,972
Building improvements	68,103	9,161	58,942
Production equipment	254,316	65,724	188,592
Office furniture, equipment and computers	114,724	68,282	46,442
	<u>12,758,270</u>	<u>\$ 1,045,322</u>	<u>\$ 11,712,948</u>

Depreciation expense for the fiscal years ended June 30, 2016 and 2015 was \$325,378 and \$326,880, respectively.

**3 CASH AND CONCENTRATION OF RISK**

Cash includes money market mutual funds of \$426,000 and \$337,000 as of June 30, 2016 and 2015, respectively. Included in cash at June 30, 2016 and 2015 is \$60,000 and \$30,000, respectively, designated by the Board of Directors as a Plant Fund for future major repairs and maintenance.

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NOTES TO FINANCIAL STATEMENTS  
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**3 CASH AND CONCENTRATION OF RISK (Continued)**

Funds on deposit at financial institutions in excess of the available federal insurance were \$732,000 and \$532,000 at June 30, 2016 and 2015, respectively.

**4 CAPITAL CAMPAIGN AND TEMPORARILY RESTRICTED NET ASSETS**

The Organization built a theatre facility which opened in the fall of 2011. The Organization has run a capital campaign in support of the new facility. Donations received for the capital campaign are temporarily restricted. As of June 30, 2016, the campaign continued to collect on promises to give for building costs and to pay down the bank loan. Temporarily restricted net assets are comprised of pledges and received donations with imposed restrictions that have not yet been met.

The Organization recognized \$0 and \$14,747 in unconditional pledges for the capital campaign for fiscal year ending June 30, 2016 and 2015, respectively.

Long-Term capital campaign and other promises to give due in two to four years after the fiscal year end are present value discounted 5% and 10% per year for the year ending June 30, 2016 and 2015, respectively, as follows:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give - capital campaign	\$ -	\$ 3,150
Unconditional promises to give - other	159,376	-
Discount	<u>(15,875)</u>	<u>(440)</u>
Net unconditional promises to give	<u>\$ 143,501</u>	<u>\$ 2,710</u>

Imputed interest is included in donation income.

**5 LONG-TERM DEBT**

In June, 2015, the Organization refinanced its bank loan. The loan is secured by a first trust deed secured by the Organization's land and building and furniture, fixtures and equipment. The loan is payable in monthly installments of principal and interest of \$3,570 (20 year amortization) with an interest rate of 5%, and a balloon payment of all remaining principal and interest due June 1, 2022.

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JUNE 30, 2016

**5 LONG-TERM DEBT (Continued)**

A Noise Within is required to maintain its primary operating bank account with the lender. Minimum maturities by year are as follows:

2017	\$	13,475
2018		14,165
2019		14,889
2020		15,651
2021		16,452
thereafter		<u>398,796</u>
	\$	<u>473,428</u>

Interest expense totaled \$27,640 and \$37,345 for the fiscal years ended June 30, 2016 and 2015, respectively.

**6 LINE OF CREDIT**

In May of 2016, the Organization obtained a line of credit from the bank providing the loan noted above for up to \$200,000 bearing a variable interest rate. The line of credit is secured by substantially all of the Organization's assets. As of June 30, 2016, no funds have been drawn and the balance of the line of credit was \$0.

**7 DEFERRED COMPENSATION PLAN**

During the fiscal year ended June 30, 2016, the Organization started a deferred compensation plan for two key employees. The first transfer of funds was not paid until the subsequent period, however, the expense and related liability were recognized as of June 30, 2016.

**8 CONTINGENCIES**

A dispute has arisen over the amount that is due a contractor for work performed in connection with construction of the Organization's facilities. The parties have agreed to submit the matter to binding arbitration, the outcome of which cannot be determined at this time. Management believes that any settlement will not have material adverse effect on the Organization's financial position or result of Organizational activities.

**9 EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 18, 2016, the date which these financial statements were available to be issued, and has included in these financial statements any information available at this date that is relevant and material.

In September of 2016, the Board of Directors voted to allocate \$160,000 to the Board designated Plant Fund, bringing the total in that fund to \$220,000.