

To the Board of Directors of the National Intercollegiate Flying Association.

We have audited the financial statements of the National Intercollegiate Flying Association (the "Association") for the year ended June 30, 2016, and have issued our report thereon dated December 7, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 20, 2016. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the fair value of investments as described in Note 3 is based on the inputs used in the underlying assets of each investment. We evaluated the key factors and assumptions used to develop the estimate of fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. A list of corrected misstatements and uncorrected misstatements were communicated to management in the Management Representation Letter.

#### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 7, 2016.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

HOLBROOK & MANTER

Certified Public Accountants

Ilulirosk & Master

December 7, 2016 Columbus, Ohio Prepared by\_\_\_\_\_

# National Intercollegiate Flying Associat Adjusting Journal Entries

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Reviewed by\_\_\_\_\_

Reference	Туре	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
AJE15.01	Adjusting	06/30/16					
		3301 6126	Accounts Receivable Government Grants	10,000.00	10,000.00		
		To r	ecord Dublin Grant Receivable			10,000.00	3310
AJE15.02	Adjusting	06/30/16					
		7211 4101	Special Events Expense:SAFECON Accounts payable	9,348.27	9,348.27		
			accrue SAFECON surplus abursement paid to OSU			(9,348.27)	4110
AJE15.03	Adjusting	06/30/16					
		7107 3502	Depreciation & amortization exp Accum deprec- furn,fix,equip	2,141.66	2,141.66		
		To r	record 2016 Depreciation Expense			(2,141.66)	3510
AJE16.04	Adjusting	06/30/16					
		3301 6142 6140	Accounts Receivable Special Events Income:SAFECON Special Events Income:SAFECON	5,000.00	4,000.00 1,000.00		
			record SAFECON Sponsor & Booth Receivables			5,000.00	3310
AJE16.05	Adjusting	06/30/16					
		6134 6135 6136 4120	Special Events Income:Golf Outing Special Events Income:Golf Outing Special Events Income:Golf Outing Unearned Revenue	1,151.62 1,100.00 1,400.00	3,651.62		
			ecord deferred revenue associated			(3,651.62)	4111
RJE16.01	Reclassifying	06/30/16					
		6107 6108	Investment Account Change Investment Dividends / Interest	9,393.60	9,393.60		
			reclass investment income out of realized gains/loss account			0.00	3201

Prepared by\_\_\_\_\_ Nation

# National Intercollegiate Flying Associat Adjusting Journal Entries

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Reviewed by\_\_\_\_\_

		Date Account				Net Income	
Reference		Number	Description	Debit	Credit	Effect	Workpaper
RJE16.02	Reclassifying	06/30/16					
		6139 6116	Special Events Income:SAFECON Contributed support:Scholarship Fu	16,500.00	16,500.00		
		Sch	reclass Austin E. Knowlton olarship grant for purposes of sistency with PY.			0.00	5150
RJE16.03	Reclassifying	06/30/16					
		6105 6104	Earned revenues:Membership dues Earned revenues:Assessments & du	10,006.00	10,006.00	0.00	
			relcass school and student mberships to correct account			0.00	6101
RJE16.04	Reclassifying	06/30/16					
		6105 6141	Earned revenues:Membership dues Special Events Income:SAFECON	24,360.00	24,360.00	0.00	
			reclass registration fees to correct ount			0.00	6101
RJE16.05	Reclassifying	06/30/16					
		6139 6142 6140	Special Events Income:SAFECON Special Events Income:SAFECON Special Events Income:SAFECON	18,150.00	17,150.00 1,000.00		
			reclass sponsorhip, booth fee enue to correct account			0.00	6101
RJE16.06	Reclassifying	06/30/16					
		7217 7212	Special Events Expense:SAFECON Special Events Expense:SAFECON	21,000.00	21,000.00		
			reclass award banquet meal to meals ount			0.00	6101

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# National Intercollegiate Flying Associat Adjusting Journal Entries

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Reviewed by\_\_\_\_\_

T. 0		Account			~ •:	Net Income	
Reference	Туре	Number	Description	Debit	Credit	Effect	Workpapei
RU99	Reclassifying	06/30/16					
		3108	CHASE 138382760		0.36		
		3109	Huntington 4307		0.08		
		3110	CHASE 9783	0.02			
		3202	Vanguard		0.36		
		3401	Prepaid expenses	1.00			
		3502	Accum deprec- furn,fix,equip		0.34		
		4101	Accounts payable	1.27			
		4103	Payroll Liabilities:Columbus	0.01			
		4106	Payroll Liabilities:Ohio W/H		0.44		
		4120	Unearned Revenue		0.38		
		5102 6102	Unrestrict (retained earnings)	0.10	0.24		
		6102	Contributed support:Indiv/business Earned revenues:Assessments & di	0.18	0.32		
		6106	Earned revenues: Assessments & di		0.05		
		6107	Investment Account Change		0.03		
		6108	Investment Dividends / Interest		0.40		
		6132	Special Events Income: Golf Outing	0.26	0.10		
		6138	Special Events Income:SAFECON		0.50		
		6141	Special Events Income:SAFECON	0.04			
		6142	Special Events Income:SAFECON		0.30		
		7101	Accounting		0.49		
		7103	Refunds	0.35			
		7107	Depreciation & amortization exp	0.34			
		7119	Non-personnel expenses:Software,	0.34			
		7120	Non-personnel expenses:Supplies	0.41	0.11		
		7146	Travel & meetings expenses		0.11		
		7147	Travel & meetings expenses:Counc	0.15	0.10		
		7148 7151	Travel & meetings expenses: Counc	0.15			
		7151	Travel & meetings expenses:Trave Credit card processing fees	0.47	0.10		
		7175	Business expenses:Bank fees	0.35	0.10		
		7180	NIFA Fall Council Meetings	0.33	0.05		
		7185	Salaries & related expenses		0.04		
		7197	Special Events Expense:SAFECON	0.28			
		7199	Special Events Expense:SAFECON		0.27		
		7200	Special Events Expense:SAFECON		0.03		
		7203	Special Events Expense:SAFECON	0.30			
		7205	Special Events Expense:SAFECON		0.30		
		7208	SAFECON 2015:Postage, shipping	0.50			
		7210	Special Events Expense:Golf Outin	0.32			
		7211	Special Events Expense: SAFECON	0.47			
		7212 7213	Special Events Expense: SAFECON	0.24			
		7213 7214	Special Events Expense:SAFECON Special Events Expense:SAFECON	0.42	0.14		
		7214 7216	Special Events Expense:SAFECON	0.23	0.14		
		7217	Special Events Expense:SAFECON	0.23	0.08		
		7217	Special Events Expense:SAFECON	0.10	0.00		
		7219	Special Events Expense:SAFECON	V.10	2.24		
		7220	Special Events Expense:SAFECON		0.32		
		7221	Special Events Expense:SAFECON	0.23			
		Roui	nding Utility Adjustment			0.10	
		TOTAL	=	129,559.43	129,559.43	(141.45)	

National Intercollegiate Flying Association Financial Statements As of and for the Years Ended June 30, 2016 and 2015

# **Index to the Financial Statements**

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### **Independent Auditors' Report**

To the Board of Directors/Council Members of National Intercollegiate Flying Association Columbus, Ohio

We have audited the accompanying financial statements of the National Intercollegiate Flying Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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 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 opinion 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 National Intercollegiate Flying Association as of June 30, 2016 and 2015, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Ilalbrook & Martin

Columbus, Ohio December 7, 2016

# NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

	2016	2015		
Assets	 			
Current assets				
Cash	\$ 61,210	\$	46,787	
Accounts receivable	15,000		10,000	
Investments at fair value	60,057		85,834	
Prepaid expenses	 		500	
Total current assets	 136,267		143,121	
Non-current assets				
Property and equipment				
Computer equipment	2,851		2,851	
Equipment	40,618		40,618	
Less: accumulated depreciation	 (38,346)		(36,204)	
Property and equipment, net	 5,123		7,265	
Investments at fair value				
Funds committed for future program services	 50,000		50,000	
Total assets	\$ 191,390	\$	200,386	
Liabilities and net assets				
Current liabilities				
Accounts payable	\$ 9,347	\$	7,919	
Accrued payroll taxes	1,303		1,309	
Unearned revenue	3,652		-	
Total current liabilities	14,302		9,228	
Net assets				
Unrestricted	127,088		141,158	
Temporarily restricted	50,000		50,000	
Total net assets	177,088		191,158	
Total liabilities and net assets	\$ 191,390	\$	200,386	

# NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

	Un	restricted	aporarily estricted		Total
Support and revenue				•	
Cash contributions	\$	8,039	\$ -	\$	8,039
Contributed use of property		18,900	-		18,900
Fundraising		19,857	-		19,857
Program service fees		139,035	-		139,035
Grants		50,000	-		50,000
Government grant		10,000	-		10,000
Membership dues		32,821	-		32,821
Miscellaneous		548	-		548
Interest and dividends		9,394	-		9,394
Unrealized loss on investments		(20,170)	-		(20,170)
Total support and revenue		268,424	-		268,424
Expenses					
Program services					
SAFECON		176,076	-		176,076
Supporting services					
Management and general		101,811	-		101,811
Fundraising		4,607	-		4,607
Total expenses		282,494	-		282,494
Change in net assets		(14,070)	-		(14,070)
Net assets - beginning of year		141,158	 50,000		191,158
Net assets - end of year	\$	127,088	\$ 50,000	\$	177,088

The accompanying notes are an integral part of these financial statements.

# NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted		Temporarily Restricted		Total
Support and revenue					
Cash contributions	\$	8,902	\$	-	\$ 8,902
Contributed use of property		18,900		-	18,900
Fundraising		20,300		-	20,300
Program service fees		132,939		-	132,939
Grants		42,000		-	42,000
Government grant		10,000		-	10,000
Membership dues		26,932		-	26,932
Interest and dividends		14,793		-	14,793
Unrealized gain on investments		19,279		-	19,279
Total support and revenue		294,045		-	294,045
Expenses					
Program services					
SAFECON		170,885		-	170,885
Supporting services					
Management and general		100,706		-	100,706
Fundraising		8,445		-	8,445
Total expenses		280,036		-	280,036
Change in net assets		14,009		-	14,009
Net assets - beginning of year		127,149		50,000	 177,149
Net assets - end of year	\$	141,158	\$	50,000	\$ 191,158

The accompanying notes are an integral part of these financial statements.

## NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2016

			Ma	nagement			
	SA	FECON	and general		<b>Fundraising</b>		Total
Salaries	\$	25,000	\$	25,000	\$	-	\$ 50,000
Health insurance		-		19,134		-	19,134
Payroll taxes		1,912		1,913		-	3,825
Professional fees		-		15,622		-	15,622
Occupancy		-		18,900		-	18,900
Depreciation		-		2,142		-	2,142
Fundraising		-		-		4,607	4,607
Printing		8,771		-		-	8,771
Insurance		6,107		6,108		-	12,215
Travel and entertainment		46,446		3,393		-	49,839
Scholarships and awards		47,556		-		-	47,556
Administrative expenses		11,124		-		-	11,124
Equipment rental		9,602		-		-	9,602
Conferences and meetings		14,680		2,049		-	16,729
Subscriptions		-		2,849		-	2,849
Supplies		4,659		-		-	4,659
Filing fees		-		10		-	10
Postage		219		-		-	219
Other		-		4,691		-	4,691
	\$	176,076	\$	101,811	\$	4,607	\$ 282,494

## NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2015

			Mai	nagement			
	SA	FECON	and	l general	Fundraising		Total
Salaries	\$	25,000	\$	25,000	\$	-	\$ 50,000
Health insurance		-		17,428		-	17,428
Payroll taxes		1,912		1,913		-	3,825
Professional fees		-		15,230		-	15,230
Occupancy		-		18,900		-	18,900
Depreciation		-		2,842		-	2,842
Fundraising		-		-		8,445	8,445
Printing		14,238		-		-	14,238
Insurance		5,112		5,113		-	10,225
Travel and entertainment		42,721		5,702		-	48,423
Scholarships and awards		47,629		-		-	47,629
Administrative expenses		9,084		-		-	9,084
Equipment rental		9,560		-		-	9,560
Conferences and meetings		13,203		4,466		-	17,669
Subscriptions		-		103		-	103
Supplies		2,048		-		-	2,048
Filing fees		-		10		-	10
Postage		378		291		-	669
Other				3,708		-	 3,708
	\$	170,885	\$	100,706	\$	8,445	\$ 280,036

# NATIONAL INTERCOLLEGIATE FLYING ASSOCIATION STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

		2016	 2015	
Operating activities	'		 _	
Change in net assets	\$	(14,070)	\$ 14,009	
Adjustments to reconcile change in net assets to				
net cash used by operating activities:				
Depreciation		2,142	2,842	
Interest and dividends		(9,394)	(14,793)	
Unrealized (gain) loss on investments		20,170	(19,279)	
Changes in assets and liabilities:				
Accounts receivable		(5,000)	(10,000)	
Prepaid expenses		500	-	
Accounts payable		1,428	7,327	
Accrued expenses		(6)	(5)	
Unearned revenue		3,652	 (10,900)	
Net cash used by operating activities		(578)	(30,799)	
Investing activities				
Sale of investments		15,001	30,000	
Purchase of equipment		<u> </u>	 (1,319)	
Net cash provided (used) by investing activities		15,001	28,681	
Net change in cash		14,423	(2,118)	
Cash at beginning of year		46,787	48,905	
Cash at end of year	\$	61,210	\$ 46,787	

### 1. Summary of Significant Accounting Policies

### Nature of Activities

The National Intercollegiate Flying Association (the Association) is a non-profit corporation organized in 1919 for the purpose of developing and advancing aviation education; to promote, encourage and foster safety in aviation; to promote and foster communications and cooperation between aviation students, educators, educational institutions and the aviation industry; and to provide an arena for collegiate aviation competition.

To accomplish its mission, the Association provides a variety of services to its member institutions including the scheduling and coordination of regional and national Safety and Flight Evaluation Conferences (SAFECON). During these SAFECON events, member institutions compete and are judged in the following areas related to aviation: takeoffs and landings, safety, navigation, and mathematical flight planning computations.

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

#### Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations.

#### Temporarily restricted net assets

Net assets that are subject to donor-imposed stipulations that will be met by either the actions of the Association and/or the passage of time.

#### Cash

The Association maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. The accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. There were no uninsured cash balances as of June 30, 2016 and 2015, respectively.

#### Accounts Receivable

Accounts receivable represents amounts due from sponsors of the national SAFECON event, which is held in May of each year, and grants received subsequent to year end that relate to the prior year. Management regularly assesses the accounts receivable accounts by looking at the financial condition of specific sponsors, the economic environment in which the sponsors operate, and the past history of the various sponsors. Management also does a detailed review of the aging for the various receivables and compares them to prior years. There was no allowance for doubtful accounts as of June 30, 2016 and 2015, respectively.

#### **Investments**

All investments are recorded at fair value in the financial statements. See note 3 for further discussion.

#### *Property and Equipment*

The Association capitalizes property and equipment having a unit cost in excess of \$1,000 and a useful life of one or more years. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated over the estimated useful lives using the straight-line method of computing depreciation.

#### Support and Revenue

The Association's support and revenue consists mainly of donations, grants, SAFECON sponsorships, membership dues, and a variety of fundraising projects. A college or university has to be a member of the Association in order to compete in the SAFECON events. These colleges or universities are assessed annual membership fees. The Association does not have significant membership fees that are paid in advance. During the year ended June 30, 2016, the Association received \$3,652 in fundraising support which related to fiscal year 2017 and was properly deferred into that year. There was no deferred revenue for the year ended June 30, 2015.

Contributions and grants received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues. No reclassification is reported as the contribution was never included in temporarily restricted net assets.

### **Contributed Services**

No amounts have been reflected in the statements for donated services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of time in the Association's programs and services.

### **Investment Returns**

Investment transactions are recorded on the trade date. Investment income and unrealized gains (losses) are reported as increases to the appropriate net asset category.

#### Federal Income Tax

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

#### Related Parties

During the years ended June 30, 2016 and 2015, there were contributions and donations from certain members of the Association's Board of Directors and the Executive Director. These contributions and donations were not a significant part of the Association's revenues for the year ended June 30, 2016 and 2015, respectively.

The Executive Director of the Association is a trustee of the Hillsdale Fund, Inc. which is an organization that has given significant grants to the Association (See note 4).

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### 2. Contributed Use of Property

The Association receives the use of 1,400 square feet of office space provided by a local airport through a lease agreement for \$1.00 a month. The Association uses this office space to conduct its daily administrative activities. The term of the lease agreement is for the Association's fiscal year. In order for the agreement to continue, a new agreement must be executed every year. The local airport normally rents similar space for \$13.50 annually per square foot, the going market rate for office space in the area. The Association recognizes the fair value of the contributed use of the office space of \$18,900 for the years ended June 30, 2016 and 2015, respectively. This amount is recognized as both revenue and expense in the statement of activities as it is both received and used during the fiscal year. This transaction had no effect on the change in net assets.

# 3. Fair Value Measurement

FASB ASC 820, *Fair Value Measurement*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the techniques and inputs used for each major class of assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015, respectively.

*Mutual Funds* - Mutual funds are valued based on quoted market prices and as such, they are classified as level 1 on the valuation hierarchy.

These methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth the Association's investment assets at fair value as of June 30, 2016 and 2015, by level, within the fair value hierarchy:

		Assets at fair value as of June 30, 2016								
	]	Level 1		Level 2		evel 3	Total			
Mutual Fund										
Federal Money Market	\$	110,057	\$	-	\$		\$	110,057		
			-							
		I	Assets at	t fair value	as of Ju	ine 30, 201	.5			
	]	Level 1	Le	evel 2	Le	evel 3		Total		
Mutual Fund		_								
Healthcare	\$	135,834	\$		\$		\$	135,834		

As mentioned in note 4, the Association's investment in the federal money market mutual fund and healthcare fund as of June 30, 2016 and 2015, respectively, contains \$50,000 which is restricted to offset travel costs for the Association's volunteers attending the regional and national SAFECON events.

#### 4. Assets Committed for Future Services

During fiscal year 2012, the Association applied for a grant from the Hillsdale Fund, Inc. for \$50,000. The money was received during fiscal year 2012 with donor-imposed restrictions that the grant should be used to offset travel costs for the Association volunteers, including judges, safety officers, and Association council members when they attend the regional and national SAFECON conferences and events. Accordingly, these assets have been classified as temporarily restricted net assets as of June 30, 2016 and 2015, respectively. See footnote for subsequent events in note 6 below.

#### 5. Income Taxes

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Association has analyzed the tax positions taken, and has concluded that as of June 30, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Association has recognized no interest or penalties related to uncertain tax positions. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

#### **6.** Subsequent Events

In fiscal year 2012, the Association received a \$50,000 grant from the Hillsdale Fund, Inc. with donor-imposed restrictions that the grant should be used to offset travel costs for the Association volunteers, including judges, safety officers, and Association council members when they attend the regional and national SAFECON conferences and events. In September 2016, the Association spent \$700 of these restricted funds and requested the donor-imposed restriction to be removed. In October 2016, the Hillsdale Fund, Inc. approved the removal of the restriction on the remaining \$49,300 to allow them to be used at the discretion of the Association's council.

Subsequent events were reviewed through December 7, 2016, the date the financial statements were available to be issued.