MONTESSORI OF MAUI, INC.
(A Hawaii Nonprofit Corporation)

AUDITED FINANCIAL STATEMENTS
(With Independent Auditors' Report)

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montessori of Maui, Inc.
Makawao, Hawaii 96768

We have audited the accompanying financial statements of Montessori of Maui, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, 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 of 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 Montessori of Maui, Inc. as of June 30, 2016 and the changes in its net assets, functional expense and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the Montessori of Maui, Inc. 2015 financial statements, and our report dated September 15, 2015 expressed an unmodified opinion on those audited financial statements. 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.

Carbonaro CPAs & Management Group

Wailuku, Hawaii
August 12, 2016

MONTESSORI OF MAUI, INC.

Statements of Financial Position
As of June 30, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents (Note 3)	$ 2,712,674	$ 2,838,215
Investments (Note 10)	925,287	917,731
Accounts Receivable net of Allowance of Doubtful Accounts of $13,375 and $6,748 as of June 30, 2016 and 2015, respectively	29,363	26,701
Prepaid Expenses and Other Current Assets	641	10,185
Total Current Assets	3,667,965	3,792,832
LAND, BUILDINGS AND EQUIPMENT (Note 2)		
Land	636,867	636,867
Buildings	12,094,159	11,477,350
Furniture and Equipment	234,654	224,873
Construction in Progress	10,000	123,909
Less Accumulated Depreciation	(3,208,715)	(2,892,095)
Net Land, Buildings and Equipment	9,766,965	9,570,904
OTHER ASSETS		
Pledges Receivable	11,000	10,750
Net Deferred Bond Issuance Cost (Note 7)	103,331	108,498
Total Other Assets	114,331	119,248
TOTAL ASSETS (Note 7)	$ 13,549,261	$ 13,482,984

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

MONTESSORI SCHOOL OF MAUI, INC.

Statements of Financial Position
As of June 30, 2016 and 2015

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Prepaid Fees and Tuition from Students	$ 1,013,721	$ 915,531
Accrued Interest Payable	136,538	139,975
Accounts Payable	6,684	22,623
Refundable Advance	20,321	21,065
Accrued Payroll and Payroll Taxes	97,539	90,161
Current Portion of Revenue Bond Payable (Note 7)	130,000	125,000
First Hawaiian Bank Credit Card	24,852	20,970
Total Current Liabilities	1,429,655	1,335,325
LONG TERM LIABILITIES		
Revenue Bonds Payable (Note 7)	4,835,000	4,965,000
Total Long Term Liabilities	4,835,000	4,965,000
TOTAL LIABILITIES	6,264,655	6,300,325
NET ASSETS (Note 5)		
Unrestricted	6,903,481	6,796,702
Temporarily Restricted	281,205	286,037
Permanently Restricted - Endowment (Note 9)	99,920	99,920
Total Net Assets	7,284,606	7,182,659
TOTAL LIABILITIES AND NET ASSETS	$ 13,549,261	$ 13,482,984

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

MONTESSORI OF MAUI, INC.

Statement of Activities and Changes in Net Assets
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
OPERATING REVENUE AND SUPPORT					
Tuition and Fees	$ 3,261,038	$ -	$ -	$ 3,261,038	$ 3,137,351
Contributions and Fundraising	27,379	23,560		50,939	132,239
Annual Giving Revenue	63,600	58,180		121,780	111,685
Extended Care	51,251			51,251	49,195
Other Income	64,609	3,976		68,585	75,345
Grant and Trust Income	58,500			58,500	42,500
In-kind Revenue	30,000			30,000	42,541
Interest and Gain (Loss) on Investments	6,125	(1,973)		4,152	8,619
Capital Campaign Revenue	-	17,840		17,840	82,500
Net Assets Released from Restrictions	106,415	(106,415)		-	-
Total Operating Revenue and Support	3,668,917	(4,832)	-	3,664,085	3,681,975
EXPENSES					
Program Services	2,914,104			2,914,104	2,990,187
Management and General	506,512			506,512	500,273
Fundraising	141,522			141,522	166,003
Total Expenses	3,562,138	-	-	3,562,138	3,656,463
CHANGE IN NET ASSETS	**106,779**	**(4,832)**	-	**101,947**	**25,512**
Net Assets, Beginning of Year	6,796,702	286,037	99,920	7,182,659	7,157,147
Net Assets, End of Year	$ 6,903,481	$ 281,205	$ 99,920	$ 7,284,606	$ 7,182,659

MONTESSORI OF MAUI, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2016
(With comparative totals for the year ended June 30, 2015)

	2016				2015
	Program Services	Management and General	Fundraising	Total	Total
Salaries and Wages	$ 1,441,501	$ 329,880	$ 58,214	$ 1,829,595	$ 1,837,285
Employee Benefits	290,215	57,326	10,749	358,290	330,519
Depreciation and Amortization	291,652	33,523	10,057	335,232	330,464
Interest and Fees	276,513	-	-	276,513	283,250
Payroll Taxes	147,936	31,883	5,626	185,445	189,368
Pension Contribution (Note 4)	58,320	14,544	2,567	75,431	67,161
Repairs and Maintenance	72,855	-	-	72,855	53,786
Classroom Supplies	64,486	167	30	64,683	58,292
Fundraising and Special Events	-	-	49,641	49,641	75,899
Program Activities	37,631	-	-	37,631	37,873
Insurance	31,841	3,674	648	36,163	36,393
Utilities	33,474	-	-	33,474	32,491
Telephone and Computer Supplies	26,177	4,553	803	31,533	33,795
Field Trip Expense	29,231	-	-	29,231	75,653
Workshop and Staff Development	23,033	4,047	714	27,794	41,274
Marketing	18,367	3,297	582	22,246	19,915
Small Equipment	6,928	8,506	1,502	16,936	6,727
Accounting and Legal	-	12,891	-	12,891	12,812
Bad Debt	12,500	-	-	12,500	24,500
Bond Expense	8,316	-	-	8,316	8,586
Grant Expenses	7,990	-	-	7,990	9,566
Outside Services	7,641	-	-	7,641	5,954
Recruitment - Employee	6,598	864	149	7,611	1,008
Janitorial Expense	7,248	-	-	7,248	6,346
Office Supplies	3,944	-	-	3,944	1,350
Automobile Expense	3,608	-	-	3,608	4,871
Bank Fees and Credit Card Fees	2,006	1,352	239	3,597	2,918
Postage and Printing	3,352	-	-	3,352	2,312
Accrediting and Licensing Costs	610	-	-	610	636
Miscellaneous	131	5	1	137	20,212
In-kind Expense	-	-	-	-	40,691
Capital Expenditures	-	-	-	-	4,556
	$ 2,914,104	$ 506,512	$ 141,522	$ 3,562,138	$ 3,656,463

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

MONTESSORI OF MAUI, INC.

Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

		2016		2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Students for Tuition and Fees	$	3,394,573	$	3,331,791
Grant and Trust Cash Receipts		58,500		42,500
Cash from Contributions, Capital Campaign and Fundraising		190,309		320,674
Investment Income Received		6,320		5,987
Other Cash Receipts		68,585		75,345
Cash Paid for Interest		(273,076)		(279,950)
Cash Paid to Employees and Vendors		(2,934,735)		(2,874,025)
Net Cash Provided by Operating Activities (Note 6)		510,476		622,322
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash Used to Purchase Equipment and Construct Buildings		(501,293)		(181,535)
Net Sales (Purchases) of Investments		(9,724)		44,351
Net Cash Used By Investing Activities		(511,017)		(137,184)
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal Payments on Bond Payable		(125,000)		(120,000)
Net Cash Used By Financing Activities		(125,000)		(120,000)
Net (Decrease) Increase in Cash for the Year		**(125,541)**		**365,138**
CASH BALANCE, BEGINNING OF YEAR		2,838,215		2,473,077
CASH BALANCE, END OF YEAR	$	2,712,674	$	2,838,215

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

Note 1. ORGANIZATION

Montessori of Maui, Inc. (the Organization) is a non-profit organization incorporated under the laws of the State of Hawaii on August 26, 1982. The purpose of the Organization is to provide a school for children on the island of Maui in accordance with the Montessori Method of education. The students, who range from 18 months to 13 years, are encouraged to develop their maximum potential in a facility where cultural, social and esthetic diversities flourish.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: The Organization uses the accrual method of accounting for financial statement reporting according to generally accepted accounting principles. Under this method of accounting, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Net Assets: The Organization classifies its net assets and its revenue, support and expenses based on the existence or absence of donor-imposed restrictions. Temporarily restricted net assets result from contributions whose use is limited by donor stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Permanently restricted net assets result from contributions whose use is limited by donor stipulations that do not expire.

Accounts Receivable: Accounts receivables represents revenues earned but not yet received. Accounts receivables are written off when deemed uncollectible by management. Managements periodically evaluates the adequacy of the allowance for doubtful accounts based on its past experience and knowledge of the receivable.

Income Taxes: Montessori of Maui, Inc. is exempt from Federal income taxes under *Section 501(c)(3)* of the Internal Revenue Code and also from State of Hawaii income taxes under *Section 237-23 (b)* of the Hawaii Revised Statutes.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2016 or 2015.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed. Returns after 2012 are subject to examination.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings and Equipment: Land, buildings and equipment are stated at cost or at fair value at date of donation. Major renewals and improvements are capitalized, while maintenance and repairs that do not extend the lives of the assets are charged to operations. The Organization capitalized renewals and improvements with a useful life greater than one year and a value greater than $2,000. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassification: Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations.

Advertising: The Organization expenses advertising as it incurs the expense.

Refundable Advances: Refundable advances represents funds received which were not yet earned, as conditions set forth within grant agreements have not yet been met.

Note 3. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash is defined as demand deposits, mutual funds, savings accounts, certificates of deposit with maturities of three months or less, and money market accounts. The Organization's cash balance from time to time exceeds Federally insured levels. Management has not experienced any losses and believes the risk in minimal.

Note 4. EMPLOYEE PENSION PLAN

The Organization has entered into a tax-deferred annuity plan qualified under *Section 403(b)* of the Internal Revenue Code. The plan covers qualified employees and establishes individual retirement trust accounts. Eligible employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization may make contributions to the plan based on a formula included in the plan. The Organization's pension contribution was $75,431 and $67,161 for the years ended June 30, 2016 and 2015, respectively.

Note 5. NET ASSETS

The Organization has conformed to *FASB ASC 958-210-45-9, "Not-for-Profit Entities, Classifications of Net Assets"*. Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Temporarily Restricted Net Assets as of June 30 consist of the following:

	2016	2015
CWB Scholarship Fund	$ 65,834	$ 54,559
Hawaiian Scholarship Fund	61,839	51,113
Endowment Interest (Note 9)	56,581	58,725
Financial Aid	36,000	36,500
Kokua Charitable Trust	30,433	32,670
Others	27,975	24,530
PTO	2,543	12,407
Middle School C/C	-	15,533
Total	$ 281,205	$ 286,037

Permanently Restricted Net Assets consist of various contributions received for the purpose of a financial aid endowment fund. At Fiscal Year End June 30, 2016 and 2015, the balance of the Permanently Restricted Funds was $99,920.

Note 6. RECONCILIATION OF CHANGE IN NET ASSETS WITH NET CASH PROVIDED BY OPERATING ACTIVITIES

	2016	2015
Change in Net Assets	$ 101,947	$ 25,512
Less Donated Asset	(30,000)	-
Add Depreciation and Amortization	335,232	330,464
Bad Debt Expense	12,500	24,500
Amortization of Bond Issuance Cost	5,167	5,167
Unrealized (Gain)/Loss on Investments	2,168	(2,632)
Adjustments to Reconcile:		
Change in Accounts Receivable	(15,162)	27,339
Change in Prepaid Expenses and Other Current Assets	9,544	27,229
Change in Pledges Receivable	(250)	(5,750)
Change in Accounts Payable	(12,057)	40,856
Change in Accrued Expenses	3,941	31,731
Change in Prepaid Fees and Tuition from Students	97,446	117,906
Net Cash Provided by Operating Activities	$ 510,476	$ 622,322

Note 7. SPECIAL PURPOSE REVENUE BONDS, SERIES 2007

In 2007 the Organization, in conjunction with the State of Hawaii, issued Special Purpose Revenue Bonds Series 2007 for $5,710,000 for financing construction of educational facilities. Cost of issuance of the bonds was $155,000. The cost of issuance was capitalized and is being amortized over the life of the loan. The Bonds were issued under and secured by a Trust Indenture dated February 1, 2007, between the Organization and The Bank of New York Trust Company, N.A. The Bonds are also secured by a Loan Agreement dated February 1, 2007, between the Department of Budget and Finance of the State of Hawaii as the Department, The Bank of New York Trust Company, N.A. as Trustee, and the Organization, as the Borrower. As a result, all of the Organization's assets are pledged as collateral.

The Organization is required to make annual principal payments due January 1 each year until 2037 as well. The semiannual interest payments are due January 1 and July 1 each year. The Organization is making monthly payments to the Bank of New York trust accounts in order to have enough funds to make the principal and interest payments timely. In addition, the Organization is required to maintain a reserve account. The balance of the reserve account was $406,769 and $406,755 at June 30, 2016 and 2015, respectively. Principal and interest payments are based on bond maturities noted below.

Maturity	Amount	Rate	Maturity	Amount	Rate	Maturity	Amount	Rate
January 1, 2017	$130,000	5.50%	January 1, 2024	$190,000	5.50%	January 1, 2031	$280,000	5.50%
January 1, 2018	$140,000	5.50%	January 1, 2025	$200,000	5.50%	January 1, 2032	$295,000	5.50%
January 1, 2019	$145,000	5.50%	January 1, 2026	$210,000	5.50%	January 1, 2033	$310,000	5.50%
January 1, 2020	$155,000	5.50%	January 1, 2027	$225,000	5.50%	January 1, 2034	$325,000	5.50%
January 1, 2021	$165,000	5.50%	January 1, 2028	$235,000	5.50%	January 1, 2035	$345,000	5.50%
January 1, 2022	$170,000	5.50%	January 1, 2029	$250,000	5.50%	January 1, 2036	$365,000	5.50%
January 1, 2023	$180,000	5.50%	January 1, 2030	$265,000	5.50%	January 1, 2037	$385,000	5.50%
						Total	$4,965,000	

Maturity	Amount	Rate	Maturity	Amount	Rate	Maturity	Amount	Rate
July 1, 2016	$136,538		July 1, 2023	$106,700		July 1, 2030	$63,388	
January 1, 2017	$136,538	5.50%	January 1, 2024	$106,700	5.50%	January 1, 2031	$63,388	5.50%
July 1, 2017	$132,963		July 1, 2024	$101,475		July 1, 2031	$55,688	
January 1, 2018	$132,963	5.50%	January 1, 2025	$101,475	5.50%	January 1, 2032	$55,688	5.50%
July 1, 2018	$129,113		July 1, 2025	$95,975		July 1, 2032	$47,575	
January 1, 2019	$129,113	5.50%	January 1, 2026	$95,975	5.50%	January 1, 2033	$47,575	5.50%
July 1, 2019	$125,125		July 1, 2026	$90,200		July 1, 2033	$39,050	
January 1, 2020	$125,125	5.50%	January 1, 2027	$90,200	5.50%	January 1, 2034	$39,050	5.50%
July 1, 2020	$120,863		July 1, 2027	$84,013		July 1, 2034	$30,113	
January 1, 2021	$120,863	5.50%	January 1, 2028	$84,013	5.50%	January 1, 2035	$30,113	5.50%
July 1, 2021	$116,325		July 1, 2028	$77,550		July 1, 2035	$20,625	
January 1, 2022	$116,325	5.50%	January 1, 2029	$77,550	5.50%	January 1, 2036	$20,625	5.50%
July 1, 2022	$111,650		July 1, 2029	$70,675		July 1, 2036	$10,588	
January 1, 2023	$111,650	5.50%	January 1, 2030	$70,675	5.50%	January 1, 2037	$10,588	5.50%

In conjunction with the loan agreement, the Organization has agreed to a number of financial, transactional and conditional debt covenants. As of June 30, 2016, the Organization is not aware of any violations of the covenants. A Trustee serves as the paying agent for the Bonds.

Note 8. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 12, 2016, the date the financial statements were available to be issued.

Note 9. ENDOWMENTS

The Organization's endowment funds consist of donor restricted gifts. The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. At June 30, 2016 and 2015, the endowment net assets amounted to $164,493 and $166,637 respectively.

For the year ended June 30, 2016, the changes in endowment net assets are the following:

Endowment Net Asset Composition by Type of Fund

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ -	$ 56,581	$ 99,920	$ 156,501
Board-designated endowment	7,992	-	-	7,992
Total Funds	$ 7,992	$ 56,581	$ 99,920	$ 164,493

Changes in Endowment Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets June 30, 2015	$ 7,992	$ 58,725	$ 99,920	$ 166,637
Investment Return:				
Investment Income		2,200		
Net Appreciation	-	(4,344)	-	-
Total Investment return	-	(2,144)	-	(2,144)
Endowment Increase	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets June 30, 2016	$ 7,992	$ 56,581	$ 99,920	$ 164,493

Note 9. ENDOWMENTS (CONTINUED)

Interpretation of the law

The Board of Directors of Montessori of Maui, Inc. 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, the Organization 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 at 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 SPIMFA, management considers in its determination to appropriate or accumulate donor restricted endowment funds the following factors:

1. The duration and preservation of the fund
2. The purposes of the organization 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 Montessori of Maui
7. The investment policies of Montessori of Maui

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a total return over longer term consistent with preservation of principal. It is expected that earnings growth will exceed the rate of inflation, as measured by the Consumer Price Index, by at least 2-5 percentage points, measured over a five-year period and that the real purchasing power of the Endowment be maintained.

Strategies Employed for Achieving Objectives

In order to meet the Organization's return objectives, the Board of Directors determines appropriate investments with the primary purpose of preservation of capital.

Spending Policy

It is the policy of the Organization that spending of interest earned from endowments be limited to Board of Director approval and concurrent with donor restrictions.

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 SPMIFA requires the Organization to retain as a fund of perpetual duration. As of June 30, 2016 there were no deficiencies of this nature.

Note 10. FAIR VALUE MEASUREMENTS

The Organization implemented *ASC 820-10-50-1* which establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

This fair value hierarchy consists of three broad levels.

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority.
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

Fair values of assets measured on a recurring basis are as follows, there are no liabilities or other assets measured at fair value on a recurring or non-recurring basis:

Assets	Total June 30, 2016	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non-Observable Inputs: Level 3
Certificates of Deposits	$ 763,053	$ 763,053	$ -	$ -
Mutual Funds	80,868	80,868		
Exchange-Traded and Closed Ended Funds	81,366	81,366		
Total	$ 925,287	$ 925,287	$ -	$ -

Assets	Total June 30, 2015	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non-Observable Inputs: Level 3
Certificates of Deposits	$ 752,462	$ 752,462	$ -	$ -
Mutual Funds	86,237	86,237		
Exchange-Traded and Closed Ended Funds	79,032	79,032		
Total	$ 917,731	$ 917,731	$ -	$ -

Note 11. PURCHASE POWER AGREEMENT AND RELATED PARTY

During 2009, the Organization entered into a purchase power agreement with Pacific Solar, LLC (the Seller). Under the agreement, the Seller constructed a 6.95kWAC solar panel system on the Organization's property. Under the agreement the Organization previously purchased power from the Seller. On January 1, 2016 the seller gifted all of the assets related to this system.

During 2009, the Organization entered into a purchase power agreement with Pacific Solar, LLC (the Seller). Under the agreement, the Seller constructed a 16.145kWAC solar panel system on the Organization's property. Under the agreement the Organization will purchase power from the Seller for a term of 15 years. At the end of year five, ten, and fifteen during the agreement the Organization has the option to purchase the solar panels at fair market value.

The Owner of Pacific Solar, LLC is related to a current Board Member of the Organization. The approval process of the agreement was handled under the Organization's Conflict of Interest policy and the Board Member was excused from voting on any activity with Pacific Solar, LLC.