

**MEROLA OPERA PROGRAM**

**Financial Statements for the Years Ended  
September 30, 2015 and 2014  
and Independent Auditors' Report**

# MEROLA OPERA PROGRAM

## TABLE OF CONTENTS

---

	PAGE
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-15

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Merola Opera Program  
San Francisco, California

We have audited the accompanying financial statements of Merola Opera Program (a nonprofit organization) (the "Program") which comprise the statements of financial position as of September 30, 2015 and 2014, 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 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 Program'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 the Program as of September 30, 2015 and 2014, 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.

*Harrison & Lane, a.c.*

Pleasanton, California

May 31, 2016

# MEROLA OPERA PROGRAM

## STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2015 AND 2014

	2015	2014
<u>ASSETS</u>		
Cash and equivalents	\$ 458,813	\$ 528,569
Contributions receivable	76,628	-
Other accounts receivable	68,621	6,642
Prepaid expenses and deposits	33,912	24,706
Investments	25,646,295	27,015,060
Assets held in charitable remainder trusts	350,122	366,689
Property and equipment, net	42,326	45
Total assets	<u>\$ 26,676,717</u>	<u>\$ 27,941,711</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 63,782	\$ 60,942
Deferred revenue	15,000	-
Total liabilities	<u>78,782</u>	<u>60,942</u>
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated operating fund	848,062	1,074,372
Board designated endowment fund	11,611,321	11,988,035
Total unrestricted net assets	<u>12,459,383</u>	<u>13,062,407</u>
Temporarily restricted:		
Operating	130,128	81,707
Term endowment funds	1,064,191	1,640,203
Total temporarily restricted net assets	<u>1,194,319</u>	<u>1,721,910</u>
Permanently restricted	<u>12,944,233</u>	<u>13,096,452</u>
Total net assets	<u>26,597,935</u>	<u>27,880,769</u>
Total liabilities and net assets	<u>\$ 26,676,717</u>	<u>\$ 27,941,711</u>

See notes to financial statements.

# MEROLA OPERA PROGRAM

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
UNRESTRICTED NET ASSETS		
Revenue and support:		
Contributions, grants, and membership	\$ 1,685,389	\$ 1,250,851
Production, performance and other programs	142,320	150,653
Fundraising and special events	290,664	299,331
Investment (loss) income from operating accounts	(36,683)	159,055
Investment (loss) income from endowment accounts	(48,602)	1,064,396
Net assets released from restrictions	349,369	333,114
	<u>2,382,457</u>	<u>3,257,400</u>
Expenses:		
Program services	2,150,466	2,189,869
Fundraising and special events	436,460	445,213
General and administrative	398,555	324,360
	<u>2,985,481</u>	<u>2,959,442</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(603,024)</u>	<u>297,958</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	87,128	20,893
Investment (loss) income from endowment accounts	(265,350)	546,531
Net assets released from restrictions	(349,369)	(333,114)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(527,591)</u>	<u>234,310</u>
PERMANENTLY RESTRICTED NET ASSETS		
Contributions and grants	10,916	134,172
Change in value of assets held in remainder trusts	(16,567)	17,140
Investment (loss) income from endowment accounts	(146,568)	427,961
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<u>(152,219)</u>	<u>579,273</u>
CHANGE IN NET ASSETS	(1,282,834)	1,111,541
NET ASSETS, BEGINNING OF YEAR	<u>27,880,769</u>	<u>26,769,228</u>
NET ASSETS, END OF YEAR	<u>\$ 26,597,935</u>	<u>\$ 27,880,769</u>

See notes to financial statements.

## MEROLA OPERA PROGRAM

### STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015				2014			
	Program services	Fundraising and special events	General and administrative	Total	Program services	Fundraising and special events	General and administrative	Total
Contracted artist development	\$ 1,670,241	\$ -	\$ -	\$ 1,670,241	\$ 1,711,209	\$ -	\$ -	\$ 1,711,209
Salaries, taxes and benefits	206,567	188,861	194,764	590,192	200,155	181,250	185,530	566,935
Grants and awards	145,801	-	-	145,801	147,223	-	-	147,223
Hospitality	4,523	136,860	1,686	143,069	4,813	134,626	1,369	140,808
Miscellaneous	11,620	8,256	81,021	100,897	12,000	12,383	24,892	49,275
Performances and production	59,120	-	-	59,120	78,418	-	-	78,418
Contracted overhead	-	-	44,289	44,289	-	-	55,637	55,637
Printing	296	40,622	-	40,918	192	40,232	-	40,424
Contracted auditioning	35,900	-	-	35,900	30,000	-	-	30,000
Occupancy	10,048	10,676	10,676	31,400	-	-	-	-
Advertising and promotion	-	24,007	2,667	26,674	-	37,012	7,774	44,786
Accounting	-	-	19,536	19,536	-	-	19,145	19,145
Rental expense	6,350	5,400	6,095	17,845	4,359	11,236	5,782	21,377
Postage	-	10,418	6,645	17,063	-	14,562	5,338	19,900
Supplies and equipment	-	-	12,457	12,457	-	-	4,696	4,696
Service charges	-	-	11,042	11,042	-	-	10,353	10,353
Professional services	-	3,505	5,443	8,948	-	5,042	2,650	7,692
Photography	-	7,855	-	7,855	1,500	8,870	-	10,370
Depreciation	-	-	2,234	2,234	-	-	1,194	1,194
<b>Total</b>	<b>\$ 2,150,466</b>	<b>\$ 436,460</b>	<b>\$ 398,555</b>	<b>\$ 2,985,481</b>	<b>\$ 2,189,869</b>	<b>\$ 445,213</b>	<b>\$ 324,360</b>	<b>\$ 2,959,442</b>

See notes to financial statements.

## MEROLA OPERA PROGRAM

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,282,834)	\$ 1,111,541
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	2,234	1,194
Investment loss (income)	497,203	(2,197,943)
Change in value of assets held in charitable remainder trusts	16,567	(17,140)
Contributions received restricted for long-term investment	(10,916)	(134,172)
Changes in assets and liabilities that provided (used) cash:		
Contributions receivable	(76,628)	157,541
Other accounts receivable	(61,979)	24,935
Prepaid expenses and deposits	(9,206)	(8,520)
Accounts payable and accrued expenses	2,840	13,674
Deferred revenue	15,000	-
Net cash used in operating activities	<u>(907,719)</u>	<u>(1,048,890)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(885,403)	(278,296)
Purchases of property and equipment	(44,515)	-
Proceeds from sales of investments - other	-	244,335
Proceeds from sales of investments	<u>1,756,965</u>	<u>431,811</u>
Net cash provided by investing activities	<u>827,047</u>	<u>397,850</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted for long-term investment	<u>10,916</u>	<u>134,172</u>
Net cash provided by financing activities	<u>10,916</u>	<u>134,172</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(69,756)	(516,868)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>528,569</u>	<u>1,045,437</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 458,813</u>	<u>\$ 528,569</u>

See notes to financial statements.



# MEROLA OPERA PROGRAM

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2015 AND 2014

---

### 1. ORGANIZATION

**Nature of Operation** - Merola Opera Program (the “Program”) was organized in 1957 as a California tax-exempt, non-profit corporation. Merola was established to develop young operatic talent. Merola provides operatic training in an eleven and twelve week summer program based in San Francisco to young singers, apprentice stage directors and apprentice coaches selected through a series of rigorous nationwide auditions. Merola derives its support from contributions received from government agencies along with support from individuals and foundations located primarily in the greater San Francisco Bay Area.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) No. 958-205. Under ASC 958-205, the Program is required to report 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.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Fair Value** - ASC 820 includes a fair value hierarchy that is intended to increase the consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1 - instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2 - instrument valuations are obtained from readily-available pricing sources for comparable instruments.

Level 3 - instrument valuations are obtained without observable market values and require a high level of judgment to determine the fair value.

**Cash and Cash Equivalents** - Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise restricted or designated. The carrying amount approximates fair value because of the short maturity of those instruments.

**Investments** - Investments are recorded at fair value based on real-time quotes for transactions in active exchange markets involving identical assets.

**Assets Held In Charitable Remainder Trusts** - Assets held in charitable remainder trusts are recognized at estimated present value when irrevocable trusts naming the Program as beneficiary are executed.

**Property and Equipment** - Property and equipment items purchased by the Program are recorded at cost. The Program follows the practice of capitalizing all expenditures for land, buildings and equipment over \$1,000. The fair value of donated property and equipment is similarly capitalized. Depreciation has been provided on the straight-line method based upon the estimated useful lives of the assets.

**Net assets** - The Program 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.

*Unrestricted Net Assets* - the portion of net assets that is neither temporarily nor permanently restricted by donor - imposed stipulations. These net assets are intended for use of management and the Board of Directors for program services, fundraising activities and general operations.

*Temporarily Restricted Net Assets* - the portion of net assets of which use by the Program is limited by donor - imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Program.

*Permanently Restricted Net Assets* - the portion of net assets of which use by the Program is limited by donor - imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of the Program.

**Endowments** - The Program follows the guidance included in ASC 958-205-45 which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). The guidance also requires additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

### *Interpretation of Relevant Law*

The Board of Directors of the Program, on the advice of legal counsel, has interpreted California's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Program classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. 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 Program in a manner consistent with the standard of prudence prescribed by the enacted version of UPMIFA.

### *Spending Policy*

The Program annually appropriates endowment earnings for expenditure through the budgeting process.

### *Investment Policy, Strategies, and Objectives*

The Program has adopted an investment policy that attempts to maximize capital appreciation within reasonable levels of risk, and to preserve the long term inflation adjusted value of the portfolio. Endowment assets are invested in a diversified mix of domestic and international fixed income and equity securities.

### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Program to retain as a fund of perpetual duration. There were no individual donor-restricted endowment funds with deficiencies at September 30, 2015 or 2014.

**Contributions** - Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions whose restrictions are met during the period are classified as unrestricted contributions on the statements of activities.

Contributed services and goods are recorded as support and expensed in the accompanying financial statements at their estimated fair values on the date the service or good is provided. The Program recognizes donated services which create and enhance non-financial assets or that require specialized skills (such as professional services which would otherwise need to be purchased if not provided by donation).

**Income Taxes** - Under provision of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, the Program is exempt from income taxes, except for net income from unrelated business income. There were no unrelated business activities in 2015 or 2014, respectively. Accordingly, no tax expense was incurred during the years ending September 30, 2015 and 2014, respectively.

The Program has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions taken for all open tax years. Currently, the 2011 through 2014 information returns are open and subject to examination. In management's judgment there are no uncertain tax positions as of September 30, 2015.

**Functional Expense Classification** - The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various functions.

**Credit Risk** - Financial instruments which potentially subject the Program to credit risk consist principally of cash and equivalents, contributions receivable, and investments. The Program's cash is maintained in demand deposits and in money funds. Cash balances at September 30, 2015 did not exceed federal depository insurance limits. The Program does not require collateral for its contributions receivable, and does not believe significant credit risk exists. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position.

**Subsequent Events** - Subsequent events have been evaluated through May 31, 2016, which is the date the financial statements were available to be issued.

### 3. INVESTMENTS

Investments consisted of the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash held for long term purposes	\$ 1,388,524	\$ 2,254,067
Equities	14,332,881	15,910,804
Fixed income	<u>9,924,890</u>	<u>8,850,189</u>
Total	<u>\$ 25,646,295</u>	<u>\$ 27,015,060</u>

Investment income for the years ended September 30, 2015 and 2014 was as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 816,560	\$ 763,809
Net unrealized and realized gains (losses)	(1,119,947)	1,625,100
Less: Investment fees	<u>(193,816)</u>	<u>(190,966)</u>
Net investment income	<u>\$ (497,203)</u>	<u>\$ 2,197,943</u>

#### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 85,948	\$ 41,432
Less accumulated depreciation	<u>(43,622)</u>	<u>(41,387)</u>
Net property and equipment	<u>\$ 42,326</u>	<u>\$ 45</u>

Depreciation expense for the year ended September 30, 2015 and 2014 was \$2,234 and \$1,194, respectively.

#### 5. NET ASSETS

The Program's board of directors has chosen to designate \$11,611,321 and \$11,988,035 of unrestricted net assets for endowment at September 30, 2015 and 2014, respectively.

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
Merolini sponsorships and career grants	\$ 645,772	\$ 929,182
Donor specified	119,699	200,094
Grand Finale	115,695	216,959
Directed by donor annually	123,946	155,674
Other program expenses	54,014	30,976
Un-appropriated endowment funds	48,065	108,410
Implied time restriction	<u>87,128</u>	<u>80,615</u>
Total temporarily restricted net assets	<u>\$ 1,194,319</u>	<u>\$ 1,721,910</u>

Implied time restrictions consist of contributions receivable without explicit donor defined use restrictions. Implied time restrictions are released upon collection of the related contribution receivable.

Permanently restricted net assets are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
General endowments	\$ 5,723,779	\$ 5,729,430
Donor stipulated expenditure of interest and dividends only	<u>7,220,454</u>	<u>7,367,022</u>
Total permanently restricted net assets	<u>\$ 12,944,233</u>	<u>\$ 13,096,452</u>

The Program's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by ASC 958-205, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment composition by type of fund as of September 30, 2015 and 2014 are as follows:

At September 30, 2015	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	1,064,191	12,944,233	14,008,424
Board designated endowment	<u>11,611,321</u>	<u>-</u>	<u>-</u>	<u>11,611,321</u>
Total endowment	<u>\$ 11,611,321</u>	<u>1,064,191</u>	<u>12,944,233</u>	<u>25,619,745</u>
At September 30, 2014	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment	\$ -	1,640,203	13,096,452	14,736,655
Board designated endowment	<u>11,988,035</u>	<u>-</u>	<u>-</u>	<u>11,988,035</u>
Total endowment	<u>\$ 11,988,035</u>	<u>1,640,203</u>	<u>13,096,452</u>	<u>26,724,690</u>

Changes in endowment as of September 30, 2015 and 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment balance at September 30, 2013	\$ 11,428,156	1,375,047	12,517,179	25,320,382
Board designations	473,354	-	-	473,354
Contributions	-	-	134,172	134,172
Change in value of assets held in charitable remainder trusts	-	-	17,140	17,140
Investment income, net	1,223,435	546,531	427,961	2,197,927
Amounts appropriated for unrestricted support	<u>(1,136,910)</u>	<u>(281,375)</u>	<u>-</u>	<u>(1,418,285)</u>
Endowment balance at September 30, 2014	\$ 11,988,035	1,640,203	13,096,452	26,724,690
Board designations	874,487	-	-	874,487
Contributions	-	-	10,916	10,916
Change in value of assets held in charitable remainder trusts	-	-	(16,567)	(16,567)
Investment loss, net	(84,543)	(265,350)	(146,568)	(496,461)
Amounts appropriated for unrestricted support	<u>(1,166,658)</u>	<u>(310,662)</u>	<u>-</u>	<u>(1,477,320)</u>
Endowment balance at September, 30, 2015	<u>\$ 11,611,321</u>	<u>1,064,191</u>	<u>12,944,233</u>	<u>25,619,745</u>

## 6. IN-KIND CONTRIBUTIONS

During the years ended September 30, 2015 and 2014, the Program was the recipient of \$129,615 and \$112,366, respectively, of in-kind contributed services for various advertising, production, and administrative costs. During the years ended September 30, 2015 and 2014, the Program was the recipient of \$45,009 and \$52,631, respectively, in donated goods provided for events.

## 7. FAIR VALUE MEASUREMENT

The Program's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the relevant standards. The following table presents information about the Program's assets measured at fair value on a recurring basis as of September 30, 2015 and 2014:

At September 30, 2015	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 25,646,295	-	-	25,646,295
Assets held in charitable remainder trusts	<u>-</u>	<u>-</u>	<u>350,122</u>	<u>350,122</u>
Total	<u>\$ 25,646,295</u>	<u>-</u>	<u>350,122</u>	<u>25,996,417</u>

  

At September 30, 2014	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 27,015,060	-	-	27,015,060
Assets held in charitable remainder trusts	<u>-</u>	<u>-</u>	<u>366,689</u>	<u>366,689</u>
Total	<u>\$ 27,015,060</u>	<u>-</u>	<u>366,689</u>	<u>27,381,749</u>

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Program has classified within the Level 3 category. The Program's Level 3 valuations of assets held in charitable remainder trusts are based on the income approach, specifically discounted cash flow analysis which utilizes significant inputs based on the Program's estimates and assumptions. Inputs include discount rates and mortality tables.

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 366,689	\$ 349,549
Change in value of assets held in remainder trusts	<u>(16,567)</u>	<u>17,140</u>
Ending balance	<u>\$ 350,122</u>	<u>\$ 366,689</u>



## 8. LEASE

The Program leases facilities under a non-cancelable operating lease that expires in 2020. The aggregate remaining minimum rental payments required under the terms of the lease as of September 30, 2015 are as follows:

2016	\$	95,144
2017		98,000
2018		100,936
2019		103,964
2020		<u>70,680</u>
Total	\$	<u>468,724</u>

## 9. RETIREMENT PLAN

The Program offers employees the opportunity for participation in a retirement plan qualified under Internal Revenue Code Section 401(k) (the "Plan"). Program contributions to the Plan are discretionary. Employees are permitted to contribute pre-tax earnings subject to statutory limitations. The Program contributed \$15,621 and \$16,503 to the Plan during the years ended September 30, 2015 and 2014, respectively.