

**NAMI**  
**Keystone Pennsylvania**

Financial Statements

Years Ended June 30, 2017 and 2016  
with Independent Auditor's Report

**MaherDuessel**

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# NAMI KEYSTONE PENNSYLVANIA

YEARS ENDED JUNE 30, 2017 AND 2016

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## Independent Auditor's Report

**Board of Directors  
NAMI Keystone  
Pennsylvania**

We have audited the accompanying financial statements of NAMI Keystone Pennsylvania (NAMI), which comprise the statements of financial position 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.

### **Auditor's 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 audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAMI 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.

*Maher Duessel*

Pittsburgh, Pennsylvania  
February 15, 2018

# NAMI KEYSTONE PENNSYLVANIA

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 620,486	\$ 445,622
Accounts receivable - Allegheny County	114,744	97,084
Accounts receivable - other	64,037	29,048
Prepaid expenses	31,319	45,900
Fixed assets, net	12,073	11,660
Other assets	3,716	3,716
<b>Total Assets</b>	<b>\$ 846,375</b>	<b>\$ 633,030</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 6,440	\$ 381
Accrued liabilities	42,956	36,043
Deferred revenue and refundable advances	28,029	62,080
<b>Total Liabilities</b>	<b>77,425</b>	<b>98,504</b>
<b>Net Assets:</b>		
Unrestricted	730,619	529,347
Temporarily restricted	38,331	5,179
<b>Total Net Assets</b>	<b>768,950</b>	<b>534,526</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 846,375</b>	<b>\$ 633,030</b>

See accompanying notes to financial statements.

# NAMI KEYSTONE PENNSYLVANIA

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Other Support:</b>			
Allegheny County contract revenue	\$ 968,025	\$ -	\$ 968,025
Other contract revenue	323,650	-	323,650
Contributions, grants, and dues	688,994	57,000	745,994
Interest	1,512	-	1,512
Other income	9,087	-	9,087
	<u>1,991,268</u>	<u>57,000</u>	<u>2,048,268</u>
<b>Net Assets Released From Restrictions</b>	<u>23,848</u>	<u>(23,848)</u>	<u>-</u>
<b>Expenses:</b>			
Program	1,320,234	-	1,320,234
Management and general	301,106	-	301,106
Fundraising	192,504	-	192,504
	<u>1,813,844</u>	<u>-</u>	<u>1,813,844</u>
<b>Change in Net Assets</b>	201,272	33,152	234,424
<b>Net Assets:</b>			
Beginning of year	<u>529,347</u>	<u>5,179</u>	<u>534,526</u>
End of year	<u>\$ 730,619</u>	<u>\$ 38,331</u>	<u>\$ 768,950</u>

See accompanying notes to financial statements.

# NAMI KEYSTONE PENNSYLVANIA

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Other Support:</b>			
Allegheny County contract revenue	\$ 933,025	\$ -	\$ 933,025
Other contract revenue	113,700	-	113,700
Contributions, grants, and dues	481,969	-	481,969
Interest	1,050	-	1,050
Other income	4,860	-	4,860
	<u>1,534,604</u>	<u>-</u>	<u>1,534,604</u>
<b>Net Assets Released From Restrictions</b>	<u>25,189</u>	<u>(25,189)</u>	<u>-</u>
<b>Expenses:</b>			
Program	1,098,396	-	1,098,396
Management and general	266,507	-	266,507
Fundraising	135,692	-	135,692
	<u>1,500,595</u>	<u>-</u>	<u>1,500,595</u>
<b>Change in Net Assets</b>	<u>59,198</u>	<u>(25,189)</u>	<u>34,009</u>
<b>Net Assets:</b>			
Beginning of year	<u>470,149</u>	<u>30,368</u>	<u>500,517</u>
End of year	<u>\$ 529,347</u>	<u>\$ 5,179</u>	<u>\$ 534,526</u>

See accompanying notes to financial statements.

# NAMI KEYSTONE PENNSYLVANIA

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Totals	Management and General	Fundraising	Total
Salaries and wages	\$ 704,916	\$ 164,936	\$ 66,407	\$ 936,259
Payroll taxes	53,533	12,526	5,036	71,095
Employee benefits	154,071	27,132	11,360	192,563
Facility and equipment	108,793	15,226	4,270	128,289
Insurance	7,216	905	368	8,489
Telecommunications	14,567	1,545	566	16,678
Office supplies	15,244	8,428	704	24,376
Postage	4,353	454	1,651	6,458
Printing and copying	37,281	2,410	6,296	45,987
Travel and meetings	35,179	6,186	1,267	42,632
Program	95,870	-	-	95,870
Fundraising	-	-	65,430	65,430
Staff development	3,901	1,438	-	5,339
Support to affiliate groups	3,264	-	24,922	28,186
Contract services	33,491	50,123	382	83,996
Outside computer services	1,848	4,665	98	6,611
Marketing and advertising	500	210	35	745
Professional memberships	-	3,152	-	3,152
WRCSP pass-through funding	45,178	-	-	45,178
Other	1,029	1,770	3,712	6,511
	<u>\$ 1,320,234</u>	<u>\$ 301,106</u>	<u>\$ 192,504</u>	<u>\$ 1,813,844</u>
Total	<u>\$ 1,320,234</u>	<u>\$ 301,106</u>	<u>\$ 192,504</u>	<u>\$ 1,813,844</u>

See accompanying notes to financial statements.



# NAMI KEYSTONE PENNSYLVANIA

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Totals	Management and General	Fundraising	Total
Salaries and wages	\$ 598,727	\$ 147,767	\$ 53,302	\$ 799,796
Payroll taxes	45,309	11,184	4,033	60,526
Employee benefits	172,026	29,422	15,552	217,000
Facility and equipment	98,388	9,105	13,738	121,231
Insurance	6,256	651	289	7,196
Telecommunications	16,539	3,084	662	20,285
Office supplies	35,025	8,817	2,006	45,848
Postage	3,974	524	1,538	6,036
Printing and copying	24,503	2,173	3,312	29,988
Travel and meetings	26,059	7,014	1,189	34,262
Program	13,108	52	-	13,160
Fundraising	-	-	7,711	7,711
Staff development	2,145	2,113	100	4,358
Support to affiliate groups	250	-	28,904	29,154
Contract services	8,151	36,448	398	44,997
Outside computer services	1,750	4,497	-	6,247
Marketing and advertising	675	731	-	1,406
Professional memberships	333	2,739	-	3,072
WRCSP pass-through funding	45,178	-	-	45,178
Other	-	186	2,958	3,144
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 1,098,396</u>	<u>\$ 266,507</u>	<u>\$ 135,692</u>	<u>\$ 1,500,595</u>

See accompanying notes to financial statements.

# NAMI KEYSTONE PENNSYLVANIA

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 234,424	\$ 34,009
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,024	-
Change in:		
Receivable from primary funding agencies	(17,660)	(21,838)
Receivable from other funding sources	(34,989)	34,205
Prepaid expenses	14,581	(1,818)
Other assets	-	(3,716)
Accounts payable	6,059	381
Accrued liabilities	6,913	24,503
Deferred revenue	(34,051)	44,027
Total adjustments	(55,123)	75,744
Net cash provided by (used in) operating activities	179,301	109,753
<b>Cash Flows From Investing Activities:</b>		
Purchases of fixed assets	(4,437)	(11,660)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	174,864	98,093
<b>Cash and Cash Equivalents:</b>		
Beginning of year	445,622	347,529
End of year	\$ 620,486	\$ 445,622

See accompanying notes to financial statements.

# NAMI KEYSTONE PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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### 1. Organization and Nature of Activities

In July 2016, NAMI Southwestern Pennsylvania was selected to become the official state NAMI organization in Pennsylvania. As a result, the Board voted to change the name to NAMI Keystone Pennsylvania (NAMI). Recognized as a thought leader on mental illness throughout the region, NAMI believes that recovery from mental illness is possible, champions improvements to the mental health system, and promotes acceptance and understanding of mental illness. NAMI's dedicated staff and volunteers provide recovery-focused support and education programs throughout the region and the state. A membership-based organization, NAMI works diligently to ensure the collective voice of its membership is heard by legislators, the media, and stakeholders. NAMI strives to raise awareness, end stigma, and create a culture of knowledge and compassion for mental illness.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues and support are recorded when earned and expenses are recognized when the liabilities are incurred.

#### 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 revenues and expenses during the reporting period. Actual results may differ from those estimates.

#### Basis of Net Assets

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

# NAMI KEYSTONE PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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Unrestricted Net Assets – Unrestricted net assets are the net assets that are neither permanently nor temporarily restricted by donor or grantor-imposed stipulations. Unrestricted net assets designated by the governing board are unrestricted funds set aside by actions of the Board of Directors (Board) for other specific purposes. The Board has designated certain net asset amounts for specific purposes, primarily approximately \$613,000 and \$400,000 for operating reserves for the years ended June 30, 2017 and 2016. For the years ended June 30, 2017 and 2016, another \$50,000 and \$44,000, respectively, has been designated for the Dick Jevon Education and Advocacy Fund and \$12,073 and \$11,660, respectively, has been invested in fixed assets.

Temporarily Restricted Net Assets – Net assets that result from contributions or other inflows of assets limited by donor stipulations that either expire by the passage of time or can be fulfilled and removed by actions of NAMI pursuant to those stipulations. When the restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statements of activities as changes in net assets released from restrictions. NAMI records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. At June 30, 2017 and 2016, NAMI had \$38,331 and \$5,179 of temporarily restricted net assets, respectively.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that must be maintained permanently by NAMI. Generally, the donors of these assets permit the use of all or part of the income earned and capital gains, if any, on related investments for general or specific purposes. At June 30, 2017 and 2016, NAMI had no permanently restricted net assets.

### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

### Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts. Management believes the organization is not exposed to any significant credit risk on cash and cash equivalents.

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# NAMI KEYSTONE PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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### Income Taxes

NAMI has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, NAMI qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation. Further, NAMI annually files a Form 990. No provision for income tax is recorded in these financial statements.

### Fixed Assets

Fixed assets purchased with funds received from a government agency remain the property of the government agency. Accordingly, the purchase of fixed assets with government funds is recognized as an expense.

All other fixed assets are recorded at cost or, if donated, the estimated fair value at the date received. Depreciation is calculated on the straight-line method over the asset's estimated useful life. A capitalization level of \$5,000 has been adopted by NAMI.

At June 30, 2017 and 2016, fixed assets totaled:

	<u>2017</u>	<u>2016</u>
Fixed assets	\$ 16,097	\$ 11,660
Accumulated depreciation	<u>(4,024)</u>	<u>-</u>
Fixed assets, net	<u>\$ 12,073</u>	<u>\$ 11,660</u>

### Deferred Revenue

Deferred revenue represents unearned receipts from exchange transactions with Community Care Behavioral Health.

### Refundable Advances

Refundable advances represent contributions received before year end for sponsorships of fundraising special events scheduled to take place after year-end.

# NAMI KEYSTONE PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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### Functional Allocation of Expenses

NAMI charges expenses that are directly identifiable to program, management and general, and fundraising. Expenses related to more than one function are allocated to programs and supporting services on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other functional classification, but provide overall support and direction for NAMI.

### Concentrations

NAMI receives a substantial amount of its revenue from various government contracts, mainly from Allegheny County (47% in 2017 and 61% in 2016). A significant reduction in the level of this support, if this were to occur, could negatively affect the programs and activities of NAMI.

### Compensated Absences

Full-time employees are able to carry over five days of unused vacation from the previous year. Sick time is carried over from year to year and there is no limit on how many days an employee can accrue. Unused sick days are not compensated. The liability associated with employees carrying over unused vacation days at June 30, 2017 and 2016 was approximately \$21,500 and \$20,000 and is included in accrued liabilities on the statements of financial position.

### Pending Pronouncements

The Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, "*Revenue from Contracts with Customers*," which provides a single, comprehensive revenue recognition model for all contracts with customers, and contains principles to determine the measurement of revenue and timing of when it is recognized. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2018. Early adoption will be permitted for annual reporting periods beginning after December 15, 2017.

The FASB issued ASU No. 2016-02, "*Leases (Topic 842)*," which is intended to increase transparency and comparability among entities that enter into leasing arrangements. This ASU requires recognition of lease assets and lease liabilities on the balance sheet for nearly all leases (other than short-term leases), as well as a retrospective recognition and measurement of existing impacted leases. The requirements of the new standard will be

# NAMI KEYSTONE PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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effective for annual reporting periods beginning after December 15, 2019. The new standard is required to be applied with a modified retrospective approach to each prior reporting period with various optional practical expedients.

The FASB issued ASU No. 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* which aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, how underwater donor-restricted endowment funds are treated, will increase the information available about liquidity and the availability of resources, requires financial statements for not-for-profits to provide expenses both by nature and function, as well as an analysis of those expenses by both nature and function, along with disclosure of the methods used to allocate those costs among the various functions, and standardizes how organizations present investment returns and what expenses should be netted against those returns. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The changes in the standard are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in the ASU is allowed.

NAMI is in the process of determining the impact of the adoption of these standards on its financial statements.

### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

### **3. Cash and Cash Equivalents**

NAMI maintains its cash balances in several local financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per corporation. The carrying amount of NAMI's deposits was \$620,486 and \$445,622 at June 30, 2017 and 2016, respectively, and the bank balance was \$630,134 and \$504,362 at June 30, 2017 and 2016, respectively. The entire bank balance was insured by the FDIC at June 30, 2017 and 2016.

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# NAMI KEYSTONE PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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### 4. Line of Credit

NAMI has a \$225,000 line of credit with a bank, of which \$0 was outstanding at June 30, 2017 and 2016. Interest is payable monthly and fluctuates based on the prime rate of the bank plus 0.250%. For the years ended June 30, 2017 and 2016, NAMI had \$0 in interest expense, as no amounts have been drawn down. The line of credit is secured by the debtor's collateral and is fully due and payable on demand.

### 5. Accounts Receivable - Other

Accounts receivable - other at June 30, 2017 are as follows:

Armstrong/Indiana	\$	13,505
Community Care Behavioral Health		17,533
Pennsylvania DHS OMHSAS		14,894
Beaver County MH		10,000
Other miscellaneous sources		<u>8,105</u>
Total receivables	\$	<u>64,037</u>

Accounts receivable - other at June 30, 2016 are as follows:

Armstrong/Indiana	\$	11,211
Beaver County		10,000
Other miscellaneous sources		<u>7,837</u>
Total receivables	\$	<u>29,048</u>



# NAMI KEYSTONE PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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### 6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Staunton Strategic Alliance	\$ -	\$ 5,179
Staunton State Transition	36,501	-
MOE Day of Self Discovery	<u>1,830</u>	<u>-</u>
Total	<u>\$ 38,331</u>	<u>\$ 5,179</u>

### 7. Net Assets Released from Restrictions

Net assets of \$23,848 and \$25,189 were released from donor restrictions by the use of the resources for their intended purpose during the fiscal years ended June 30, 2017 and 2016, respectively.

### 8. Leases

Future minimum annual rental payments applicable to operating leases, primarily for real property, which have a remaining term of more than one year at June 30, 2017, are as follows:

2017-2018	\$ 136,175
2018-2019	131,312
2019-2020	19,058
2020-2021	<u>981</u>
	<u>\$ 287,526</u>

Rent expense, which was \$100,567 and \$84,375 for the years ended June 30, 2017 and 2016, is allocated (either directly or indirectly) to program activity, management and general, and fundraising.

# NAMI KEYSTONE PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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### 9. Commitments

NAMI's financial and program records are subject to examination by appropriate government authorities in accordance with terms of the various grant awards and contracts. The government authorities are authorized to review actual expenditures and to make necessary adjustments in subsequent reimbursements or request refunds of grant amounts, if warranted. Management believes that NAMI's records and financial statements comply with the terms of the grants and awards.

### 10. Deferred Revenue and Refundable Advances

Deferred revenue and refundable advances at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
CCBH	\$ 22,879	\$ 24,460
Annual Walk	5,150	12,620
NAMI Gala	-	25,000
Total	<u>\$ 28,029</u>	<u>\$ 62,080</u>

### 11. NAMI Annual Walk

A significant fundraiser for NAMI is the Annual Walk. The purpose of the Walk is to a) raise funds for NAMI's mission of recovery focused support, education, and advocacy for individuals and families affected by mental illness; b) increase awareness of mental illness by reaching hundreds of thousands of people through Walk promotions and the news media; and c) eliminate stigma by giving people a positive reason to talk openly about mental illness as they put together Walk teams, create walker web pages, and reach out to family, friends, neighbors, and co-workers.

As of June 30, 2017 and 2016, NAMI reported \$154,731 and \$173,715 in revenue and \$18,544 and \$17,978 in direct expenses, for a net profit of \$136,187 and \$155,737, respectively. Direct expenses include use of facilities, food/refreshments, entertainment, and walker incentive prizes.

# NAMI KEYSTONE PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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### 12. NAMI Gala

In December 2016, NAMI held its first-ever Green Light Gala as a new fundraising event. The Gala was the first-ever such event in the region to support and raise awareness for mental health, to challenge the stigma surrounding mental illness and to promote the idea that there is a path to recovery. With over 250 attendees, the Gala was an evening event at the Heinz History Center that included dinner, music, and a live auction of a painting titled "Hope" donated by a local Pittsburgh artist.

The Green Light Gala revenue totaled \$141,010 and direct expenses totaled \$46,595, for a net profit of \$94,415. Direct expenses include use of facilities, food/refreshments, and entertainment.

### 13. 401(k) Plan

NAMI has a 401(k) Profit Sharing Plan (Plan). All employees are eligible to participate in the plan. An employee becomes eligible to participate in the plan on the first day of January or July coinciding with or next following the date the Plan's eligibility requirements have been satisfied. Eligibility requirements include an employee who attains the age of 21 and one year of eligible service (1,000 hours of service within a 12-month period beginning first day of employment).

Eligible employees may elect to defer up to 100% of their compensation on a pre-tax basis, or up to the maximum allowable with other limiting provisions of the Internal Revenue Code. Employer contributions for the years ended June 30, 2017 and 2016 were \$53,866 and \$46,895, respectively, and were approximately 7% of covered payroll for both years.