

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

Year Ended June 30, 2016
(With Comparative Totals to June 30, 2015)



Gurseley | Schneider ^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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Independent Auditor’s Report

To the Board of Directors
A Place Called Home
Los Angeles, California

We have audited the accompanying financial statements of A Place Called Home (a California nonprofit public benefit corporation), 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
A Place Called Home
Independent Auditor's Report
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Place Called Home as of June 30, 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited A Place Called Home's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 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.

Gursey | Schneider LLP

December 14, 2016
Los Angeles, California

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2016
(With Comparative Totals for June 30, 2015)

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,480,662	\$ 3,100,923
Contributions receivable	406,800	550,434
Program goods inventory	58,270	115,679
Prepaid expenses and other assets	16,980	31,162
Total Current Assets	2,962,712	3,798,198
OTHER ASSETS		
Contributions receivable	100,000	210,000
Property and equipment, net	4,752,729	3,173,971
Total Other Assets	4,852,729	3,383,971
TOTAL ASSETS	\$ 7,815,441	\$ 7,182,169

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 32,537	\$ 32,654
Accrued payroll and related liabilities	195,892	274,954
Total Liabilities	228,429	307,608
NET ASSETS		
Unrestricted	6,897,582	5,327,129
Unrestricted - board designated reserves	-	400,000
Temporarily restricted	489,430	947,432
Permanently restricted	200,000	200,000
Total Net Assets	7,587,012	6,874,561
TOTAL LIABILITIES AND NET ASSETS	\$ 7,815,441	\$ 7,182,169

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statements of Activities
For the Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES AND SUPPORT					
Contribution and grants	\$ 1,241,470	\$ 2,085,536	\$ -	\$ 3,327,006	\$ 3,358,912
In-kind goods and services	1,258,131	-	-	1,258,131	1,564,694
Interest income	7,011	-	-	7,011	4,735
Other income	26,208	-	-	26,208	53,624
Fundraising events:					
Gross revenue	2,051,691	-	-	2,051,691	1,346,770
Less: direct costs	(336,181)	-	-	(336,181)	(210,600)
Fundraising events, net	1,715,510	2,085,536	-	1,715,510	1,136,170
Released from restriction	2,543,538	(2,543,538)	-	-	-
TOTAL REVENUE AND SUPPORT	6,791,868	(458,002)	-	6,333,866	6,118,135
EXPENSES					
Program services	4,367,629	-	-	4,367,629	4,352,503
Supporting services	614,101	-	-	614,101	570,834
Fundraising	639,685	-	-	639,685	672,976
TOTAL EXPENSES	5,621,415	-	-	5,621,415	5,596,313
CHANGE IN NET ASSETS	1,170,453	(458,002)	-	712,451	521,822
NET ASSETS - Beginning of Year	5,727,129	947,432	200,000	6,874,561	6,352,739
NET ASSETS - End of Year	\$ 6,897,582	\$ 489,430	\$ 200,000	\$ 7,587,012	\$ 6,874,561

See Accompanying Notes to Financial Statements

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statements of Functional Expenses
For the Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016			2015	
	Program Expenses	Support Services	Fundraising Expenses	Total Expenses	Total Expenses
Salaries and Expenses					
Salaries and wages	\$ 1,767,027	\$ 314,454	\$ 311,148	\$ 2,392,629	\$ 2,341,581
Payroll taxes	127,782	28,588	25,302	181,672	170,220
Employee benefits	275,048	55,949	51,723	382,720	339,720
Total Salaries and Expenses	<u>2,169,857</u>	<u>398,991</u>	<u>388,173</u>	<u>2,957,021</u>	<u>2,851,521</u>
Other Expenses					
Advertising	-	5,066	2,495	7,561	3,349
Auto expense	23,259	3,226	3,580	30,065	23,315
Bank charges	6,812	3,630	29,745	40,187	25,638
Depreciation	97,313	13,683	21,434	132,430	128,616
Dues and subscriptions	726	560	1,278	2,564	2,466
Education and training	7,840	7,402	1,602	16,844	25,341
Equipment rental	2,223	13,429	1,628	17,280	9,076
Food costs	55,616	1,480	969	58,065	43,497
In-kind goods	778,134	2,271	13,979	794,384	822,515
Insurance	41,230	9,327	1,754	52,311	50,397
Office expenses	32,788	45,079	18,759	96,626	75,744
Outside services	82,846	24,006	54,977	161,829	183,077
Postage	14,351	1,321	3,989	19,661	24,134
Printing	23,113	1,667	30,459	55,239	52,679
Professional fees	446,315	53,557	56,191	556,063	702,269
Program related expenses	111,429	-	-	111,429	98,372
Repairs and maintenance	27,767	1,094	583	29,444	13,907
Scholarships	270,169	-	-	270,169	289,373
Stipends	16,653	14	14	16,681	10,629
Supplies	69,532	-	-	69,532	42,120
Taxes and licenses	21,012	23,032	1,537	45,581	42,078
Telephone	8,564	3,654	1,380	13,598	9,436
Travel	12,421	-	-	12,421	8,055
Utilities	47,659	1,612	1,523	50,794	56,926
Website development	-	-	3,636	3,636	1,783
Total Other Expenses	<u>2,197,772</u>	<u>215,110</u>	<u>251,512</u>	<u>2,664,394</u>	<u>2,744,792</u>
TOTAL EXPENSES (2016)	<u>\$ 4,367,629</u>	<u>\$ 614,101</u>	<u>\$ 639,685</u>	<u>\$ 5,621,415</u>	
<i>Percent of total expenses</i>	78%	11%	11%	100%	
TOTAL EXPENSES (2015)	<u>\$ 4,352,503</u>	<u>\$ 570,834</u>	<u>\$ 672,976</u>		<u>\$ 5,596,313</u>
<i>Percent of total expenses</i>	78%	10%	12%		100%

See Accompanying Notes to Financial Statements

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 712,451	\$ 521,822
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	132,430	128,616
Non-cash donation of property and equipment	-	(177,398)
(Increase) decrease in:		
Contributions receivable	253,634	(139,456)
Program goods inventory	57,409	(42,622)
Deposits, prepaid expenses and other assets	14,182	12,505
Increase (decrease) in:		
Accounts payable and accrued expenses	(117)	16,890
Accrued payroll and related liabilities	(79,062)	43,202
	1,090,927	363,559
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,711,188)	(229,120)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(620,261)	134,439
CASH AND CASH EQUIVALENTS - Beginning of Year	3,100,923	2,966,484
CASH AND CASH EQUIVALENTS - End of Year	\$ 2,480,662	\$ 3,100,923

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016

NOTE 1 — ORGANIZATION

A Place Called Home (APCH) is a California nonprofit public benefit corporation. APCH is a safe haven in South Central Los Angeles where underserved youth are empowered to take ownership of the quality and direction of their lives through programs in education, arts, and well-being and are inspired to make a meaningful difference in their community and the world. APCH operates a community youth and family services center providing educational, vocational, and social support programs to children, youth and families. APCH receives its funding from fundraisers, grants and contributions by private foundations, corporations, and individuals.

APCH celebrated its 23rd year of operations in 2016. Over more than two decades, APCH has served more than 18,000 youth and provided college scholarships for 304 students; a majority of whom are first-generation college attendees. Significant program accomplishments include:

- Serving an average of 300 – 350 young people each day and thousands more family and community members at our large community events.
- Providing 5,000 – 6,000 fresh meals each month, and thousands of pounds of groceries to hundreds of families each year.
- Hosting more than 1,000 volunteers who collectively contribute up to 25,000 hours of service annually.
- Providing more than 3,200 hours of mental health counseling each year.

All services are provided free of charge.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation — The accompanying financial statements have been prepared on the accrual basis of accounting; consequently revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Comparative Totals — The financial statements include certain prior-year summarized comparative information. 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 the APCH's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

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

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Cash and Cash Equivalents — Cash and cash equivalents include cash held in money market and checking accounts which are insured up to the federal limit by the Federal Deposit Insurance Corporation. Cash and cash equivalents have maturities at date of purchase of three months or less. At times, the cash balance maintained at a single financial institution may exceed federally insured limits. APCH has not experienced any losses in these accounts. Included in cash and cash equivalents are board-designated reserves of \$0 and \$400,000 at June 30, 2016 and 2015, respectively.

Net Asset Accounting — To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of APCH are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted Net Assets.** Net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the board of directors, or may otherwise be limited by contractual agreements with outside parties. At June 30, 2016, APCH had unrestricted net assets of \$6,911,462.
- **Temporarily Restricted Net Assets.** APCH reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. At June 30, 2016, APCH had temporarily restricted net assets of \$489,430.
- **Permanently Restricted Net Assets.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit APCH to expend all of the income (or other economic benefits) derived from the donated assets. At June 30, 2016, APCH had \$200,000 in permanently restricted net assets.

Contributions — Contributions, including unconditional promises to give, are recorded in the period made. All contributions are available for unrestricted use, unless specifically restricted by the donor. Conditional promises to give are recognized when the condition on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their undiscounted carrying value. Unconditional promises to give due in the subsequent years are not discounted as such amounts are not deemed material. An estimate for uncollectible contributions is recorded against contributions. APCH has determined that no allowance against the contributions receivable is required as of June 30, 2016.

The Center has a policy of selling donated securities shortly after receipt. During the year ended June 30, 2016, the Center received 1,080 shares of Pacwest Bancorp common stock which was promptly sold. The proceeds from sale of \$50,002 is reflected as cash contributions in the accompanying statement of activities.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Functional Allocations of Expenses — The costs of providing APCH's programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting services on the basis of benefits received.

Program Goods Inventory — In-kind donations, which consist of donated equipment, clothing, school supplies and other goods, totaling \$58,270 were held as of June 30, 2016. These were distributed to benefit the community subsequent to year-end.

Scholarships — APCH awards renewable scholarships for up to five years if the scholar fulfills all scholarship renewal requirements each year. Scholarship recipients may receive up to \$15,000 in scholarships per year. Students are required to provide a progress report annually and meet certain academic performance and other criteria in order to receive subsequent year awards after the initial award without having to re-apply. Scholarship budget is subject to availability of funds received. All scholarships are awarded and paid out during the fiscal year. Therefore, no commitments are made for future years and no scholarship liability is accrued as of June 30, 2016.

In-Kind Donations —

- **Donated Goods, Property and Equipment** — Donations of goods, property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. During the year ended June 30, 2016, APCH received approximately \$768,718 of donated goods and equipment.
- **Donated Services** — Contributed services are recognized if the services received (a) increase or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2016, APCH received approximately \$489,413 of professional donated services for legal, architectural design, counseling and classroom instruction services. These amounts are reflected as professional fees in the accompanying statement of functional expenses.

Property and Equipment — Acquisition of property and equipment in excess of \$1,000 is capitalized at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of the assets ranging from five to thirty-nine years, using the straight-line method.

Income Taxes — APCH is a public charity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for federal and state income taxes in the accompanying financial statements.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

APCH's accounting policy is to provide liabilities for uncertain tax positions (including penalties and interest) when a tax position would not be considered "more likely than not" to be upheld by a tax authority examination. Management is not aware of any violation of its tax status (being exempt from income taxes), nor any exposure to unrelated business income tax. APCH's federal income tax and informational returns for tax years 2013 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, APCH's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for years 2012 and subsequent.

Concentrations of Risk — There are three donors that make up approximately 69% of the unconditional promises to give. Each of these donors either has long-standing associations with APCH or has provided substantial financial support to APCH.

Subsequent Events — Subsequent events were evaluated through December 14, 2016, the date the financial statements were available to be issued.

NOTE 3 — CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2016 are composed of the following:

Receivable in less than one year	\$ 406,800
Receivable in one to five years	<u>100,000</u>
Total contributions receivable	<u>\$ 506,800</u>

NOTE 4 — PROPERTY AND EQUIPMENT

Property and equipment held for use by APCH is comprised of the following at June 30, 2016:

Building improvements	\$ 3,547,032
Land	1,000,865
Building	643,000
Computer equipment	274,138
Vehicles	129,815
Recording studio equipment	89,703
Equipment	145,531
Furniture	<u>32,040</u>
	5,862,124
Less: Accumulated depreciation	<u>(1,109,395)</u>
Total property and equipment, net	<u>\$ 4,752,729</u>

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016

NOTE 4 — PROPERTY AND EQUIPMENT – (CONTINUED)

During the year ended June 30, 2016, the Center disposed of \$14,071 of fully depreciated property and equipment.

Depreciation expense for the year ended June 30, 2016 was \$132,430. Included in building improvements above is approximately \$1.8 million related to the development of the new Teen Center building. These amounts will be placed into service at the time the Teen Center commences operations. No depreciation expense is reflected in the amounts related to these building improvements.

NOTE 5 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 consist of the following:

Purpose restricted - Scholarships	\$ 82,549
Purpose restricted - Teen Center	78,748
Purpose restricted - Specific Programs	11,800
Time - restricted	<u>316,333</u>
 Total temporarily restricted net assets	 <u>\$ 489,430</u>

The time-restricted net assets will be available for general uses in future years and released from restriction as follows:

Year Ending June 30,	Amount
<u>2017</u>	\$ 216,333
2018	<u>100,000</u>
	<u>\$ 316,333</u>

During the year ended June 30, 2016, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes or time restriction:

Award of scholarships	\$ 343,059
Capital improvement projects	719,266
Programs	1,227,858
Passage of time restrictions	238,262
Other	<u>15,093</u>
 Net assets released from restrictions	 <u>\$ 2,543,538</u>

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016

NOTE 5 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS – (CONTINUED)

Permanently restricted net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors 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, APCH 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:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies.

During the year ended June 30, 2016, APCH had the following endowment related activities:

Endowment Assets Investments, at fair value	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	\$ 4,206	\$ -	\$ 200,000	\$ 204,206
Contributions	-	-	-	-
Investment income	924	-	-	924
Program expenditures	-	-	-	-
End of year	<u>\$ 5,130</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 205,130</u>

Endowment assets are invested a money market account.

A PLACE CALLED HOME
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2016

NOTE 6 — RETIREMENT PLAN

APCH sponsors a qualified pension plan that covers substantially all full-time employees meeting certain eligibility requirements. Employees may contribute a portion of their annual compensation to the plan, limited to the maximum annual amount as set periodically by the Internal Revenue Service. APCH has elected to satisfy certain safe-harbor provisions of administering the plan by contributing up to 4.0% of each eligible employee's annual compensation to the plan as a non-elective contribution. During the year ended June 30, 2016, the Company recognized an expense of \$39,374 for employees that are fully vested in the safe-harbor contributions.

NOTE 7 — LEASE COMMITMENT

APCH leases office equipment under a non-cancelable operating lease that expires in 2016. Rental equipment expenses for the year ended June 30, 2016 were \$17,280, which is included in the accompanying statement of functional expenses. The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 19,490
2018	16,312
2019	15,252
2020	<u>15,252</u>
	<u>\$ 66,306</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2016, APCH received donated legal services from a law firm affiliated with a former board member totaling approximately \$9,014.