DETROIT CRISTO REY HIGH SCHOOL AND SUBSIDIARY

Detroit, Michigan

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended June 30, 2017 and 2016

DETROIT CRISTO REY HIGH SCHOOL AND SUBSIDIARY

TABLE OF CONTENTS
As of and for the Years Ended June 30, 2017 and 2016

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Detroit Cristo Rey High School and Subsidiary
Detroit, Michigan

We have audited the accompanying consolidated financial statements of Detroit Cristo Rey High School and Subsidiary (collectively the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, cash flows and functional expenses 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 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.

Auditors' 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 auditors' 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.

Board of Directors
Detroit Cristo Rey High School

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2017, 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.

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended June 30, 2016 were audited by another auditor whose report dated March 15, 2017, expressed an unmodified opinion on those financial statements.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
November 10, 2017

DETROIT CRISTO REY HIGH SCHOOL AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 524,639	$ 497,629
Accounts receivable	27,765	24,708
Promises to give - net of long-term portion	118,558	60,983
Prepaid expenses	3,895	650
Total Current Assets	674,857	583,970
PROPERTY AND EQUIPMENT, NET	3,112,221	2,436,589
OTHER ASSETS		
Restricted cash	541,409	902,265
Investments	696,062	223,099
Promises to give - net of current portion	565,612	560,931
Total Other Assets	1,803,083	1,686,295
TOTAL ASSETS	$ 5,590,161	$ 4,706,854

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable	$ 27,841	$ 23,830
Accrued expenses	173,858	9,541
Vehicle notes payable - net of long-term portion	4,434	15,637
Mortgage payable - net of long-term portion	86,204	81,952
Student scholarships payable	112,388	114,884
Student activities payable	38,460	39,571
Deferred revenue	204,437	94,745
Total Current Liabilities	647,622	380,160
LONG-TERM LIABILITIES		
Annuity payable	18,139	18,139
Vehicle notes payable - net of current portion	4,832	9,269
Mortgage payable - net of current portion	1,817,303	1,904,150
Total Long-Term Liabilities	1,840,274	1,931,558
Total Liabilities	2,487,896	2,311,718
NET ASSETS		
Unrestricted	1,323,025	789,724
Temporarily restricted	1,779,240	1,605,412
Total Net Assets	3,102,265	2,395,136
TOTAL LIABILITIES AND NET ASSETS	$ 5,590,161	$ 4,706,854

See accompanying notes to consolidated financial statements.

DETROIT CRISTO REY HIGH SCHOOL AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2017 and 2016

	Unrestricted	Temporarily Restricted	2017 Total	Unrestricted	Temporarily Restricted	2016 Total
PUBLIC SUPPORT						
Contributions	$ 822,160	$ 1,219,243	$ 2,041,403	$ 1,296,853	$ 1,641,501	$ 2,938,354
In-kind contributions	298,576	-	298,576	37,141	-	37,141
Net assets released from restriction	1,045,415	(1,045,415)	-	439,199	(439,199)	-
Total Public Support	2,166,151	173,828	2,339,979	1,773,193	1,202,302	2,975,495
REVENUE						
Work study	2,075,325	-	2,075,325	1,981,986	-	1,981,986
Student tuition and fees	143,593	-	143,593	132,448	-	132,448
Special events, net of expenses of $143,901 in 2017 and $109,000 in 2016	338,361	-	338,361	261,906	-	261,906
Interest revenue	5,962	-	5,962	556	-	556
Realized and unrealized gain, net	29,174	-	29,174	2,784	-	2,784
Other revenue	20,782	-	20,782	35,219	-	35,219
Total Revenue	2,613,197	-	2,613,197	2,414,899	-	2,414,899
Total Public Support and Revenue	4,779,348	173,828	4,953,176	4,188,092	1,202,302	5,390,394
EXPENSES						
Program	2,837,171	-	2,837,171	2,349,628	-	2,349,628
Management and general	1,041,017	-	1,041,017	843,606	-	843,606
Fundraising	367,859	-	367,859	410,374	-	410,374
Total Expenses	4,246,047	-	4,246,047	3,603,608	-	3,603,608
CHANGE IN NET ASSETS	533,301	173,828	707,129	584,484	1,202,302	1,786,786
NET ASSETS - Beginning of Year	789,724	1,605,412	2,395,136	205,240	403,110	608,350
NET ASSETS - END OF YEAR	$ 1,323,025	$ 1,779,240	$ 3,102,265	$ 789,724	$ 1,605,412	$ 2,395,136

See accompanying notes to consolidated financial statements.

DETROIT CRISTO REY HIGH SCHOOL AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 707,129	$ 1,786,786
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	193,545	176,195
Bad debt expense	80,351	2,901
Unrealized and realized gain on investments	(29,174)	(2,784)
Changes in assets and liabilities		
Accounts receivable	(3,057)	(4,990)
Promises to give	(142,607)	(624,815)
Prepaid expense	(3,245)	699
Accounts payable	4,011	(9,927)
Accrued expenses	164,317	9,541
Student scholarships payable	(2,496)	32,683
Student activities payable	(1,111)	25,068
Annuities payable	-	(16,412)
Deferred revenue	109,692	253
Net Cash Flows from Operating Activities	1,077,355	1,375,198
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(869,177)	(280,641)
Changes in restricted cash	360,856	(902,265)
Purchases of investments	(443,789)	(100,115)
Net Cash Flows from Investing Activities	(952,110)	(1,283,021)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of vehicle notes payable	(15,640)	(13,529)
Repayment of mortgage payable	(82,595)	(82,600)
Net Cash Flows from Financing Activities	(98,235)	(96,129)
Net Change in Cash and Cash Equivalents	27,010	(3,952)
CASH AND CASH EQUIVALENTS - Beginning of Year	497,629	501,581
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 524,639	$ 497,629

Supplemental cash flow disclosures

	2017	2016
Cash paid for interest	$ 94,672	$ 98,924

See accompanying notes to consolidated financial statements.

DETROIT CRISTO REY HIGH SCHOOL AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2017 and 2016

	Program	Management and General	Fundraising	2017 Total	Program	Management and General	Fundraising	2016 Total
Employee expense	$ 2,108,851	$ 794,315	$ 164,156	$ 3,067,322	$ 1,650,067	$ 655,174	$ 121,328	$ 2,426,569
Work study and student life	236,780	-	-	236,780	230,631	-	-	230,631
Technology and communications	66,690	18,887	3,582	89,159	78,576	4,623	9,244	92,443
Building and maintenance	126,893	63,144	10,655	200,692	153,003	25,832	19,870	198,705
Work study transportation	94,028	-	-	94,028	86,636	-	-	86,636
Administration and fees	-	59,987	38,816	98,803	-	67,642	67,642	135,284
Service and fees	10,109	20,054	56,349	86,512	9,270	21,627	123,580	154,477
Bad debt expense	2,100	-	78,251	80,351	2,901	-	-	2,901
Interest expense	64,948	28,502	5,405	98,855	79,813	9,977	9,977	99,767
Depreciation	126,772	56,128	10,645	193,545	58,731	58,731	58,733	176,195
Total Expenses	$ 2,837,171	$ 1,041,017	$ 367,859	$ 4,246,047	$ 2,349,628	$ 843,606	$ 410,374	$ 3,603,608

See accompanying notes to consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The Detroit Cristo Rey High School and Subsidiary (collectively the "Organization") is a not-for-profit educational corporation located in the city of Detroit, Michigan. The Organization's consolidated financial statements include the accounts of the wholly owned subsidiary, Detroit Cristo Rey High School Corporate Work Study Program ("Corporate Work Study"). Detroit Cristo Rey High School provides excellent college-preparatory Catholic high school education, in the Cristo Rey Model, to students from economically disadvantaged families in Detroit. The school emphasizes faith, morals and service to the community. Through the Corporate Work Study Program, the school fosters skills and attitudes important in the workplace, such as responsibility, determination, and respect for self and others.

Student Population

For the 2016-2017 school year, the Organization ended with a student population of 302 students. For the 2017-2018 school year, the Organization began with a student population of 335 students.

Cash and Cash Equivalents

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash and cash equivalents for purposes of the statement of cash flows exclude restricted cash and cash equivalents. At times the Organization may maintain balances that exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any unusual credit risk on cash and cash equivalents.

Restricted Cash

Cash with donor-imposed restrictions held by the Organization is part of temporarily restricted net assets, and as such, is separately classified from unrestricted cash.

Accounts Receivable

The Organization records an allowance for uncollectible accounts based on a review of the existing accounts receivable as well as historical write-off experience. No allowance for doubtful accounts is considered necessary for the years ended June 30, 2017 and 2016. The Organization's accounts receivable are comprised primarily of Corporate Work Study receivables.

Promises to Give

Unconditional promises to give made to the Organization are recorded in the year the pledge is made. Amounts that are expected to be collected after one year have been discounted at 3% and are reflected in the financial statements at their net present value. Discount on long-term promises to give as of June 30, 2017 is $29,786. There was no discount recorded as of June 30, 2016. An allowance for uncollectible promises to give is determined based on experience. The allowance for uncollectible promises to give as of June 30, 2017 is $49,000. There was no allowance for uncollectible promises to give as of June 30, 2016.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a measure of fair value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. Acquisitions of property and equipment in excess of $2,000 and expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Donated property and equipment are recorded as increases in unrestricted net assets at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, ranging from 3 to 39 years.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Deferred Revenue

Deferred revenue consists of tuition payments and work study payments received in advance to be recognized during the next fiscal year. Some corporate sponsors opted to pay sponsorship fees for the 2016-2017 and 2017-2018 school years prior to June 30, 2017 and 2016, respectively. These amounts will be recognized as revenue during the year the fees are earned.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There are no permanently restricted net assets at June 30, 2017 and 2016.

Tax-Exempt Status

Detroit Cristo Rey High School and Detroit Cristo Rey Work-Study, Inc. have received notification that they are included in the official Catholic Directory and therefore they qualify as tax-exempt organizations under Section 501 (c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, are not subject to federal or state income taxes on related activities.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by an organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Student tuition and fees reflects the Organization's charges for tuition, net of scholarships and financial aid. Tuition rates are determined by family gross income per year. The remainder of the tuition is supplemented by the Detroit Cristo Rey Corporate Work Study Program as well as Development Office fundraising.

Work study revenue is recognized as revenue in the period in which it is earned. Funds received in advance of being earned are recorded as deferred revenue until the revenue is earned.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

In-Kind Contributions

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Organization participates in a program with a public school district for elective courses. The donated instruction time of $289,232 is recorded as in-kind revenues. The payroll expenses are included in program expenses.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its mission, but these services do not meet the criteria for recognition as contributed services. For the years ended June 30, 2017 and 2016, the Organization received more than 7,100 and 7,200 volunteer hours per year, respectively.

Community Foundation of Southeast Michigan

The Community Foundation of Southeast Michigan (the "Foundation") holds donations made on behalf of the Organization. The Foundation administers these funds, making all investment and distribution decisions. As a result, the Organization does not hold variance power over these funds. As of June 30, 2017 and 2016, $103,157 and $69,101, respectively, was maintained by the Foundation on behalf of the Organization. The Foundation made distributions of $3,475 and $3,660 to the Organization during the years ended June 30, 2017 and 2016, respectively. The distributions are included as contributions on the statement of activities.

Expense Allocation

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.

Reclassification

For comparability, certain 2016 amounts have been reclassified to conform with classifications adopted in 2017. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated events through November 10, 2017, which is the date the financial statements were approved and available to be issued.

NOTE 2 - Promises to Give

The Organization expects payment for unconditional promises to give as follows:

	2017	2016
Less than one year	$ 118,558	$ 60,983
One to five years	644,398	560,931
Less: Allowance for doubtful accounts	(49,000)	-
Less: Discount to present value	(29,786)	-
Total promises to give	$ 684,170	$ 621,914

NOTE 3 - Property and Equipment

The major categories of property and equipment at June 30 are as follows:

	Useful lives	2017	2016
Land	n/a	$ 100,000	$ 100,000
Building	39 years	2,184,000	2,184,000
Building improvements	5 - 25 years	1,110,571	443,233
Vehicles	3 - 5 years	352,779	322,356
Computer equipment	4 - 5 years	267,896	225,321
Furniture and fixtures	5 - 25 years	203,543	76,750
Office equipment	7 years	42,249	42,249
Signs	10 years	3,223	3,223
Total		4,264,261	3,397,132
Less: Accumulated depreciation		(1,152,040)	(960,543)
Property and Equipment, Net		$ 3,112,221	$ 2,436,589

Depreciation expense was $193,545 and $176,195 for the years ended June 30, 2017 and 2016, respectively.

NOTE 4 - Fair Value Measurements

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Beneficial interests and investments are recorded at fair value on a recurring basis. Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis, such as property held for sale and other long lived assets. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write downs of individual assets.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value. The fair value hierarchy is categorized into three levels as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Valuations based on inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The Organization's policy is to recognize transfers in and out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of fair value hierarchy during the years ended June 30, 2017 and 2016.

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of June 30, 2017 based upon the three-level hierarchy:

	2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 236	$ -	$ -	$ 236
Money Market	2,557	-	-	2,557
Equities	404,486	-	-	404,486
Fixed Income - ETF	288,783	-	-	288,783
Total	$ 696,062	$ -	$ -	$ 696,062

NOTE 4 - Fair Value Measurements (cont.)

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of June 30, 2016 based upon the three-level hierarchy:

	2016			
	Level 1	Level 2	Level 3	Total
Money Market	$ 27,754	$ -	$ -	$ 27,754
Equities	195,345	-	-	195,345
Total	$ 223,099	$ -	$ -	$ 223,099

The following is a summary of investment revenue and its classification in the statement of activities for the years ended June 30:

	2017	2016
Interest	$ 5,962	$ 556
Unrealized gain on investments	32,147	2,784
Realized (loss) on investments	(2,973)	-
Total	$ 35,136	$ 3,340

NOTE 5 - Capital Campaign

During 2016, the Organization initiated a capital campaign to fund improvements to the Organization's school building and educational programs and to establish a Board directed reserve fund. The Organization raised $711,041 and $1,614,426 in donations and pledges for the campaign for the years ended June 30, 2017 and 2016, respectively.

NOTE 6 - Line of Credit

The Organization has a line of credit with a bank in the amount of $200,000. The line of credit is due September 24, 2018, and is collateralized by all assets of the Organization. Interest on the outstanding balance is due monthly at a variable interest rate of interest rate of LIBOR plus 0.75% (effective annual rate as of June 30, 2017 and 2016 was 1.97% and 1.22%, respectively). There was no outstanding balance on the line of credit as of June 30, 2017 and 2016.

NOTE 7 - Long-Term Debt

Long term debt consists of the following at June 30:

	2017	2016
Vehicle note payable to a financial institution with a maturity date in October 2017, with monthly payments totaling $413 which include interest at an annual rate of 2.99%.	$ 1,621	$ 6,396
Vehicle note payable for two vehicles to a financial institution with a maturity date in July 2017, with monthly payments totaling 682 which include interest at an annual rate of 4.25%.	682	8,638
Vehicle note payable to a financial institution with a maturity date in August 2020, with monthly payments totaling $192 which include interest at an annual rate of 2.89%.	6,963	9,033
Note payable the Archdiocese of Detroit, with monthly payments totaling $16,396 which include interest at an annual rate of 6.25%. The mortgage is amortized over 20 years and is secured by the building.	1,903,507	1,986,102
Vehicle note payable repaid during 2017	-	839
Total Long-Term Debt	1,912,773	2,011,008
Less: Current portion	(90,638)	(97,589)
Total Non-Current Portion	$ 1,822,135	$ 1,913,419

Future maturities of long-term debt for years ending after June 30, 2017 are as follows:

2018	$ 90,638
2019	92,870
2020	97,405
2021	100,700
2022	105,524
2023 and thereafter	1,425,636
Total	$ 1,912,773

NOTE 8 - Operating Leases

The Organization leases office equipment and an activity bus, which are accounted for as operating leases. Lease payments for the years ending June 30, 2017 and 2016 were $26,724 and $26,864, respectively. The copier leases require payments of $1,195 per month and expire in July 2020 and May 2022. The postage machine requires payments of $432 per quarter and expires in January 2021. The activity bus requires payments of $973 per month and expires in February 2018.

Future minimum lease payments for years ending after June 30, 2017 are as follows:

2018	$ 20,575
2019	16,074
2020	16,074
2021	1,027
2022	1,027
Total	$ 54,777

NOTE 9 - Asset Retirement and Environmental Obligation

Asset retirement and environmental obligations are liabilities that are recognized when incurred if their fair values can be reasonably estimated. The Organization received an asbestos inspection which indicated no asbestos response actions are required currently. Therefore, the Organization has not recorded a liability at June 30, 2017.

NOTE 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at June 30:

	Restriction	2017	2016
Capital campaign	Purpose	$ 174,595	$ 553,314
Mary Fran Gilleran fund	Purpose	78,595	35,979
College acceptance fund	Purpose	623,207	187,894
Kellogg grant	Purpose	-	191,459
Pledges receivable - current	Time and purpose	25,167	60,983
Pledges receivable - long-term	Time and purpose	659,003	560,931
Miscellaneous	Time and purpose	218,673	14,852
Total		$ 1,779,240	$ 1,605,412

NOTE 11 - Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued ASU 2016-14, *Not-for-Profit Entities (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 is intended to simplify and improve current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, expense classifications and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. Management is currently evaluating the impact of ASU 2016-14 on the Organization's financial statements.

During May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2017. The Organization may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that ASU Nos. 2014-09 and 2015-14 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU 2016-02, *Leases*. ASU No. 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases previously. ASU 2016-02 is effective for annual periods beginning after December 15, 2019. The Organization is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

In November 2016 the FASB issued ASU No. 2016-18 *"Restricted Cash"*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018 and should be applied retrospectively. Early adoption is permitted. The Organization is currently evaluating the effect that ASU No. 2016-18 will have on its operations, financial position and cash flows.