

**OUR SAVIOUR'S COMMUNITY
SERVICES**

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017 AND 2016

OUR SAVIOUR'S COMMUNITY SERVICES

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017 AND 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6
Statements of Cash Flows.....	7
Notes of Financial Statements	8

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Our Saviour's Community Services
Minneapolis, Minnesota

We have audited the accompanying financial statements of Our Saviour's Community Services, which comprise the statement of financial position as of March 31, 2017, and the related statements of activities and changes in net assets, 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.

Auditor's 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 above present fairly, in all material respects, the financial position of Our Saviour's Community Services as of March 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.

Report on Summarized Comparative Information

We have previously audited the Our Saviour's Community Services March 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Casey, Menden, Faust & Nelson, P.A.

August 28, 2017

OUR SAVIOUR'S COMMUNITY SERVICES

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2017 AND 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Summarized)
<u>ASSETS</u>					
Current assets:					
Cash and savings	\$ 29,168	\$ -	\$ -	\$ 29,168	\$ 36,441
Grants and pledges receivable	72,286	-	-	72,286	46,021
Prepaid expenses	14,312	-	-	14,312	17,186
Total current assets	115,766	-	-	115,766	99,648
Property and equipment:					
Housing	521,840	328,587	-	850,427	840,340
Vehicles	22,175	-	-	22,175	22,175
Furniture and equipment	34,838	-	-	34,838	33,871
	578,853	328,587	-	907,440	896,386
Less accumulated depreciation	306,756	52,275	-	359,031	315,006
Total property and equipment	272,097	276,312	-	548,409	581,380
Total assets	\$ 387,863	\$ 276,312	\$ -	\$ 664,175	\$ 681,028

The accompanying notes are an integral part of these financial statements

OUR SAVIOUR'S COMMUNITY SERVICES

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2017 AND 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Summarized)
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	\$ 32,150	\$ -	\$ -	\$ 32,150	\$ 35,645
Deferred revenue	27,719	-	-	27,719	-
Accrued expenses:					
Payroll and related	64,848	-	-	64,848	53,290
Participation fees	3,000	-	-	3,000	2,600
Current portion of notes payable	8,437	-	-	8,437	7,987
Current portion of notes payable - transitional housing	4,115	-	-	4,115	4,115
 Total current liabilities	 140,269	 -	 -	 140,269	 103,637
Long-term liabilities:					
Notes payable, net of current maturities	62,146	-	-	62,146	70,607
Notes payable - transitional housing, net of current maturities	17,495	-	-	17,495	21,610
 Total long - term liabilities	 79,641	 -	 -	 79,641	 92,217
 Total liabilities	 219,910	 -	 -	 219,910	 195,854
 Net assets	 167,953	 276,312	 -	 444,265	 485,174
 Total liabilities and net assets	 \$ 387,863	 \$ 276,312	 \$ -	 \$ 664,175	 \$ 681,028

The accompanying notes are an integral part of these financial statements

OUR SAVIOUR'S COMMUNITY SERVICES

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2017 AND 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total (Summarized)
Revenues:					
Contributions	\$ 329,245	\$ -	\$ -	\$ 329,245	\$ 292,853
Government grants	2,080,229	-	-	2,080,229	2,018,365
Rent income	35,155	-	-	35,155	25,445
Transitional housing debt forgiveness	4,115	-	-	4,115	4,115
Other income	52,977	18,026	-	71,003	79,557
Interest income	12	-	-	12	7
In-kind contributions	298,608	-	-	298,608	271,673
Net assets released from restrictions	27,983	(27,983)	-	-	-
Total revenues	2,828,324	(9,957)	-	2,818,367	2,692,015
Expenses:					
Program services	2,717,281	-	-	2,717,281	2,620,110
Management and general	75,690	-	-	75,690	74,676
Fundraising	66,305	-	-	66,305	74,395
Total expenses	2,859,276	-	-	2,859,276	2,769,181
Change in net assets	(30,952)	(9,957)	-	(40,909)	(77,166)
Net assets:					
Beginning of year	198,905	286,269	-	485,174	562,340
End of year	<u>\$ 167,953</u>	<u>\$ 276,312</u>	<u>\$ -</u>	<u>\$ 444,265</u>	<u>\$ 485,174</u>

The accompanying notes are an integral part of these financial statements

OUR SAVIOUR'S COMMUNITY SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED MARCH 31, 2017 AND 2016

	2017					2016	
	English Learning Center (ELC)	Our Saviour's Housing (OSH)	Total Program	General and Administrative	Fundraising	Total	Total (Summarized)
Expenses:							
Salary and wages	\$ 213,976	\$ 659,757	\$ 873,733	\$ 50,223	\$ 38,543	\$ 962,499	\$ 928,318
Workers compensation insurance	2,831	12,221	15,052	871	726	16,649	18,264
Payroll taxes	20,302	62,372	82,674	2,942	2,452	88,068	88,651
Employee benefits	17,032	67,325	84,357	7,311	3,343	95,011	96,818
Other staff expenses	883	4,293	5,176	280	141	5,597	5,001
Communications	1,813	6,199	8,012	890	11,995	20,897	28,282
Computer repairs and related	466	2,171	2,637	147	146	2,930	1,780
Copier lease and maintenance	8,692	1,449	10,141	1,449	2,897	14,487	13,776
Depreciation expense	2,748	41,600	44,348	261	216	44,825	44,113
Indirect operating expenses	2,027	10,538	12,565	779	779	14,123	16,234
Insurance expense	1,211	5,674	6,885	692	691	8,268	8,704
Occupancy and related	13,440	72,933	86,373	1,341	1,098	88,812	96,471
Professional fees	-	-	-	5,226	-	5,226	5,126
Program expenses	35,622	1,124,871	1,160,493	-	-	1,160,493	1,108,260
Volunteer instructors	218,090	-	218,090	-	-	218,090	191,873
Donated meals	-	80,518	80,518	-	-	80,518	79,800
Telecommunications	4,590	21,637	26,227	3,278	3,278	32,783	37,710
Total expenses	\$ 543,723	\$ 2,173,558	\$ 2,717,281	\$ 75,690	\$ 66,305	\$ 2,859,276	\$ 2,769,181

The accompanying notes are an integral part of these financial statements

OUR SAVIOUR'S COMMUNITY SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2017 AND 2016

	2017	2016 (Summarized)
Cash flows from operating activities:		
Contributions and grants	\$ 2,517,086	\$ 2,409,697
Interest received	12	7
Interest paid	(4,182)	(4,182)
Program, administrative and fundraising services	(2,500,324)	(2,450,413)
Net cash flows from operating activities	12,592	(44,891)
Cash flows from investing activities:		
Purchase of fixed assets	(11,854)	(4,333)
Cash flows from financing activities:		
Principal payments notes payable	(8,011)	(7,520)
Net change in cash and cash equivalents	(7,273)	(56,744)
Cash and cash equivalents:		
Beginning of year	36,441	93,185
End of year	\$ 29,168	\$ 36,441
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ (40,909)	\$ (77,166)
Depreciation	44,825	44,113
Transitional housing debt forgiveness	(4,115)	(4,115)
Grants and pledges receivable	(26,265)	(6,523)
Prepaid expenses	2,874	3,469
Accounts payable	(3,495)	(7,890)
Deferred revenue	27,719	-
Accrued expenses	11,958	3,221
Net cash from operating activities	\$ 12,592	\$ (44,891)

The accompanying notes are an integral part of these financial statements

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION

Organization

Our Saviour's Community Services (OSCS) is a non-profit organization incorporated under the laws of the State of Minnesota on December 1, 2004. The primary activities of OSCS are:

English Learning Center (ELC)

ELC provides basic instruction in English and math for adult immigrants and refugees new to this community. Computer classes and citizenship classes are also made available to students enrolled in the program. This program offers free classes year round, morning and evening four days each week. Volunteers are recruited, trained and supported as they provide the classroom instruction for students.

Our Saviour's Housing (OSH)

OSH provides emergency shelter, transitional housing and permanent supportive housing for single adults who are homeless. Supportive case management services are also made available to residents who participate in these programs. This program offers year round housing to participants. Volunteers and volunteer groups are recruited to provide the meals that are served in the emergency shelter.

Basis of Presentation

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

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a 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.

(Continued)

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION (Continued)

Basis of Presentation (Continued)

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Our Saviour's Community Services' financial statements for the year ended March 31, 2016, from which the summarized information was derived.

Revenue Recognition

Contributions are recorded as received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Service revenues are recorded as earned. Amounts received in advance of revenue recognition are recorded as deferred revenue. Contributions of donated noncash assets are recorded at their fair values in the period received. 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 values in the period received.

Long-Lived Assets

In accordance with ASC 360-10: Accounting For The Impairment of Long-Lived Assets And For Long-Lived Assets To Be Disposed Of, the Organization reviews its long-lived assets and intangibles related to those assets periodically to determine potential impairment by comparing the carrying value of the long-lived assets outstanding with estimated future cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future cash flows be less than the carrying value, the Organization would recognize an impairment loss. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets and intangibles. Management determined that no impairment of long-lived assets existed in 2017 and 2016.

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OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION (Continued)

Concentrations, Risks and Uncertainties

Use of Estimates

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

Grants and Pledges Receivable

Management believes all grants and pledges are collectible, and accordingly, has not recorded an allowance for doubtful accounts. This determination was based on a number of factors including: a review of grants and pledges receivables; ability to pay; past collection history; and existing economic conditions. While the ultimate loss may differ, management believes that any loss will not have a material impact on the Organization's financial position. Due to uncertainties in collection process, however, it is reasonable that management's estimate of the outcome may change during the next year. That amount cannot be estimated.

All grants and pledges receivable are due within one year.

62% of accounts receivable at March 31, 2017 was from Minneapolis Public Schools.

Concentration of Risk

In 2017, sixty-three percent (63%) of OSCS's cash revenues were provided through grants and purchase of service agreements with the State of Minnesota. In 2016, sixty-four percent (64%) of OSCS's cash revenues were provided through grants and purchase of service agreements with the State of Minnesota.

Legal Matters

The Organization is involved in two legal matters at March 31, 2017. The Organization feels the fact patterns support their positions in both instances and that the Organization will prevail in both matters. Due to uncertainties in the process, however, it is reasonable that management's estimate of the outcome may change during the next year. That amount cannot be estimated.

(Continued)

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION (Continued)

Income Taxes

The activities of the Organization are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization has reviewed for uncertain tax positions and feels there are none. Federal and state taxing authorities generally have the right to examine returns for three years from the date of filing. Any interest or penalties incurred by the Organization would be included in operating expenses in the accompanying financial statements. No interest or penalties are reflected in the 2017 or 2016 financial statements.

Cash Equivalents

For purposes of the statement of cash flows, the OSCS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At March 31, 2017 and 2016, OSCS had no cash equivalents.

Property and Equipment

OSCS's policy is to capitalize fixed asset additions greater than \$500. Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

(Continued)

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION (Continued)

Property and Equipment (Continued)

A summary of property and equipment is as follows:

	<u>2017</u>	<u>2016</u> (Summarized)	<u>Useful Lives</u>
Housing	\$ 850,427	\$ 840,340	10 to 40
Vehicles	22,175	22,175	10
Furniture and equipment	<u>34,838</u>	<u>33,871</u>	3 to 7
	<u>\$ 907,440</u>	<u>\$ 896,386</u>	

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenue, expenses and changes in fund balance. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Donated Goods and Services

The programs of Our Saviour's Community Services are enriched by the time and talents of many dedicated community volunteers. Two of OSCS's program areas would be substantially diminished or nonexistent without donated goods and services:

The English Learning Center programs are taught entirely by trained volunteer instructors. In fiscal year 2017, volunteer instructors contributed 8,261 hours of their time teaching in the OSCS's classrooms. In fiscal year 2016, volunteer instructors contributed 7,614 hours of their time teaching in the OSCS's classrooms. Volunteer instructor services were valued at \$26.40 per hour in 2017 and \$25.20 per hour in 2016 based on research performed by Independent Sector, a nonprofit organization performing research on giving and volunteering in the United States of America.

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OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT OTHER INFORMATION (Continued)

Donated Goods and Services (Continued)

The Emergency Shelter at Our Saviour's Housing is served by a wide variety of community volunteer groups who purchase, prepare and serve the evening meal to shelter residents each night of the year. These groups vary widely in their size and composition; sometimes several adults are responsible for the meal and sometimes the groups consist of adults and youth. Each group prepares food for a minimum of 40 persons each night. Donated meals are valued in the accompanying financial statements at \$5.51 per meal in 2017 and \$5.47 per meal in 2016.

NOTE 2 - NOTES PAYABLE

A summary of notes payable is as follows:

	<u>2017</u>	<u>2016</u> (Summarized)
Note payable to Mission Investment Fund in monthly payments of \$1,009 including interest at 5.50% per annum, through May 2024, unsecured.	\$ 70,583	\$ 78,594
Less current maturities	<u>8,437</u>	<u>7,987</u>
Long-term debt	<u>\$ 62,146</u>	<u>\$ 70,607</u>

Future maturities on this obligation are as follows:

2018	\$ 8,437
2019	8,912
2020	9,415
2021	9,946
2022	10,507
Thereafter	<u>23,366</u>
	<u>\$ 70,583</u>

(Continued)

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017 AND 2016

NOTE 3 - NOTES PAYABLE – TRANSITIONAL HOUSING

OSCS is indebted to the Minnesota Housing Finance Agency for notes on its transitional housing unit. These notes are secured by 2309 Chicago Avenue and provide for forgiveness of indebtedness on anniversary dates of the obligations provided OSCS continues to comply with the terms of the agreements. If OSCS does not comply with the terms of the agreements all amounts are immediately due and payable to the Minnesota Housing Finance Agency. Future scheduled debt forgiveness on these obligations is as follows:

2018	\$	4,115
2019		4,115
2020		4,115
2021		4,115
2022		4,115
Thereafter		<u>1,035</u>
	\$	<u><u>21,610</u></u>

NOTE 4 - CITY OF MINNEAPOLIS EMERGENCY SHELTER GRANT

In 2012 the Organization received a grant through the City of Minneapolis to rehabilitate its transitional housing facility at 2309 Chicago Avenue. Rehabilitation expenditures under this grant totaled \$328,587 and were fully expended on the rehabilitation during the year. As a condition of this grant the Organization has a contingent liability to the City of Minneapolis through October 14, 2021. The Organization is depreciating the rehabilitation expenditures over the remaining 33 year useful life assigned to 2309 Chicago Avenue. During the period of the contingent liability relating to this grant the Organization is reflecting the rehabilitation expenditures, net of depreciation, as temporarily restricted in the accompanying financial statements.

NOTE 5 - OUR SAVIOUR'S LUTHERAN CHURCH

The services of OSCS grew out of the outreach programs of Our Saviour's Lutheran Church (OSLC). Amounts paid OSLC are as follows:

OSCS leases facilities from OSLC under agreements cancellable upon ninety days notice by either party. Rent expense under these agreements totaled \$25,805 in 2017 and \$25,594 in 2016.

(Continued)

OUR SAVIOUR'S COMMUNITY SERVICES

NOTES OF FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017 AND 2016

NOTE 5 - OUR SAVIOUR'S LUTHERAN CHURCH (Continued)

Certain employee benefits of OSCS employees are paid OSLC employee benefit plans. Payments under this agreement totaled \$20,517 in 2017 and \$24,047 in 2016.

OSCS utilizes the services of OSLC's business administrator. Payments for these services totaled \$8,676 in 2017 and \$8,596 in 2016.

NOTE 6 - OPERATING LEASES

OSCS has entered into operating leases with OSLC as discussed in Note 6. OSCS also has equipment leases accounted for as operating leases. Rent expenses under these agreements totaled \$5,748 in 2017 and \$5,748 in 2016. Future minimum payment under these leases is as follows:

2018	\$	2,395
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NOTE 7 - SUPPLEMENTAL CASH FLOW DISCLOSURES – NON CASH ACTIVITY

In-kind contributions of donated services and meals consist of non cash contributions. In-kind contributions totaled \$298,608 in 2017. In-kind contributions totaled \$271,673 in 2016.

MHFA forgave \$4,115 in principal on the notes payable - transitional housing during the fiscal year ended March 31, 2017. MHFA forgave \$4,115 in principal on the notes payable - transitional housing during the fiscal year ended March 31, 2016.

NOTE 8 - BENEFIT PLANS

The Organization provides a tax deferred annuity plan for its employees under Section 403(b) of the Internal Revenue Code. Employer retirement plan contributions totaled \$24,751 in 2017 and \$23,608 in 2016.

NOTE 9 - Subsequent Events

Subsequent events have been evaluated through August 28, 2017 which is the date the financial statements were available to be issued.