



CHESS-IN-THE-SCHOOLS, INC.

Audited Financial Statements

June 30, 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Chess-in-the-Schools, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Chess-in-the-Schools, Inc. which comprise the statement of financial position as of June 30, 2016, 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 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 auditors' 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.

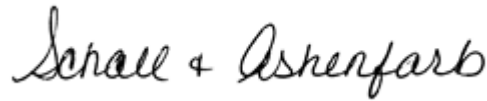
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chess-in-the-Schools, Inc. as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Chess-in-the-Schools, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

January 27, 2017

CHES-IN-THE-SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2016
(With comparative totals at June 30, 2015)

	6/30/16	6/30/15*
Assets		
Cash and cash equivalents	\$1,114,008	\$463,914
Investments (Note 4)	9,567,034	10,642,596
Program fees receivable	37,244	25,623
Government grants receivable	485,095	444,000
Pledges receivable (Note 3)	497,042	450,430
Inventory	38,297	39,573
Prepaid expenses	24,574	9,000
Fixed assets (net of accumulated depreciation) (Note 5)	129,862	145,735
Total assets	\$11,893,156	\$12,220,871
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$12,925	\$34,074
Conditional contributions	0	50,000
Deferred rent	68,292	73,824
Total liabilities	81,217	157,898
Net assets:		
Unrestricted:		
Operations	6,393,830	6,862,423
Board designated	5,000,000	5,000,000
Total unrestricted	11,393,830	11,862,423
Temporarily restricted (Note 6)	318,109	100,550
Permanently restricted (Note 7)	100,000	100,000
Total net assets	11,811,939	12,062,973
Total liabilities and net assets	\$11,893,156	\$12,220,871

*Restated.

The attached notes and auditors' report are an integral part of these financial statements.

CHESS-IN-THE-SCHOOLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

(With comparative totals for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 6/30/16	Total 6/30/15
		(Note 6)	(Note 7)		
Public support and revenue:					
Contributions	\$653,315	\$210,000		\$863,315	\$695,749
Gala (net of expenses where donors received benefits of \$50,135)	1,085,644			1,085,644	531,551
Government grants	624,038			624,038	504,951
Program fee revenue	92,760			92,760	101,250
Miscellaneous income	1,300			1,300	9,296
Net assets released from restriction				0	0
Total public support and revenue	<u>2,457,057</u>	<u>210,000</u>	<u>0</u>	<u>2,667,057</u>	<u>1,842,797</u>
Expenses:					
Program services	2,047,217			2,047,217	2,181,251
Management and general	484,248			484,248	462,862
Fundraising	299,600			299,600	344,594
Total expenses	<u>2,831,065</u>	<u>0</u>	<u>0</u>	<u>2,831,065</u>	<u>2,988,707</u>
Change in net assets from operations	<u>(374,008)</u>	<u>210,000</u>	<u>0</u>	<u>(164,008)</u>	<u>(1,145,910)</u>
Non-operating activities:					
Interest and dividend income	208,140	19,357		227,497	150,153
Net realized (loss)/gain from investments	(9)			(9)	(867)
Net unrealized (loss)/gain from investments	<u>(302,716)</u>	<u>(11,798)</u>		<u>(314,514)</u>	<u>(45,380)</u>
Total non-operating activities	<u>(94,585)</u>	<u>7,559</u>	<u>0</u>	<u>(87,026)</u>	<u>103,906</u>
Total change in net assets	(468,593)	217,559	0	(251,034)	(1,042,004)
Net assets - beginning of year - originally stated					12,733,977
Prior period adjustment (Note 11)					<u>371,000</u>
Net assets - beginning of year - restated	<u>11,862,423</u>	<u>100,550</u>	<u>100,000</u>	<u>12,062,973</u>	<u>13,104,977</u>
Net assets - end of year	<u>\$11,393,830</u>	<u>\$318,109</u>	<u>\$100,000</u>	<u>\$11,811,939</u>	<u>\$12,062,973</u>

The attached notes and auditors' report are an integral part of these financial statements.

CHESS-IN-THE-SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With comparative totals for the year ended June 30, 2015)

	Program Services						Total Program Services	Management and General	Fundraising	Total Expenses 6/30/16	Total Expenses 6/30/15*
	School Programs	Summer Camp	College Bound Program	Project Chess	Tournament Program	Program Department					
Salaries	\$612,827	\$61,758	\$248,880	\$43,422	\$185,006	\$56,323	\$1,208,216	\$74,850	\$132,276	\$1,415,342	\$1,513,544
Payroll taxes and benefits	120,348	16,813	44,351	6,539	32,314	15,802	236,167	19,924	26,163	282,254	261,577
Scholarships and grants			2,600		32,000	10,654	45,254	698	11,581	87,645	49,650
Other program expenses	11,459		20,132		25,240	18,535	75,366		18,459	95,471	62,849
Office expenses	36,179	2,396	10,267	1,506	9,644	5,074	65,066	11,946	1,252	13,391	21,505
Telephone	5,798	584	2,355	411	1,751	533	11,432	707	3,600	38,525	37,580
Insurance	16,680	1,681	6,776	1,182	5,036	1,533	32,888	2,037	3,600	249,257	299,842
Consultants					250	1,776	2,026	212,716	5,112	78,610	104,574
Professional fees	8,465	853	3,438	600	2,555	778	16,689	56,809		576	81
Public relations and advertising							0			576	
Travel and meals	25		25,929		6,644	20,399	52,997	2,619	5,206	60,822	89,664
Depreciation and amortization							0	18,400		18,400	18,941
Miscellaneous	973	98	1,595	69	694	2,723	6,152	2,134	6,815	15,101	14,788
Occupancy	127,175	12,817	51,658	9,011	38,392	11,689	250,742	15,533	27,450	293,725	289,257
Annuity and pension expense (Note 9)							0	62,554		62,554	57,341
Repairs and maintenance	13,259	1,336	5,386	940	4,002	1,219	26,142	1,620	2,862	30,624	25,851
Utilities	9,170	924	3,725	650	2,768	843	18,080	1,701	1,979	21,760	18,267
Indirect fundraising expenses							0		21,754	21,754	29,764
Total	\$962,358	\$99,260	\$427,092	\$64,330	\$346,296	\$147,881	\$2,047,217	\$484,248	\$299,600	\$2,831,065	\$2,988,707

*Reclassified for comparative purposes.

The attached notes and auditor's report are an integral part of these financial statements.

CHESS-IN-THE-SCHOOLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(With comparative totals for the year ended June 30, 2015)

	6/30/16	6/30/15
Cash flows from operating activities:		
Change in net assets	(\$251,034)	(\$1,042,004)
Adjustments to reconcile change in net assets to net cash flows used for operating activities:		
Depreciation and amortization	18,400	18,941
Realized losses on sale of investments	9	867
Unrealized losses on sale of investments	314,514	45,380
Changes in assets and liabilities:		
Program fees receivable	(11,621)	11,513
Government grants receivable	(41,095)	(137,547)
Pledges receivable	(46,612)	225,213
Inventory	1,276	5,609
Prepaid expenses	(15,574)	3,377
Accounts payable and accrued expenses	(21,149)	(51,800)
Conditional contributions	(50,000)	50,000
Deferred rent	(5,532)	534
Total adjustments	142,616	172,087
Net cash flows used for operating activities	(108,418)	(869,917)
 Cash flows from investing activities:		
Sales of investments	1,007,789	419,028
Purchases of investments	(246,750)	(882,766)
Purchase of fixed assets	(2,527)	(133,306)
Net cash flows provided/(used for) by investing activities	758,512	(597,044)
 Net increase/(decrease) in cash and cash equivalents	650,094	(1,466,961)
 Cash and cash equivalents - beginning of year	463,914	1,930,875
 Cash and cash equivalents - end of year	\$1,114,008	\$463,914

No interest or income taxes were paid.

The attached notes and auditors' report are an integral part of these financial statements.

CHESS-IN-THE-SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1 - Nature of Entity

Chess-in-the-Schools, Inc. ("CIS") is a not-for-profit organization established to further the public's interest in the game of chess. Currently its top priority and largest program is Youth and School Programs, which brings the game of chess to economically disadvantaged inner-city children.

CIS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of CIS have been prepared on the accrual basis of accounting, which is the process of recording revenue, public support and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

CIS reports information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents all activity without donor imposed restrictions as well as activity with donor imposed restrictions, which expire within the same period that the donation is received. The Board of Trustees has established a capital reserve, which is displayed as board designated.
- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by passage of time or performance of activities. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity.

CIS defines operations as all activity excluding income from investments.

c. Cash and Cash Equivalents

CIS considers liquid investments that have an initial maturity of three months or less to be cash and cash equivalents. However, amounts held by the investment custodian for long term purposes are included with investments.

d. Concentration of Credit Risk

Financial instruments, which potentially subject CIS to concentration of credit risk, consist of cash, money market accounts and investment securities, which are placed

with financial institutions that management deems to be creditworthy. Investments are subject to market fluctuations and principal is not guaranteed. At year-end and at various times during the year, CIS had material uninsured balances. CIS has not experienced any losses due to the failure of any of these institutions.

e. Pledges Receivable

CIS records unconditional promises to give as revenue in the period received at net realizable value, if expected to be received within one year or at fair value using a risk adjusted discount rate of return, if expected to be received after one year.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable are reviewed for collectability based upon historical experience and factors related to specific donors. Based on this evaluation, no allowance is deemed necessary.

f. Investments

Investments with readily available market prices are reflected at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities as non-operating activities. See Note 4 for additional information.

g. Fixed Assets

Fixed assets to which CIS retains title and that benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation.

Fixed assets consist of leasehold improvements, furniture, equipment and computers. Depreciation is charged over the assets useful lives and lease terms using the straight-line method with a one-half year convention.

h. Deferred Rent

Rent expense is recorded on the straight-line basis over the life of the lease. Rent expense recognized in excess of cash payments, primarily due to free rent received at the beginning of the lease, is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero by the end of the lease term.

i. Contributions

Contributions are recorded upon receipt of cash or at the time a pledge becomes unconditional in nature. Contributions restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. All other contributions are recorded as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, when a contribution has a restriction that is met in the period that the contribution is received, it is recorded as unrestricted.

Contributions with conditions that depend on future events are recognized as income when those conditions have been met.

- j. Management Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.
- k. Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of CIS.
- l. Summarized Comparative Information
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 CIS's financial statements for the year ended June 30, 2015, from which the summarized information was derived.
- m. Accounting for Uncertainty of Income Taxes
CIS does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2013 and later are subject to examination by applicable taxing authorities.
- n. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through January 27, 2017, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date, through our evaluation date that would require adjustment to or disclosure in the financial statements.
- o. New Accounting Pronouncement
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year, with early implementation permitted, focusses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the June 30, 2021 year, requires the full obligation of long term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

CIS has not yet evaluated the impact these new standards will have on future statements.

Note 3 - Pledges Receivable

Pledges receivable are due in the following years:

Year ending:	June 30, 2017	\$285,000
	June 30, 2018	155,000
	June 30, 2019	<u>80,000</u>
		520,000
Less: adjustment to fair value		<u>(22,958)</u>
Total		<u>\$497,042</u>

A significant concentration exists in that approximately 62% of outstanding pledges are from one donor.

Note 4 - Investments

Investments are stated at fair value. Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that CIS has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following summarizes the composition of investments:

	<u>June 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money funds	\$221,327	\$0	\$0	\$221,327
Exchange-traded fund:				
Single currency	169,648	0	0	169,648
Stocks	1,174	0	0	1,174
Mutual funds:				
Diversified emerging markets	1,036,977	0	0	1,036,977
Large blend	3,047,426	0	0	3,047,426
Real estate	1,112,364	0	0	1,112,364
Foreign large blend	1,590,313	0	0	1,590,313
Large value	1,172,603	0	0	1,172,603
Single currency	173,323	0	0	173,323
Private investments	<u>0</u>	<u>0</u>	<u>1,041,879</u>	<u>1,041,879</u>
Total	<u>\$8,525,155</u>	<u>\$0</u>	<u>\$1,041,879</u>	<u>\$9,567,034</u>

	June 30, 2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money funds	\$1,409,837	\$0	\$0	\$1,409,837
Exchange-traded fund:				
Single currency	198,936	0	0	198,936
Mutual funds:				
Diversified emerging markets	1,179,879	0	0	1,179,879
Large blend	2,931,554	0	0	2,931,554
Real estate	897,551	0	0	897,551
Foreign large blend	1,511,451	0	0	1,511,451
Large value	1,120,442	0	0	1,120,442
Single currency	200,662	0	0	200,662
Private investments	<u>0</u>	<u>0</u>	<u>1,192,284</u>	<u>1,192,284</u>
Total	<u>\$9,450,312</u>	<u>\$0</u>	<u>\$1,192,284</u>	<u>\$10,642,596</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on.

Level 2 securities are valued using observable market inputs for securities that are similar to those owned.

The valuation of certain private investments and hedge funds as of June 30, 2016 and 2015, are reported at fair value utilizing the net asset values provided by fund managers as a practical expedient. While the net asset values utilize significant unobservable inputs (level 3), management reviews and evaluates the values provided by the fund managers and agrees with the valuation methods and assumptions used in determining the fair value. Other private investments are valued using outside appraisals conducted by third party appraisers.

Those methods produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

Changes in Level 3 investments are as follows:

	<u>6/30/16</u>	<u>6/30/15</u>
Beginning balance	\$1,192,284	\$708,484
Purchases	0	763,479
Sales	0	(72,271)
Unrealized loss	<u>(150,405)</u>	<u>(207,408)</u>
Total	<u>\$1,041,879</u>	<u>\$1,192,284</u>

Note 5 - Fixed Assets

Fixed assets consist of:

	<u>6/30/16</u>	<u>6/30/15</u>
Leasehold improvements	\$1,111,168	\$1,120,810
Computers and equipment	266,839	254,670
Furniture and fixtures	<u>120,543</u>	<u>120,543</u>
	1,498,550	1,496,023
Less: accumulated depreciation and amortization	<u>(1,368,688)</u>	<u>(1,350,288)</u>
Net fixed assets	<u>\$129,862</u>	<u>\$145,735</u>

Note 6 - Temporarily Restricted Net Assets

The following schedule summarizes temporarily restricted net assets:

	<u>June 30, 2016</u>			
	Net Assets <u>7/1/15</u>	Contributions/ Other Changes	Released from Restrictions	Net Assets <u>6/30/16</u>
School program	\$0	\$60,000	\$0	\$60,000
Time restrictions	0	150,000	0	150,000
Endowment	<u>100,550</u>	<u>7,559</u>	<u>0</u>	<u>108,109</u>
Total	<u>\$100,550</u>	<u>\$217,559</u>	<u>\$0</u>	<u>\$318,109</u>

	<u>June 30, 2015</u>			
	Net Assets <u>7/1/14</u>	Other Changes	Released from Restrictions	Net Assets <u>6/30/15</u>
Endowment	<u>\$97,396</u>	<u>\$13,744</u>	<u>(\$10,590)</u>	<u>\$100,550</u>

Note 7 - Permanently Restricted Net Assets

The endowment consists of an individual donor-restricted fund, the Karff Fund, which was established in November 1998 for the purpose of funding the Edward Lasker Memorial Prizes to be awarded by the Marshall Chess Club. The endowment includes earnings from investment gains that have not yet been appropriated by the Board of Trustees.

Interpretation of Relevant Law

CIS follows the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Board of Trustees of CIS has interpreted NYPMIFA as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, CIS will

preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances, CIS has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, CIS 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.

Absent any specific donor-stipulations, when endowment funds have earnings in excess of amounts that need to be retained permanently, these excess amounts are classified as temporarily restricted net assets until appropriated for expenditure by the organization's governing board. The endowment agreement specifies that the amount to be paid out from the fund each year is the lesser of the prior year's net income or 5% of the total value of the fund at the beginning of the year, if requested.

Spending Policies

In accordance with NYPMIFA, CIS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of CIS and the donor-restricted endowment fund;
- (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 CIS;
- (7) The investment policies of CIS;
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on CIS.

Changes in endowment net assets are as follows:

	June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$0	\$100,550	\$100,000	\$200,550
Reinvested income	0	19,357	0	19,357
Unrealized loss	0	(11,798)	0	(11,798)
Endowment net assets, end of year	\$0	\$108,109	\$100,000	\$208,109

June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$0	\$97,396	\$100,000	\$197,396
Reinvested income	0	11,944	0	11,944
Sales	0	(10,590)	0	(10,590)
Realized gain	0	431	0	431
Unrealized gain	<u>0</u>	<u>1,369</u>	<u>0</u>	<u>1,369</u>
Endowment net assets, end of year	<u>\$0</u>	<u>\$100,550</u>	<u>\$100,000</u>	<u>\$200,550</u>

Endowment Investment Policies

CIS has adopted an investment policy for endowment assets that relies on the accumulation of interest, dividends and other market value gains for future appropriation.

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 NYPMIFA requires CIS to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2016 and 2015.

Note 8 - Commitments and Contingencies

On January 8, 2011, CIS entered into a non-cancelable lease extension agreement for office space which expires in 2020. Future minimum payments, excluding utilities and other escalations, under the lease are as follows:

Year ending:	June 30, 2017	\$281,871
	June 30, 2018	288,213
	June 30, 2019	294,698
	June 30, 2020	<u>148,988</u>
Total		<u>\$1,013,770</u>

Note 9 - Employee Benefits

CIS sponsors a tax-deferred annuity plan that is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees, who can make contributions up to the maximum statutory amount. CIS contributed \$18,209 to the plan during 2016.

Additionally, in 1991, CIS entered into a deferred compensation agreement with a former executive director. Under the terms of that agreement, CIS pays that individual approximately \$63,000 annually, representing 50% of their average salary during the 36 months prior to their retirement. As per the terms of the agreement, the deferred compensation is not funded and is paid out of operating funds.

Note 10 - Significant Concentrations

CIS receives funding from the New York City Department of Education and the New York City Department of Youth and Community Development to operate its major programs. Total funding from these two government agencies amount to 19% of total revenue for the year ended June 30, 2016.

Note 11 - Prior Period Adjustment

A prior period adjustment was recorded to increase assets and net assets as of June 30, 2015, as a result of a donor contribution of private investments for which a fair value could not be determined at the time of the issuance of the financial statements.