Central Scholarship
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THE CENTRAL SCHOLARSHIP BUREAU, INC.

FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

GSG Gorfine Schiller Gardyn
Certified Public Accountants and Consultants

THE CENTRAL SCHOLARSHIP BUREAU, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Central Scholarship Bureau, Inc.
Owings Mills, Maryland

We have audited the accompanying statements of financial position of The Central Scholarship Bureau, Inc. as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 qualified audit opinion.

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Basis for Qualified Opinion

As discussed in Note H to the financial statements, The Central Scholarship Bureau, Inc. reports its investment in Laydon Park, Inc., a majority owned subsidiary, on the equity method of accounting. In our opinion, accounting principles generally accepted in the United States of America require all majority owned subsidiaries to be accounted for as consolidated subsidiaries. If the financial statements of The Central Scholarship Bureau, Inc. had been consolidated with those of Laydon Park, Inc., total assets and net assets would be increased by approximately $381,000 and $380,000 as of June 30, 2017 and 2016, respectively, and changes in net assets would be increased by approximately $24,000 and $24,000, for the years ended June 30, 2017 and 2016, respectively.

Qualified Opinion

In our opinion, except for the effects on the financial statements of not consolidating all majority owned subsidiaries as described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Central Scholarship Bureau, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gorfine, Schiller + Gardyn, P.A.

May 10, 2018
Owings Mills, Maryland

FINANCIAL STATEMENTS

THE CENTRAL SCHOLARSHIP BUREAU, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS

	2017				2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
ASSETS								
Cash and cash equivalents	$ 663,115	$ -	$ -	$ 663,115	$ 1,040,425	$ -	$ -	$ 1,040,425
Loans receivable, net of allowance	2,610,527	-	-	2,610,527	2,662,247	-	-	2,662,247
Contributions receivable, net of discount	43,724	726,100	73,985	843,809	61,175	357,870	119,094	538,139
Investments, at fair value	1,230,901	122,514	4,723,196	6,076,611	855,349	146,365	4,317,159	5,318,873
Property and equipment, net of accumulated depreciation	27,762	-	-	27,762	40,661	-	-	40,661
Investment in LLC	-	-	500,000	500,000	-	-	-	-
Investment in Laydon Park, Inc.	893,024	-	-	893,024	891,362	-	-	891,362
Other assets	20,374	-	-	20,374	18,505	-	-	18,505
TOTAL ASSETS	$ 5,489,427	$ 848,614	$ 5,297,181	$ 11,635,222	$ 5,569,724	$ 504,235	$ 4,436,253	$ 10,510,212

LIABILITIES AND NET ASSETS

	2017				2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
LIABILITIES								
Accounts payable	$ 3,933	$ -	$ -	$ 3,933	$ 2,560	$ -	$ -	$ 2,560
Accrued expenses	17,382	-	-	17,382	918	-	-	918
Scholarship commitments	12,325	-	-	12,325	24,780	-	-	24,780
Total liabilities	33,640	-	-	33,640	28,258	-	-	28,258
NET ASSETS	5,455,787	848,614	5,297,181	11,601,582	5,541,466	504,235	4,436,253	10,481,954
TOTAL LIABILITIES AND NET ASSETS	$ 5,489,427	$ 848,614	$ 5,297,181	$ 11,635,222	$ 5,569,724	$ 504,235	$ 4,436,253	$ 10,510,212

See accompanying notes to financial statements.

THE CENTRAL SCHOLARSHIP BUREAU, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT								
Contributions	$ 309,181	$ 1,025,366	$ 860,928	$ 2,195,475	$ 453,110	$ 889,059	$ 320,629	$ 1,662,798
REVENUE								
Program service fees	56,319	-	-	56,319	24,963	-	-	24,963
RECLASSIFICATIONS								
Net assets released from restrictions	680,987	(680,987)	-	-	709,234	(709,234)	-	-
Total public support, revenue and reclassifications	1,046,487	344,379	860,928	2,251,794	1,187,307	179,825	320,629	1,687,761
EXPENSES								
Program								
Student services - loans and grants	1,587,664	-	-	1,587,664	1,464,007	-	-	1,464,007
Supporting services								
Management and general	111,886	-	-	111,886	101,463	-	-	101,463
Fundraising	170,024	-	-	170,024	146,109	-	-	146,109
Total supporting services	281,910	-	-	281,910	247,572	-	-	247,572
Total expenses	1,869,574	-	-	1,869,574	1,711,579	-	-	1,711,579
OPERATING INCOME (LOSS)	(823,087)	344,379	860,928	382,220	(524,272)	179,825	320,629	(23,818)
OTHER INCOME (EXPENSE)								
Net investment income (loss)	676,170	-	-	676,170	(346,167)	-	-	(346,167)
Income from investment in Laydon Park, Inc.	55,290	-	-	55,290	55,862	-	-	55,862
Miscellaneous income	5,948	-	-	5,948	6,686	-	-	6,686
Total other income (expense)	737,408	-	-	737,408	(283,619)	-	-	(283,619)
CHANGES IN NET ASSETS	(85,679)	344,379	860,928	1,119,628	(807,891)	179,825	320,629	(307,437)
NET ASSETS - Beginning of year	5,541,466	504,235	4,436,253	10,481,954	6,349,357	324,410	4,115,624	10,789,391
NET ASSETS - End of year	$ 5,455,787	$ 848,614	$ 5,297,181	$ 11,601,582	$ 5,541,466	$ 504,235	$ 4,436,253	$ 10,481,954

See accompanying notes to financial statements.

THE CENTRAL SCHOLARSHIP BUREAU, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2017 and 2016

	2017				2016			
	Student Services - Loans and Grants	Management and General	Fundraising	Total	Student Services - Loans and Grants	Management and General	Fundraising	Total
PERSONNEL COSTS								
Salaries	$ 453,106	$ 53,490	$ 98,740	$ 605,336	$ 440,493	$ 47,697	$ 79,003	$ 567,193
Payroll taxes and benefits	105,176	12,417	22,920	140,513	101,596	11,553	19,136	132,285
Total personnel costs	558,282	65,907	121,660	745,849	542,089	59,250	98,139	699,478
GRANTS	833,588	-	-	833,588	722,208	-	-	722,208
OTHER EXPENSES								
Bad debt expense	-	-	-	-	5,840	-	-	5,840
Bank service charge	2,909	526	70	3,505	4,950	894	120	5,964
Board and staff development	1,194	3,344	239	4,777	895	2,504	179	3,578
Collection costs	810	-	-	810	429	-	-	429
Computer	25,956	4,691	625	31,272	19,584	3,539	472	23,595
Consulting	-	-	36,733	36,733	-	-	32,797	32,797
Credit reports	737	133	18	888	534	96	13	643
Depreciation expense	12,716	2,298	306	15,320	12,587	2,275	303	15,165
Events and publications	4,323	-	6,266	10,589	27,737	-	7,111	34,848
Insurance	5,951	2,626	175	8,752	6,191	2,732	182	9,105
Maintenance contracts	5,688	1,079	120	6,887	9,231	1,968	118	11,317
Meetings	1,215	884	110	2,209	1,051	764	96	1,911
Membership and publication	-	4,634	-	4,634	-	3,270	-	3,270
Office	3,124	833	208	4,165	2,723	725	182	3,630
Other program expenses	42,888	-	-	42,888	21,999	-	-	21,999
Postage	2,606	601	802	4,009	2,752	635	847	4,234
Professional fees	10,551	8,451	254	19,256	14,142	8,330	341	22,813
Publicity	1,223	-	64	1,287	2,990	-	157	3,147
Rent expense	44,829	11,495	1,149	57,473	43,340	11,113	1,111	55,564
Stationery and printing	10,337	1,938	646	12,921	6,227	1,168	389	7,784
Strategic planning costs	-	-	-	-	3,098	-	3,099	6,197
Telephone	6,718	1,260	420	8,398	4,237	794	265	5,296
Travel	2,556	461	62	3,079	3,594	649	87	4,330
Utilities	4,013	725	97	4,835	4,192	757	101	5,050
Website expenses	5,450	-	-	5,450	1,387	-	-	1,387
Total other expenses	195,794	45,979	48,364	290,137	199,710	42,213	47,970	289,893
TOTAL EXPENSES	$ 1,587,664	$ 111,886	$ 170,024	$ 1,869,574	$ 1,464,007	$ 101,463	$ 146,109	$ 1,711,579

See accompanying notes to financial statements.

THE CENTRAL SCHOLARSHIP BUREAU, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Changes in net assets	$ 1,119,628	$ (307,437)
Adjustments to reconcile changes in net assets to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation	15,320	15,165
Bad debt expense	-	5,840
Net (gains) losses on investing activities	(666,081)	321,352
Net expense from consolidated investment fund	27,701	24,892
Stock contributions	(39,518)	(1,231)
LLC interest contribution	(500,000)	-
Equity method income from Laydon Park, Inc.	(55,290)	(55,862)
Changes in operating assets and liabilities:		
Loans receivable	51,720	(15,304)
Contributions receivable	(305,670)	117,539
Other assets	(1,869)	11,946
Accounts payable	1,373	(2,083)
Accrued expenses	16,464	(347)
Deferred compensation	-	(17,934)
Scholarship commitments	(12,455)	(61,318)
Net cash (used in) provided by operating activities	(348,677)	35,218
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	1,331
Purchases of investments	(2,988,374)	(130,000)
Dividends from Laydon Park, Inc.	53,628	53,758
Purchases of property and equipment	(2,421)	(15,054)
Distributions from consolidated investment fund	2,908,534	373,468
Net cash (used in) provided by investing activities	(28,633)	283,503
NET CHANGES IN CASH AND CASH EQUIVALENTS	(377,310)	318,721
CASH AND CASH EQUIVALENTS - Beginning of year	1,040,425	721,704
CASH AND CASH EQUIVALENTS - End of year	$ 663,115	$ 1,040,425

See accompanying notes to financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

The Central Scholarship Bureau, Inc. (the Organization) is a Maryland non-stock not-for-profit organization exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and comparable state laws, that helps Marylanders fulfill their dreams of pursuing higher education by making higher education more affordable. The Organization awards need-based scholarships and interest-free loans to high-performing students through Maryland, offers College Cash® financial education seminars to students and parents to help them become more informed higher education consumers and advocates for legislation that makes higher education more affordable for all Marylanders.

2. Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting, except for not consolidating a majority owned subsidiary, in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Not-for Profit Entities* (FASB ASC 958). Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Temporarily restricted net assets include all gifts from donors that are temporarily restricted in some manner to their use. The primary restrictions on the temporarily restricted net assets are for the awarding of scholarships and interest-free loans.

Permanently restricted net assets include the principal amount of all gifts designated by the donors to be invested in perpetuity. The income from this fund is utilized for operating expenses or loans and grants to students.

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (US GAAP) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. Revenue Recognition

Contribution revenue is recognized when received, or, if a promise to give, when the promise is received. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor-stipulation or by law. Contributions with donor-imposed restrictions are reported as increases in temporarily or permanently restricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases of restrictions between the applicable classes of net assets.

5. Fair Value Measurements

The Organization determines the fair value of certain assets and liabilities through the application of FASB ASC 820, *Fair Value Measurements and Disclosures.* The standard clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date.

6. Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

The Organization maintains cash balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Organization also maintains cash and cash equivalents with security brokers, which are not subject to FDIC insurance. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk as a result of these deposits.

7. Loans Receivable

The Organization's loans to students are non-interest bearing and are generally repaid over the course of ten years, based on the individual agreement with the student. Student repayments commence within six months after graduation from the post-secondary institution. Based on experience with collections from students, the Organization has established an allowance for doubtful accounts representing the Organization's estimate of uncollectible loans.

8. Investments

The Organization invests in marketable securities classified as available-for-sale, which are carried at fair value. Unrealized gains and losses are reported in the statements of activities as a part of other income (expense). Non-cash contributions of securities received by the Organization are recorded at fair value as of the date of the contribution.

9. Property and Equipment

Property and equipment with a cost in excess of $1,000 is capitalized and depreciated over its estimated useful life. Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the assets. All property and equipment have an estimated useful life of between three and ten years.

10. Investment in LLC

Given the lack of significant influence exhorted over the investee, the Organization elects to record the investment in LLC using the cost method of accounting for investments under US GAAP, whereby the Organization recognizes the investment asset at its historical cost, only adjusted should the fair market value of the investment fall below this amount. Income is recorded for any dividends provided to the Organization by the investee.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

11. Investment in Laydon Park, Inc.

Given the significant influence exhorted by the Organization over the investee, the Organization records the investment using the equity method of accounting for investments under US GAAP, whereby the Organization recognizes its share of the earnings or losses of the investee, both as income or expense in the statements of activities, as well as an adjustment to the original investment asset in the statement of financial position.

12. Functional Expense Allocations

Functional expenses are charged directly to the applicable program or supporting services, if possible. Allocations of expenses to program and support services are made based upon an estimate of the functional use of office space or other facilities and equipment, or the ratio of program payroll to total payroll, as applicable.

13. Income Tax Status

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization, which is not a private foundation under Section 509(a) of the Code.

FASB ASC 740, *Accounting for Income Taxes,* requires the Organization to recognize or disclose any tax positions that would result in unrecognized tax benefits. The Organization has no positions that would require disclosure or recognition under the topic. The Organization's tax information filings for the fiscal years ending June 30, 2014 and after are subject to audit by various taxing authorities.

14. Recent Accounting Pronouncement

In August 2016, FASB issued Accounting Standards Updated 2016-14 *Not-for-Profit Entities,* which contains significant changes to the financial statements requirements under the *Not-for-Profit Entities* topic of the ASC. The new standard is effective for the year ending June 30, 2019. The Organization will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

15. Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 presentation. These classifications had no effect on previously reported changes in net assets.

16. Subsequent Events

The Organization has evaluated subsequent events through May 10, 2018, which is the date the financial statements were available to be issued. See Note K.

NOTE B – LOANS RECEIVABLE

Loan activity for the Organization's interest free loans is summarized as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Loans receivable - beginning of year	$ 2,846,006	$ 2,836,542
Loans to students	288,000	311,000
Loans receivable written off	-	(2,340)
Collections	(339,720)	(299,196)
Loans receivable - end of year	2,794,286	2,846,006
Less: allowance for doubtful accounts	183,759	183,759
Net loans receivable	$ 2,610,527	$ 2,662,247

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributors to the Organization have unconditionally promised to give as follows at June 30, 2017 and 2016:

	2017	2016
Within one year	$ 389,295	$ 284,090
Two to five years	498,249	339,664
Over five years	38,000	24,000
Total	925,544	647,754
Less: present value component	81,735	109,615
Net contributions receivable	$ 843,809	$ 538,139

Contributions have been discounted using the Applicable Federal Rates that were in effect at the time of the pledge.

NOTE D – FAIR VALUE MEASUREMENTS

FASB ASC 820 requires financial assets and liabilities to be valued and disclosed based on the following structure:

Level I – Investments included in this designation are values based on quoted prices for identical assets in active markets as of the reporting date.

Level II – Investments included in this designation are values based on observable market based inputs for the same asset in an inactive market or a similar asset in an active market.

NOTE D – FAIR VALUE MEASUREMENTS – Continued

Level III – Investments included in this designation are valued based on unobservable inputs that are significant to the valuation of a particular investment. The inputs into the determination of fair value in this level require significant management judgment or estimates and is done by management.

In determining the appropriate levels for each valuation, management performs a detailed analysis of the assets that are subject to FASB ASC 820. In some instances, an asset may be valued using a combination of inputs. In such instances, the asset is to be classified based on the lowest significant level used in the valuation. Managements' assessment of the significance of a particular input in the fair value measurement of an investment requires judgment and considers factors specific to the asset.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2017 and 2016.

GNMA certificates – Valued at the prices for similar assets in active markets.

Mutual funds – Valued at the quoted prices in active markets.

Consolidated investment fund – Valued at the prices for similar assets in active markets.

The following table summarizes the Organization's fair value measurements by level within the hierarchy described above as of June 30, 2017:

Description	Level 1	Level 2	Level 3	Total
Mutual funds	$ 2,617,330	$ -	$ -	$ 2,617,330
Consolidated investment fund	-	3,459,281	-	3,459,281
Total recurring fair value measurements	$ 2,617,330	$ 3,459,281	$ -	$ 6,076,611

The following table summarizes the Organization's fair value measurements by level within the hierarchy described above as of June 30, 2016:

Description	Level 1	Level 2	Level 3	Total
GNMA certificates	$ -	$ 6	$ -	$ 6
Consolidated investment fund	-	5,318,867	-	5,318,867
Total recurring fair value measurements	$ -	$ 5,318,873	$ -	$ 5,318,873

NOTE E – INVESTMENTS

The Organization's investments are summarized as follows as of June 30, 2017 and 2016:

	2017		2016	
Description	**Cost**	**Market Value**	**Cost**	**Market Value**
GNMA certificates	$ -	$ -	$ -	$ 6
Mutual funds - moderate growth	2,649,630	2,617,330	-	-
Consolidated investment fund	2,602,118	3,459,281	4,471,262	5,318,867
	$ 5,251,748	$ 6,076,611	$ 4,471,262	$ 5,318,873

Net investment income is summarized as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Interest	$ 28,802	$ 4,332
Dividends	10,930	-
Net gains (losses) on investing activities	666,081	(321,352)
Investment income (loss)	705,813	(317,020)
Less: advisor fees	29,643	29,147
Net investment income (loss)	$ 676,170	$ (346,167)

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Office furniture and equipment	$ 116,251	$ 113,830
Less: accumulated depreciation	88,489	73,169
Net property and equipment	$ 27,762	$ 40,661

NOTE G – INVESTMENT IN LLC

On December 31, 2016, the Organization received separate contributions of membership interest in a Limited Liability Company (LLC), from two different owners of the LLC. The contributions totaled $500,000 or 3.21% of the membership interest in the LLC. The contributed membership interests were recorded as an investment in LLC asset in the accompanying statements of financial position as of June 30, 2017 and as a permanently restricted contribution in the accompanying statements of activities for the year then ended. During the year ended June 30, 2017, the Organization recorded distributions received of $10,000 from the LLC, determined from information provided by the contributing members. The Organization believes that the recorded value of the contributed membership interests does not materially differ from the fair value of the contributed LLC membership interests on the date of award.

NOTE H – INVESTMENT IN LAYDON PARK, INC.

On January 1, 2011, the Organization, as a part of a liquidation of an interest in a trust, received 70% of the common stock of Laydon Park, Inc., a corporation established to operate a land rental in Cecil County, Maryland. The land is currently leased to a commercial tenant operating a convenience store.

During the years ended June 30, 2017 and 2016, the Organization recorded income from this investment of $55,290 and $55,862, respectively, which is included in the statements of activities.

If the financial statements had been consolidated, as required by US GAAP, the following increases (decreases) would have been made to the following financial statement captions as of and for the years ended June 30, 2017 and 2016:

	2017	2016
Cash	$ 7,572	$ 5,714
Investment in Laydon Park, Inc.	(893,024)	(891,362)
Land	1,265,000	1,265,000
Other assets	1,661	1,144
Total assets	$ 381,209	$ 380,496
Unrestricted net assets	$ -	$ -
Non-controlling unrestricted net assets	381,209	380,496
Total net assets	$ 381,209	$ 380,496
Revenue	$ 58,614	$ 58,042
Expenses	34,918	34,101
Changes in net assets	$ 23,696	$ 23,941
Income attributable to non-controlling interest	$ (23,696)	$ (23,941)

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of amounts designated by donors to named temporarily restricted funds for scholarships and interest-free loans. Temporarily restricted net assets as of June 30, 2017 and 2016 were $848,614 and $504,235, respectively.

Temporarily restricted net assets consisted of the following as of June 30, 2017 and 2016**:**

	2017	2016
Time restrictions - pledges	$ 726,100	$ 357,870
Purpose restrictions - loans and grants	122,514	146,365
	$ 848,614	$ 504,235

NOTE I – TEMPORARILY RESTRICTED NET ASSETS – Continued

Temporarily restricted net assets were released from restriction due to satisfaction of the following restrictions for the years ended June 30, 2017 and 2016:

	2017	2016
Released for new student grants	$ 680,987	$ 683,189
Released for new student loans	-	26,045
	$ 680,987	$ 709,234

NOTE J – PERMANENTLY RESTRICTED NET ASSETS

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Management classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of amounts sufficient to fund the activities to which the gift relates, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return based upon the custom index designed by the manager of the consolidated investment fund. A market cycle is viewed as three to five years. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

NOTE K – COMMITMENT

The Organization entered into an office lease for their office in March 2013. The aggregate monthly rental payments are $5,224. The lease expires September 2018. Total rent expense for the years ended June 30, 2017 and 2016 was $56,649 and $55,564, respectively.

Future minimum rental commitments are as follows for the years ending June 30:

2018	$	63,111
2019		59,094
2020		58,338
2021		59,505
2022		60,695

Subsequent to year-end, the Organization entered into an agreement to extend their office lease through September 2018. The Organization has a one-time option to terminate the agreement on September 30, 2023.

NOTE L – RETIREMENT PLAN

The Organization has a 401(k) plan for all eligible employees. Under the plan, employees can defer their salary up to the limits established by the Internal Revenue Service. The Organization may match the employee's contribution in a discretionary amount. The Organization's matching contributions were $28,296 and $23,709 for the years ended June 30, 2017 and 2016, respectively.

The Organization instituted a deferred compensation plan for one employee under section 457(b) of the Internal Revenue Code. For the year ended June 30, 2016, the Organization did not make any contributions to the plan. The assets were invested in the Organization's name and, accordingly, a deferred compensation liability of equal amount was recorded on the statements of financial position. This account was closed during June 30, 2016, and the balance in the account was distributed to the covered employee.