
RACE FORWARD

FINANCIAL STATEMENTS

December 31, 2016 and 2015

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

RACE FORWARD

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Race Forward
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Race Forward, which comprise the statement of financial position as of December 31, 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.

Auditors' Responsibility

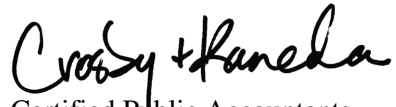
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 in the first paragraph present fairly, in all material respects, the financial position of Race Forward as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Crosby + Raneda". The signature is written in a cursive, flowing style.

Certified Public Accountants

Oakland, California

September 6, 2017

RACE FORWARD

**Statement of Financial Position
December 31, 2016 and 2015**

Assets	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 1,796,863	\$ 1,013,783
Investments (Note 3)	106,271	143,986
Grants and accounts receivable	1,547,601	2,071,359
Prepaid expenses	15,225	39,001
Notes receivable, current portion (Note 5)	3,000	8,346
Total Current Assets	<u>3,468,960</u>	<u>3,276,475</u>
Notes receivable (Note 5)	3,037	72,519
Property and equipment, net (Note 6)	1,174,537	1,213,986
Deposits	<u>29,318</u>	<u>29,318</u>
Total Assets	<u>\$ 4,675,852</u>	<u>\$ 4,592,298</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 112,607	\$ 143,993
Accrued vacation	95,716	65,113
Accrued sabbatical	45,723	10,177
Note payable, current (Note 7)	13,274	12,882
Total Current Liabilities	<u>267,320</u>	<u>232,165</u>
Note payable, long term (Note 7)	<u>19,498</u>	<u>32,773</u>
Total Liabilities	<u>286,818</u>	<u>264,938</u>
Commitments and Contingencies (Notes 9 and 10)		
Net Assets		
Unrestricted	2,697,198	1,828,716
Temporarily restricted (Note 13)	<u>1,691,836</u>	<u>2,498,644</u>
Total Net Assets	<u>4,389,034</u>	<u>4,327,360</u>
Total Liabilities and Net Assets	<u>\$ 4,675,852</u>	<u>\$ 4,592,298</u>

See Notes to the Financial Statements

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**Statement of Activities
For the Years Ended December 31, 2016 and 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Support and Revenue						
Support						
Contributions	\$ 164,271		\$ 164,271	\$ 122,909	\$ -	\$ 122,909
Foundation and community grants	1,476,350	1,375,504	2,851,854	213,009	4,256,037	4,469,046
Total Support	<u>1,640,621</u>	<u>1,375,504</u>	<u>3,016,125</u>	<u>335,918</u>	<u>4,256,037</u>	<u>4,591,955</u>
Revenue						
Fees and contracts	895,122		895,122	481,575		481,575
Rent	18,650		18,650	14,375		14,375
Conference (Note 14)	705,776		705,776			-
Investment return, net (Note 3)	53,562		53,562	9,099		9,099
Other	2,191		2,191	13,264		13,264
Total Revenue	<u>1,675,301</u>	<u>-</u>	<u>1,675,301</u>	<u>518,313</u>	<u>-</u>	<u>518,313</u>
Net assets released from restrictions (Note 13)	<u>2,182,312</u>	<u>(2,182,312)</u>	<u>-</u>	<u>3,325,885</u>	<u>(3,325,885)</u>	<u>-</u>
Total Support and Revenue	<u>5,498,234</u>	<u>(806,808)</u>	<u>4,691,426</u>	<u>4,180,116</u>	<u>930,152</u>	<u>5,110,268</u>
Expenses						
Program	3,101,402		3,101,402	2,303,476		2,303,476
Management and general	1,248,889		1,248,889	802,884		802,884
Fundraising	279,463		279,463	312,863		312,863
Total Expenses	<u>4,629,754</u>	<u>-</u>	<u>4,629,754</u>	<u>3,419,223</u>	<u>-</u>	<u>3,419,223</u>
Change in Net Assets	868,480	(806,808)	61,672	760,893	930,152	1,691,045
Net Assets, beginning of year before adjustment	1,919,960	2,498,644	4,418,604	1,159,066	1,568,493	2,727,559
Prior period adjustment (Note 12)	(91,242)	-	(91,242)	-	-	-
Net Assets, beginning of year, adjusted	<u>1,828,718</u>	<u>2,498,644</u>	<u>4,327,362</u>	<u>1,159,066</u>	<u>1,568,493</u>	<u>2,727,559</u>
Net Assets, end of year	<u>\$ 2,697,198</u>	<u>\$ 1,691,836</u>	<u>\$ 4,389,034</u>	<u>\$ 1,919,959</u>	<u>\$ 2,498,645</u>	<u>\$ 4,418,604</u>

See Notes to the Financial Statements

RACE FORWARD

**Statement of Cash Flows
For the Years Ended December 31, 2016 and 2015**

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 61,672	\$ 1,691,045
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	39,448	40,581
Gain/loss on investments	(42,380)	3,231
Loss on disposition of assets	-	4,637
Change in assets and liabilities:		
Grants and accounts receivable	523,758	(1,264,403)
Prepaid expenses	23,776	(36,021)
Accounts payable and accrued expenses	(31,386)	(36,809)
Accrued vacation	30,603	15,725
Accrued sabbatical	35,546	(21,033)
Net cash provided (used) by operating activities	641,037	396,953
Cash flows from investing activities		
Repayments on notes receivable	74,828	9,596
Proceeds from redemption of investments	-	21,017
Proceeds from sale of investments	80,098	-
Net cash provided (used) by investing activities	154,926	30,613
Cash flows from financing activities		
Repayments on borrowings	(12,883)	(12,502)
Net cash provided (used) by financing activities	(12,883)	(12,502)
Net change in cash and cash equivalents	783,080	415,064
Cash and cash equivalents, beginning of year	1,013,783	598,719
Cash and cash equivalents, end of year	\$ 1,796,863	\$ 1,013,783
Supplementary information		
Interest paid	\$ 1,193	\$ 1,592

See Notes to the Financial Statements

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Statement of Functional Expenses For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries	\$ 1,550,022	\$ 495,868	\$ 215,343	\$ 2,261,233	\$ 1,221,611	\$ 312,548	\$ 209,728	\$ 1,743,887
Employee benefits	241,756	68,215	29,114	339,085	199,658	51,082	34,278	285,018
Payroll taxes	125,815	40,121	16,192	182,128	104,678	26,782	17,971	149,431
Total Personnel	<u>1,917,593</u>	<u>604,204</u>	<u>260,649</u>	<u>2,782,446</u>	<u>1,525,947</u>	<u>390,412</u>	<u>261,977</u>	<u>2,178,336</u>
Grants	-	-	-	-	203,000	-	-	203,000
Legal	1,438	18,410	-	19,848	-	1,825	-	1,825
Accounting	-	98,355	-	98,355	-	39,081	-	39,081
Fee for service	405,997	79,725	500	486,222	173,695	197,953	2,780	374,428
Marketing and publicity	1,166	1,418	649	3,233	11,626	160	100	11,886
Office expenses	39,160	68,850	6,206	114,216	25,742	6,586	4,419	36,747
Information technology	150,497	91,127	-	241,624	104,688	26,784	17,973	149,445
Occupancy	-	123,343	-	123,343	87,798	36,838	15,073	139,709
Travel	209,958	99,075	5,389	314,422	110,860	42,217	4,721	157,798
Conference and meetings	310,982	10,058	109	321,149	5,444	3,244	940	9,628
Interest	-	1,193	-	1,193	-	1,592	-	1,592
Depreciation	27,614	6,706	5,128	39,448	28,427	7,274	4,880	40,581
Insurance	2,576	9,090	-	11,666	-	18,607	-	18,607
Staff development	4,707	-	807	5,514	12,279	1,338	-	13,617
Dues, fees, taxes and other	29,714	37,335	26	67,075	13,970	28,973	-	42,943
Total Expenses	<u>\$ 3,101,402</u>	<u>\$ 1,248,889</u>	<u>\$ 279,463</u>	<u>\$ 4,629,754</u>	<u>\$ 2,303,476</u>	<u>\$ 802,884</u>	<u>\$ 312,863</u>	<u>\$ 3,419,223</u>

See Notes to the Financial Statements

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Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015

NOTE 1: NATURE OF ACTIVITIES

Race Forward: The Center for Racial Justice Innovation (formerly Applied Research Center) is a California based nonprofit incorporated in 1981.

Race Forward seeks to advance racial justice through research, media and practice. Race Forward brings its analysis and approach to complex race issues to help people take effective action toward racial equity.

Our mission is to build awareness, solutions and leadership for racial justice. We envision a vibrant world in which people of all races create, share and enjoy resources and relationships equitably.

Our program areas include the following:

Research

- Conducts research on racial justice issues.
- Covers the intersection of race compounds and other societal issues.
- Describes social change practices

New Media

- Publishes Colorlines, a daily news site of investigative reporting and news analysis
- Uses storytelling and multimedia to amplify covered key issues
- Promotes stories concerning race to other media outlets

Network

- Presents Facing Race, a conference for racial justice movement-making, focused on alliance-building, issue-framing, and advancing solutions
- Offers speakers, trainings, and consulting services.
- Engages in action-oriented campaigns; for example, “Drop the I-Word” to discourage the use of the word “illegal” to describe undocumented immigrants

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

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Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015

Temporarily restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of December 31, 2016.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 as net assets released from restrictions.

Grants and Accounts Receivable

The Organization considers all accounts and grants receivable to be fully collectible at December 31, 2016. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Notes Receivable

Notes receivable are recorded at the amortized amount due. Interest income on the notes receivable is recorded when payments on the notes are received. There are no related fees associated with the notes receivable. Based on management's assessment of the notes receivable there was no allowance for potentially uncollectible notes receivable as of December 31, 2016.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal

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Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015

Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2016 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$2,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Building and improvements	39 years
Furniture and equipment	5-7 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

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Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015

Functional Allocation of Expenses

The costs of providing 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.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of September 6, 2017 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: INVESTMENTS

Investments are stated at fair value and consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Fixed income	\$ <u>106,271</u>	\$ <u>143,986</u>

Investment activity for the years ended December 31 was as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 11,182	\$ 12,330
Realized gain	27,310	-
Unrealized gain (loss), net of fees	<u>15,070</u>	<u>(3,231)</u>
Total	<u>\$ 53,562</u>	<u>\$ 9,099</u>

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the assets or liability.

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Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015

Fair values of assets measured on a recurring basis were as follows at December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed income:			
Preferred stock	\$ 34,618	\$ -	\$ 34,618
Corporate bonds	-	49,778	49,778
Collateralized mortgage obligations	-	21,875	21,875
Total	<u>\$ 34,618</u>	<u>\$ 71,653</u>	<u>\$ 106,271</u>

Fair values of assets measured on a recurring basis were as follows at December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Fixed income:			
Preferred stock	\$ 57,730	\$ -	\$ 57,730
Corporate bonds	-	19,125	19,125
Collateralized mortgage obligations	-	67,131	61,131
Total	<u>\$ 57,730</u>	<u>\$ 86,256</u>	<u>\$ 143,986</u>

NOTE 5: NOTES RECEIVABLE

Note receivable at December 31, 2016 consisted of the following:

Unsecured loan to TIGRA, no interest, payments of \$250 per month through December, 2017, and three monthly payments of \$1,096 from January through March, 2018.	\$ 6,037
Less current portion	<u>(3,000)</u>
Long-term portion	<u>\$ 3,037</u>

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Equipment and furniture	\$ 63,486	\$ 63,486
Building and improvements	1,331,929	1,331,929
Donated building in Ithaca, NY	15,000	15,000
Donated land in Ithaca, NY	60,000	60,000
Less accumulated depreciation	<u>(295,878)</u>	<u>(256,429)</u>
Total	<u>\$ 1,174,537</u>	<u>\$ 1,213,986</u>

NOTE 7: NOTE PAYABLE

The Organization had a note payable as follows as of December 31, 2016:

Note payable to the Sisters of Loretto with interest of 3% secured by the Organization's investments, payable in monthly installments of \$1,173, due and payable on May 31, 2019.	\$ 32,772
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Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015

Less current portion	<u>(13,274)</u>
Long-term portion	<u>\$ 19,498</u>

The future scheduled maturities of the note payable were as follows for the years ending December 31:

2017	\$ 13,274
2018	13,644
2019	<u>5,854</u>
Total	<u>\$ 32,772</u>

NOTE 8: LINE OF CREDIT

The Organization has a line of credit secured by its investment accounts which it uses for its cash flow needs. The Organization pays interest on any borrowing with the total interest charge varying up to 5.375% above a base rate depending on certain factors such as the balance of the amount outstanding. As of December 31, 2016 there was no balance on the account.

NOTE 9: COMMITMENTS

The Organization was party to a lease for office space in New York City which expires in December, 2021. Future minimum operating lease payments were as follows for the years ending December 31:

2017	\$ 116,398
2018	122,641
2019	126,912
2020	138,720
Thereafter	<u>134,640</u>
Total	<u>\$ 639,311</u>

Rent for the years ended December 31, 2016 and 2015 was \$100,509 less \$18,650 received from a sub-tenant for rent, and \$138,058 less \$14,375, respectively.

NOTE 10: CONTINGENCIES

Grant Awards

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the organization to the provisions of the grants. The Organization's management is of the opinion that it has complied with the terms of all grants.

Sabbaticals

The Organization offers eligible employees a two-month paid sabbatical leave after every five years of services. Leave must be taken within one year of the date the employee becomes eligible or it will be forfeited. Sabbatical benefits do not vest and leave is

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Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015

subject to the financial health of the Organization. The Executive Director and the Board of Directors retain the discretion to grant or deny requests for sabbatical leave. As of December 31, 2016, the Organization had accrued \$45,723 of sabbatical leave.

NOTE 11: CONCENTRATIONS

As of December 31, 2016, approximately 65% of the accounts and grants receivables were from two funders.

NOTE 12: PRIOR PERIOD ADJUSTMENT

Net assets as of December 31, 2015 have been restated for an understatement of accrued payroll and an overstatement of unrestricted net assets of \$91,242. The correction has no effect on the results of the current year's activities; however, the cumulative effect decreased net assets by \$91,242.

NOTE 13: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows at December 31:

	<u>2016</u>	<u>2015</u>
New Media	\$ 169,728	\$ 91,394
Network	44,608	282,250
Future periods	<u>1,477,500</u>	<u>2,125,000</u>
Total	<u>\$ 1,691,836</u>	<u>\$ 2,498,644</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended December 31:

	<u>2016</u>	<u>2015</u>
Research	\$ -	\$ 304,779
New Media	76,666	250,544
Network	1,363,146	366,812
Special projects	-	15,000
Facing Race Conference	95,000	-
Passage of time	<u>647,500</u>	<u>2,388,750</u>
Total	<u>\$ 2,182,312</u>	<u>\$ 3,325,885</u>

NOTE 14: CONFERENCE

The Organization hosts a major biennial national conference called Facing Race in November of even numbered years. There was no conference during the fiscal year ended December 31, 2015.

NOTE 15: PENSION

The Organization has a defined contribution plan as established under Internal Revenue Code Section 403(b) (the Plan). Full time employees are eligible for participation in the Plan and become eligible after one year of employment and vest over the next five years.

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**Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015**

For each Plan year, the Board of Directors of the Organization determines the amount (if any) to be contributed to the Plan. There were no contributions made by the Organization for the years ended December 31, 2016 and 2015.