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MISSIONSAFE: A NEW BEGINNING, INC.


FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2017

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

MISSIONSAFE: A NEW BEGINNING, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017



Mission Statement

MissionSAFE works with highly at-risk youth to help them gain the skills and confidence to thrive, not simply survive and to give back to their community and the larger world around them.

MissionSAFE believes all youth have the right and the ability to be happy, successful global citizens, and to discover and foster their unique potential to its fullest.

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MISSIONSAFE: A NEW BEGINNING, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

C O N T E N T S

	<i>Pages</i>
Independent Auditors' Report.....	1
Statement of Financial Position as of December 31, 2017.....	2
Statement of Activities for the Year Ended December 31, 2017.....	3
Statement of Functional Expenses for the Year Ended December 31, 2017.....	4
Statement of Cash Flows for the Year Ended December 31, 2017.....	5
Notes to Financial Statements.....	6 - 12

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
MissionSAFE: A New Beginning, Inc.
Roxbury, Massachusetts

We have audited the accompanying financial statements MissionSAFE: A New Beginning, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows 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 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 of 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 Organization'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 Organization'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 MissionSAFE: A New Beginning, Inc. as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
May 2, 2018

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MISSIONSAFE: A NEW BEGINNING, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

ASSETS

CURRENT ASSETS:

Cash	\$ 71,154
Pledges and Grants Receivable, Current	91,348
Prepaid Expenses	14,650
Security Deposit	<u>2,098</u>
Total Current Assets	<u>179,250</u>

PROPERTY AND EQUIPMENT:

Net of Accumulated Depreciation	<u>15,300</u>
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NON-CURRENT ASSETS:

Grant Receivable, Non-Current	<u>50,000</u>
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TOTAL ASSETS

\$ 244,550

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Line-of-Credit	\$ 45,000
Current Portion of Long-Term Debt	10,673
Accounts Payable and Accrued Expenses	9,985
Accrued Payroll and Related Costs	<u>15,593</u>
Total Current Liabilities	<u>81,251</u>

LONG-TERM LIABILITIES:

Long-Term Debt, Net of Current Portion	<u>9,943</u>
Total Long-Term Liabilities	<u>9,943</u>

TOTAL LIABILITIES

91,194

NET ASSETS:

Unrestricted Net Assets (Deficit)	(12,568)
Temporarily Restricted Net Assets	<u>165,924</u>
Total Net Assets	<u>153,356</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 244,550

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MISSIONSAFE: A NEW BEGINNING, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>			
<i>Support and Revenues:</i>			
Gifts, Grants and Contributions	\$ 129,829	\$ 267,500	\$ 397,329
Government Grants	104,988	-	104,988
Gross Proceeds from Special Fund Raising Events	234,712	-	234,712
Less: Cost of Direct Benefits to Donors	(68,114)	-	(68,114)
<i>Other Revenue:</i>			
Interest Income	<u>38</u>	<u>-</u>	<u>38</u>
Total Support and Revenues	401,453	267,500	668,953
<i>Reclassification of Net Assets:</i>			
Satisfaction of Program Restrictions	<u>258,674</u>	<u>(258,674)</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>660,127</u>	<u>8,826</u>	<u>668,953</u>
<u>EXPENSES:</u>			
Program Services	507,733	-	507,733
<i>Supporting Services:</i>			
Administrative	116,061	-	116,061
Fund Raising	<u>64,360</u>	<u>-</u>	<u>64,360</u>
<u>TOTAL EXPENSES</u>	<u>688,154</u>	<u>-</u>	<u>688,154</u>
<u>CHANGE IN NET ASSETS</u>	(28,027)	8,826	(19,201)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>15,459</u>	<u>157,098</u>	<u>172,557</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ (12,568)</u>	<u>\$ 165,924</u>	<u>\$ 153,356</u>

MISSIONSAFE: A NEW BEGINNING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES	ADMINI- STRATIVE	FUND RAISING	TOTAL FUNCTIONAL EXPENSES
Salaries and Wages	\$ 225,531	\$ 42,835	\$ 35,479	\$ 303,845
Payroll Taxes	18,792	3,995	3,082	25,869
Employee Benefits	17,190	13,373	3,865	34,428
Youth Stipends	109,012	-	-	109,012
Temporary Help	31,847	-	1,153	33,000
Professional Fees	3,350	31,645	15,300	50,295
Occupancy	49,434	919	-	50,353
Program Supplies and Activities	24,039	-	-	24,039
Minor Equipment and Furnishings	2,436	1,904	-	4,340
Vehicle Expenses	15,699	42	-	15,741
General and Liability Insurance	3,595	4,717	-	8,312
Office Supplies and Expenses	-	9,746	94	9,840
Telephone and Communications	5,456	2,057	429	7,942
Staff Travel and Development	1,277	18	-	1,295
Meetings and Conferences	75	390	-	465
Interest Expense	-	1,174	-	1,174
Dues, Fees, and Licenses	-	1,249	2,338	3,607
Depreciation	-	1,700	-	1,700
Miscellaneous	-	297	2,600	2,897
Total Expenses per the Statement of Activities	507,733	116,061	64,360	688,154
Cost of Direct Benefits to Donors at Special Fund Raising Events	-	-	68,114	68,114
Total Functional Expenses	\$ 507,733	\$ 116,061	\$ 132,474	\$ 756,268

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MISSIONSAFE: A NEW BEGINNING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	<u>\$ (19,201)</u>
<i>Adjustments to Reconcile the Above to Net Cash Used by Operating Activities:</i>	
Depreciation Expense	1,700
<i>(Increase) Decrease in Current Assets:</i>	
Pledges and Grants Receivable	(12,832)
Prepaid Expenses	(2,444)
<i>Increase (Decrease) in Current Liabilities:</i>	
Accounts Payable and Accrued Expenses	5,642
Accrued Payroll and Related Costs	4,583
<i>(Increase) Decrease in Non-Current Assets:</i>	
Pledges and Grants Receivable	<u>(35,000)</u>
Net Adjustment	<u>(38,351)</u>

NET CASH USED BY OPERATING ACTIVITIES (57,552)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Fixed Assets	(17,000)
Net Cash Flows from Investing Activities	<u>(17,000)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from Line-of-Credit	15,000
Principal Payments on Long-Term Debt	(5,234)
Proceeds from Note Payable	<u>15,000</u>
Net Cash Flows from Financing Activities	<u>24,766</u>

NET DECREASE IN CASH BALANCES (49,786)

CASH BALANCES - BEGINNING OF YEAR 120,940

CASH BALANCES - END OF YEAR \$ 71,154

Supplemental Disclosures:

Cash Paid for Interest	<u>\$ 1,174</u>
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MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1 ORGANIZATION

MissionSAFE: A New Beginning, Inc. ("MissionSAFE" or the "Organization"), was incorporated in 1998 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

MissionSAFE: A New Beginning, Inc. is a relational, trauma-informed youth development program for at- and high- risk young people. Its mission is to work with youth and their families to gain the skills and confidence to thrive, not just survive, and to help improve their community and the larger world. MissionSAFE is committed to helping youth realize their full and unique potential. To accomplish these goals, MissionSAFE offers the following programming:

Explorers Academy (EA):

Out-of-school time programming for youth ages 11 - 14 that focuses on academic enhancement, social, emotional growth, leadership, problem-solving, and communication skills development, community service, violence prevention, civic engagement and exploration of arts, places, careers and college.

Youth Leadership Service Corps (YLSC):

Out-of-school time programming for youth ages 15 - 22 that focuses on personal growth, leadership development, communication, problem-solving skills development, violence prevention, community service, civic engagement, college and career exploration, and job readiness training with strong academic support that includes collaboration with schools that youth are attending and intensive tutoring by college students.

MissionSAFE Futures/Futures Junior:

Works with young people ages 15 - 28 who have been involved in violence or with the courts, and who are unemployed and/or have dropped out of school. MissionSAFE Futures focuses on providing job readiness as well as job and life-skill skill training and case management to create a path for long-term self-sufficiency, employment, growth and fulfillment. Futures Junior focuses on moving youth from anger and violence to a path with future goals, academic advancement, financial literacy, job readiness training and life skills by providing case management, workshops and horizon-broadening experiences.

Youth, Street & School Outreach:

An ongoing recruitment/interaction initiative of MissionSAFE in which staff reach out to and meet youth and their families in their homes, on the streets, and in the schools to gain and maintain a better sense of youths' lives in their community context and to monitor and help transform their academic experience.

Parents on a Mission:

In truly grassroots style, parents and alums of MissionSAFE youth come together to support the program and explore ways in which to support each other and promote positive change in their lives.

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MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 2 *(Continued)*

Counseling and Restorative Circles:

MissionSAFE recognizes the importance of individual and group counseling activities such as young women's and men's groups, as well as restorative circles as mean of expression and communication that allow youth to deal with difficult issues in their lives, build confidence and trust.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles 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 year. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in the management's opinion, resulted in reliable and consistent financial reporting by the Organization.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports 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.

These classifications are related to the existence or absence of donor-imposed restrictions as presented below:

Unrestricted Net Assets - consists of assets, contributions from the general public support and program revenues which are available and used for operations and programs. Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization may include funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

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MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 3 *(Continued)*

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the year presented, the Organization did not have any assets of this nature.

Pledges and Grants Receivable:

Pledges and Grants Receivable represents amounts which are due from unconditional grant awards and multi-year pledge commitments and are reported at their net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Amounts scheduled for receipt within one year are reported as current, and amounts are reported as non-current when the expected date of receipt exceeds one year. As of December 31, 2017, the non-current portion of grants receivable were due within three years. Management believes that these amounts are fully collectible, and therefore, no allowance for doubtful amounts has been established. If a pledge or grant is determined to be uncollectible in subsequent periods, an allowance will be established at that time. For the year presented, the Organization reported no losses from uncollectible pledges and grants receivable.

Property and Equipment:

Property, equipment, furnishing and improvement purchases in excess of \$2,500 are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment.

As of December 31, 2017, property and equipment consisted of a van purchased during 2017 for \$17,000 with a five-year estimated useful life. Accumulated depreciation on the van was \$1,700 as of December 31, 2017.

Gifts, Grants and Contributions:

As required by the *FASB Accounting Standards Codification*TM, contributions are required be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the year received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

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MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 3 *(Continued)*

Revenue Recognition:

MissionSAFE is the recipient of a government funded service contract from the Boston Public Health Commission which is included in *Government Grants* in the accompanying Statement of Activities. The contract is administered on a cost reimbursement basis; accordingly, the funding source is billed as eligible costs are incurred, and program service revenues along with the related receivables are recorded in the period during which the costs are incurred. This contract is subject to an annual renewal process and future funding is not guaranteed.

Donated Goods and Services:

MissionSAFE maintains a policy to record certain in-kind transactions as required by the *FASB Accounting Standards Codification*TM. Contributions of donated services that create or enhance nonfinancial 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 value in the period received. For the year presented, the Organization did not receive in-kind donations which met the recognition criteria.

Functional Expenses:

The Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by using a salary-based formula or other statistical basis. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis.

Supporting services have been sub-classified as follows:

Administrative - includes all activities related to MissionSAFE's internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

Recent Accounting Guidance:

In August 2016, the FASB issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about the function and nature of expenses, liquidity, financial performance, and cash flows. This guidance will be effective for this Organization beginning after December 15, 2017 and is not expected to have a material effect on the Organization's financial position or change in net assets.

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MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 4 NOTES PAYABLE

The Organization signed a promissory note to the Sisters of Social Service effective March 20, 2007. The principal advance of \$55,000 was for operations of MissionSAFE. The note was payable in 54 monthly installments of \$1,350, including interest at the rate of 3%. The note matured November 2011; however, the Sisters of Social Service has allowed an extension to MissionSAFE to repay as funds are available. As of December 31, 2017, the unpaid balance is \$7,580 and is classified as a current liability.

In February 2017, the Organization signed a promissory note to purchase a vehicle for \$17,000, of which amount \$15,000 was financed by Salem Five Cents Savings Bank. The note is payable in 60 monthly installments for \$283 which includes principal and interest at the rate of 5%. As of December 31, 2017, the unpaid balance is \$12,766.

As of December 31, 2017, the current principal portion of the long-term debt is \$10,673 while the principal maturities for the following periods are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2019	\$2,968
December 31, 2020	3,120
December 31, 2021	3,279
December 31, 2022	<u>576</u>
Total	<u>\$9,943</u>

NOTE 5 LINE-OF-CREDIT

During 2016, the Organization secured a \$100,000 line-of-credit with Salem Five Cents Savings Bank. The line-of-credit is secured by all business assets of the Organization and has an annual interest rate of prime plus 2% (6.5% as of December 31, 2017). The outstanding balance on the line-of-credit was \$45,000 as of December 31, 2017, and is renewable annually upon the Bank's review.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017, temporarily restricted net assets consisted of assets restricted by donors for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Office Rent	\$ 15,000
Time Restricted	75,000
Futures Junior Program	<u>75,924</u>
Total	<u>\$165,924</u>

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MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 6 *(Continued)*

For the year presented, net assets were released from restrictions for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Youth Transition	\$ 40,000
Futures Junior Program	63,340
Junior Violence Prevention	27,500
Office Rent	38,829
Other Programs	<u>89,005</u>
Total	<u>\$258,674</u>

NOTE 7 CONDITIONAL GRANT

Brigham and Women's Hospital:

In 2016, MissionSAFE received a three-year conditional grant commitment totaling \$195,000 from Brigham and Women's Hospital, restricted to the Futures Junior program. Each year of funding is conditional upon MissionSAFE meeting certain programmatic milestones. Through December 31, 2017, the conditions had been met for the first and second year funding of \$130,000. As of December 31, 2017, the remaining installments were contingent upon receipt of progress and financial reports along with participation in evaluation by the grantor.

Since the terms of the conditions of the above commitment from Brigham and Women's Hospital had not been met as of December 31, 2017, the conditional amount of \$65,000 has not been recognized in the accompanying financial statements.

NOTE 8 OPERATING LEASE OBLIGATIONS

The Organization leases approximately 2,600 square feet of office and program space in Boston, Massachusetts under a lease agreement expiring January 15, 2019 with an option to extend for an additional two years. Monthly rent for the first two years of the lease is \$2,098 with a 5% annual escalation in the following years.

Future minimum lease payments under the above lease agreement is \$26,439, due in 2018.

Total rent expense for the year ended December 31, 2017 was \$47,184 and is included in *Occupancy Expense* in the accompanying Statement of Functional Expenses.

NOTE 9 RELATED PARTY TRANSACTIONS

During January 2016, two Board members signed pledge agreements which guarantee funding grants to the Organization in the amount of \$15,000 each per year to be used for rent through 2018. An additional Board member guaranteed up to \$15,000 annually for future rent payments if the Organization should need it.

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MISSIONSAFE: A NEW BEGINNING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 10 CONCENTRATIONS

Pledges and Grants Receivable:

As of December 31, 2017, approximately 75% of all the *Pledges and Grants Receivable* represent the amounts due from two grants.

Government Grants:

For the year presented, 70% of *Government Grants* represent amounts received from one agency.

NOTE 11 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through May 2, 2018, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.