

MILLIONAIR CLUB, INC.
dba THE MILLIONAIR CLUB CHARITY, INC.

FINANCIAL REPORT

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Millionair Club, Inc.
dba The Millionair Club Charity, Inc.
Seattle, Washington

We have audited the accompanying financial statements of Millionair Club, Inc., 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; 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Millionair Club, Inc., as of June 30, 2016 and 2015, 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.

Peterson Sullivan LLP

January 11, 2017

MILLIONAIR CLUB, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents	\$ 476,131	\$ 316,645
Restricted cash	22,290	104,327
Investments	856,098	1,768,978
Accounts receivable, net	201,619	307,634
Contributions receivable	71,143	12,655
Bequests receivable	230,000	145,000
Inventory	225,000	225,000
Prepaid expenses	16,548	10,108
Total current assets	2,098,829	2,890,347
Long-Term Assets		
Investments	447,270	552,523
Beneficial interests in trusts	394,540	416,380
Beneficial interest in assets held by The Seattle Foundation	115,760	123,094
Property and equipment, net	1,140,302	507,353
Total assets	\$ 4,196,701	\$ 4,489,697
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 40,543	\$ 68,361
Accrued payroll and related expenses	184,132	153,028
Line of credit	498,829	
Deferred revenue	22,290	104,327
Total current liabilities	745,794	325,716
Deferred Rent Liability	58,062	32,354
Total liabilities	803,856	358,070
Net Assets		
Unrestricted	2,830,805	3,354,754
Temporarily restricted	424,370	635,140
Permanently restricted	137,670	141,733
Total net assets	3,392,845	4,131,627
Total liabilities and net assets	\$ 4,196,701	\$ 4,489,697

See Notes to Financial Statements

MILLIONAIR CLUB, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Agency income	\$ 2,080,893	\$ -	\$ -	\$ 2,080,893	\$ 932,928	\$ -	\$ -	\$ 932,928
Contributions	928,379			928,379	701,467	357,050		1,058,517
Bequests	260,787			260,787	1,015,103			1,015,103
In-kind contributions	705,706			705,706	772,704			772,704
Special events revenue	81,139	167,500		248,639	101,920			101,920
Special events direct expenses	(37,668)			(37,668)	(32,976)			(32,976)
Change in value of beneficial interests in trusts		(17,777)	(4,063)	(21,840)		(2,963)	(2,834)	(5,797)
Government grants	120,371			120,371				
Rental income	246,546			246,546	40,390			40,390
Investment income (loss)	(189)			(189)	60,421			60,421
Miscellaneous	16,675			16,675	2,014			2,014
Net assets released from program restrictions	360,493	(360,493)			9,004	(9,004)		
	<u>4,763,132</u>	<u>(210,770)</u>	<u>(4,063)</u>	<u>4,548,299</u>	<u>3,602,975</u>	<u>345,083</u>	<u>(2,834)</u>	<u>3,945,224</u>
Expenses								
Program	4,673,818			4,673,818	3,182,634			3,182,634
Fundraising	436,782			436,782	530,378			530,378
Management and general	176,481			176,481	196,238			196,238
Total expenses	<u>5,287,081</u>			<u>5,287,081</u>	<u>3,909,250</u>			<u>3,909,250</u>
Change in net assets	(523,949)	(210,770)	(4,063)	(738,782)	(306,275)	345,083	(2,834)	35,974
Net Assets, beginning of year	3,354,754	635,140	141,733	4,131,627	3,661,029	290,057	144,567	4,095,653
Net Assets, end of year	<u>\$ 2,830,805</u>	<u>\$ 424,370</u>	<u>\$ 137,670</u>	<u>\$ 3,392,845</u>	<u>\$ 3,354,754</u>	<u>\$ 635,140</u>	<u>\$ 141,733</u>	<u>\$ 4,131,627</u>

See Notes to Financial Statements

MILLIONAIR CLUB, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016				2015			
	Program	Fundraising	Management and General	Total	Program	Fundraising	Management and General	Total
Salaries and wages	\$ 2,605,935	\$ 238,484	\$ 69,207	\$ 2,913,626	\$ 1,486,183	\$ 289,394	\$ 94,108	\$ 1,869,685
Employee benefits	253,561	23,205	6,734	283,500	213,537	41,581	13,522	268,640
Payroll taxes	280,230	25,645	7,442	313,317	145,642	28,360	9,222	183,224
Total salaries and related expenses	3,139,726	287,334	83,383	3,510,443	1,845,362	359,335	116,852	2,321,549
Specific assistance	721,120	1,119	4	722,243	716,789	23,599	286	740,674
Occupancy	342,390	1,663	3,196	347,249	221,199	3,280	8,160	232,639
Program non-specific and other	127,434	19,729	18,593	165,756	85,689	37,881	16,612	140,182
Professional fees	68,124	18,972	41,822	128,918	85,601	27,642	29,454	142,697
Depreciation and amortization	84,452	712	1,319	86,483	31,016	926	1,337	33,279
Printing and postage	6,032	79,150	1,098	86,280	6,951	68,000	1,476	76,427
Insurance	49,673	3,084	5,534	58,291	41,316	1,933	3,412	46,661
Supplies	39,880	2,278	6,666	48,824	44,954	1,289	4,396	50,639
Communications and development	754	43,627	158	44,539	69	24,291		24,360
Bank and investment management fees	27,822	7,459	5,459	40,740	13,824	6,167	4,461	24,452
Maintenance and repairs	31,969	2,066	3,170	37,205	35,808	3,514	5,967	45,289
Telephone	26,582	2,622	505	29,709	23,421	2,587	508	26,516
Staff and volunteer support	7,860	4,635	5,574	18,069	30,635	2,910	3,317	36,862
Total expenses	4,673,818	474,450	176,481	5,324,749	3,182,634	563,354	196,238	3,942,226
Less: special events direct expenses		(37,668)		(37,668)		(32,976)		(32,976)
Net expenses	\$ 4,673,818	\$ 436,782	\$ 176,481	\$ 5,287,081	\$ 3,182,634	\$ 530,378	\$ 196,238	\$ 3,909,250

See Notes to Financial Statements

MILLIONAIR CLUB, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (738,782)	\$ 35,974
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	86,483	33,279
Donated food, net of amount used		20,205
Donation for purchase of property and equipment	(167,500)	(40,243)
Donated property and equipment		(100,000)
Realized and unrealized loss (gain) on investments	78,613	(10,390)
Change in value of beneficial interests in trusts	21,840	5,797
Change in value of beneficial interest in assets held by The Seattle Foundation	3,106	(408)
Change in operating assets and liabilities		
Restricted cash	82,037	(104,327)
Accounts receivable	106,015	(278,754)
Contributions receivable	(58,488)	84,216
Bequests receivable	(85,000)	200,000
Prepaid expenses	(6,440)	13,727
Accounts payable and accrued expenses	3,286	83,505
Deferred revenue	(82,037)	104,327
Deferred rent liability	25,708	32,354
	(731,159)	79,262
Net cash flows from operating activities		
Cash Flows from Investing Activities		
(Purchases)/sales of investments, net	943,748	(539,209)
Purchase of property and equipment	(719,432)	(157,735)
	224,316	(696,944)
Net cash flows from investing activities		
Cash Flows from Financing Activities		
Donations received for property and equipment	167,500	40,243
Proceeds from line of credit, net	498,829	
	666,329	40,243
Net cash flows from financing activities		
Net change in cash and cash equivalents	159,486	(577,439)
Cash and cash equivalents, beginning of year	316,645	894,084
Cash and cash equivalents, end of year	\$ 476,131	\$ 316,645

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

Founded in 1921, Millionair Club, Inc. dba The Millionair Club Charity, Inc. ("MCC") is committed to providing jobs and supportive services to those in need in the Puget Sound Region. Through programs that encourage self-reliance, MCC offers job assistance, hot nutritious meals, transitional housing, housing assistance, showers, laundry services, and vision care to hundreds of men and women every year to prevent and end homelessness in our community. More than 1,100 homeowners and businesses hire screened and background-checked workers each year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts 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 could differ from the estimated amounts.

Financial Statement Presentation

MCC reports information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets of MCC are classified as follows:

- Unrestricted net assets are available without restriction for support of MCC's operations.
- Temporarily restricted net assets are restricted by the donor to be used for certain purposes or future periods. Temporarily restricted net assets consist of the following at June 30:

	2016	2015
Beneficial interests in trusts	\$ 256,870	\$ 274,647
Kitchen remodel	167,500	
Hygiene center		357,050
Other property and equipment		3,443
	<u>\$ 424,370</u>	<u>\$ 635,140</u>

- Permanently restricted net assets represent gifts given with the intent that the principal will be maintained intact into perpetuity, and the income may be used for current operations. Permanently restricted net assets consist entirely of a beneficial interest in a perpetual trust as of June 30, 2016 and 2015. Changes in the fair value of the beneficial interest in a perpetual trust increase or decrease permanently restricted net assets.

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and money market funds. MCC considers all short-term securities with an original maturity of three months or less to be cash equivalents (except for money market funds held as investments). MCC occasionally maintains cash balances in excess of federally insured limits. MCC has not experienced any losses in these accounts, and management does not believe it is exposed to any significant risk.

Investments

Investments include certificates of deposit, common stocks, U.S. treasury bills, and mutual funds. These investments are reported at fair value using Level 1 valuation inputs determined by the quoted market price of these securities traded on national exchanges. Investments also include mortgage backed securities. Mortgage backed securities are valued based on the original principal amount multiplied by a factor and security price and are considered Level 2 in the fair value hierarchy. Realized and unrealized gains and losses are included in the statements of activities.

Certificates of deposit, U.S. treasury bills, and mortgage-backed securities are reported as long-term investments if they mature one year or more from the statement of financial position date, as management intends to hold those investments for the long term.

Receivables

Accounts receivable are unsecured and are subject to credit risk. MCC uses the allowance method of accounting for bad debts. Accordingly, accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, management has recorded an allowance for uncollectible accounts of \$21,331 and \$18,511 at June 30, 2016 and 2015.

Bequests and pledges (contributions) receivable are stated at estimated net realizable value. MCC assesses the need for an allowance on its bequests and pledges receivable in the same manner as its accounts receivable.

Inventory

Inventory consists entirely of unused donated food that will be provided to persons in need. Inventory is stated at the lower of cost or market. Cost is estimated based on fair value for donated goods, which is recognized based on wholesale per pound food prices provided by Food Lifeline (Level 2 input using the market approach).

Property and Equipment

Land, buildings and equipment are capitalized at cost or if donated, at the estimated fair value at the date of donation. MCC capitalizes property and equipment purchases with a cost greater than \$2,000 and a useful life in excess of one year. Depreciation of buildings and equipment is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is calculated based on the shorter of the life of the lease or the estimated useful life. Useful lives of buildings and equipment range from three to fifteen years. Property and equipment as of June 30 consists of:

	<u>2016</u>	<u>2015</u>
Land	\$ 50,750	\$ 50,750
Buildings	1,592,921	1,155,703
Leasehold Improvements	266,286	68,960
Furniture and equipment	617,627	575,613
Software	73,951	73,951
Vehicles	<u>125,790</u>	<u>82,916</u>
	2,727,325	2,007,893
Accumulated depreciation and amortization	<u>(1,587,023)</u>	<u>(1,500,540)</u>
	<u>\$ 1,140,302</u>	<u>\$ 507,353</u>

Deferred Revenue and Restricted Cash

Deferred revenue consists of receipts from a governmental agency wherein the revenue will be earned as certain milestones are met. MCC is required to place the cash in a separate bank account shown as "restricted cash" on the statements of financial position.

Deferred Rent Liability

MCC has entered into an operating lease agreement, which contains provisions for future rent increases. In accordance with accounting principles generally accepted in the United States, MCC records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to "deferred rent liability," which is reflected as a separate line item in the accompanying statements of financial position.

Agency Income

Agency income is funds received from individuals and other companies for payroll expenses related to the Transitional Jobs Program. Income is recognized as work is performed by the transitional employees and billed to the respective companies.

During the year ended June 30, 2016, one customer represented 20% of total support and revenue. There were no concentrations of agency income during the year ended June 30, 2015.

Contributions, Bequests, and Government Grants

Contributions (including those generated through special events) are recorded when unconditionally pledged as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. MCC classifies temporarily restricted revenue as unrestricted if the contribution is received and the restrictions are satisfied in the same year.

MCC records contributions from bequests as revenue when MCC is notified by the executor as to the amount of the bequest to be received and the estate has cleared probate. At June 30, 2016, 87% of bequests receivable were from one individual estate. At June 30, 2015, 97% of bequests receivable were from two individual estates.

Revenue from government grants is recorded when the service is provided or related qualified expenditure is incurred. Revenue from government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can be first reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2016 and 2015, no such adjustments were made.

Rental Income

MCC subleases residential units under operating leases to certain temporary employees who participate in the workforce generating agency income. The residential units are originally leased through the lease disclosed in Note 7. Subleases carry a term of six months, and revert to a month-to-month term at the expiration of the original six-month term. MCC recognizes rental revenue under these leases based on tenant occupancy. MCC recognizes bad debt for any outstanding receivables associated with the lease, and discontinues recognizing rental revenue when collectibility of rental payments is no longer reasonably assured.

In-Kind Contributions

Contributions of food are recorded as the food is received. The contributions are recognized at fair value and based on wholesale per pound food prices provided by Food Lifeline. In-kind contributions of goods other than food are recorded at fair value at the date of donation.

MCC recognized \$662,161 and \$656,198 of donated food for the years ended June 30, 2016 and 2015, respectively.

Contributed services are recognized as support and expense if the services involve specialized skills and would need to be purchased by MCC if not donated. MCC also receives donated services that are not recognized in these financial statements.

Federal Income Taxes

MCC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain reclassifications have been made to the June 30, 2015, financial statements in order to conform to the current year presentation. These reclassifications had no effect on the change in net assets for the year ended June 30, 2015.

Subsequent Events

MCC has evaluated subsequent events through the date these financial statements were available to be issued, which was January 11, 2017.

Note 2. Investments

The following table represents information about MCC's investments that have been measured at fair value on a recurring basis as of June 30, 2016 and 2015, and indicates the classification by level of input within the fair value hierarchy described above:

	Levels of Fair Value Measurements at June 30, 2016			Total Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Certificates of Deposit (various maturity dates through 2020)	\$ 359,586	\$ -	\$ -	\$ 359,586
Common Stocks	116,180			116,180
U.S. Treasury Bills	49,511			49,511
Mortgage Backed Securities		38,173		38,173
Mutual Funds:				
Intermediate bonds	185,762			185,762
Large growth	134,107			134,107
Foreign large growth	107,047			107,047
Mid cap	97,657			97,657
Fixed income	90,368			90,368
Small cap	39,285			39,285
Foreign bond	37,584			37,584
Emerging markets	29,539			29,539
Money market	18,569			18,569
Total mutual funds	739,918			739,918
	<u>\$ 1,265,195</u>	<u>\$ 38,173</u>	<u>\$ -</u>	<u>\$ 1,303,368</u>

	Levels of Fair Value Measurements at June 30, 2015			Total Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Certificates of Deposit (various maturity dates through 2019)	\$ 504,325	\$ -	\$ -	\$ 504,325
Common Stocks	210,943			210,943
U.S. Treasury Bills	141,729			141,729
Mortgage Backed Securities		57,522		57,522
Mutual Funds:				
Intermediate bonds	360,177			360,177
Large growth	251,568			251,568
Foreign large growth	194,001			194,001
Mid cap	179,791			179,791
Fixed income	186,988			186,988
Small cap	71,730			71,730
Foreign bond	72,040			72,040
Emerging markets	54,597			54,597
Money market	36,090			36,090
Total mutual funds	1,406,982			1,406,982
	<u>\$ 2,263,979</u>	<u>\$ 57,522</u>	<u>\$ -</u>	<u>\$ 2,321,501</u>

Investments are classified in the statements of financial position as follows at June 30:

	2016	2015
Current	\$ 856,098	\$ 1,768,978
Long-Term	447,270	552,523
	<u>\$ 1,303,368</u>	<u>\$ 2,321,501</u>

Investment income consists of the following for the years ended June 30:

	2016	2015
Interest and dividends	\$ 78,424	\$ 50,031
Realized and unrealized gain (loss)	(78,613)	10,390
	<u>\$ (189)</u>	<u>\$ 60,421</u>

Note 3. Beneficial Interests in Trusts

MCC has beneficial interests in five trusts ("the Trusts"). Four of the trusts are remainder or lead trusts, and the remaining trust is a perpetual trust. The beneficial interests are valued at the fair value of the Trusts' assets (using Level 3 inputs as determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions). Interests in remainder or lead trusts are included in temporarily restricted net assets as the trust agreements stipulate MCC to receive the assets with the ability to use the assets for unrestricted purposes upon the death of all preceding beneficiaries (time restricted). Interest in the perpetual trust is included in permanently restricted net assets as the trust agreement stipulates that the income from the assets be provided to MCC and the principal remain intact into perpetuity. Under the lead and perpetual trust agreements, MCC receives annual distributions based on its interest in the respective trust. Income distributions are unrestricted for MCC's general operations.

MCC's beneficial interests in the Trusts consist of the following at June 30:

	2016	2015
Remainder and lead trusts	\$ 256,870	\$ 274,647
Perpetual trust	137,670	141,733
	<u>\$ 394,540</u>	<u>\$ 416,380</u>

A reconciliation of the beginning and ending balances of the Trusts are as follows for the years ended June 30:

	2016	2015
Beginning balance	\$ 416,380	\$ 422,177
Change in value	(21,840)	(5,797)
Interest and dividends, net of fees	13,708	11,838
Distributions	(13,708)	(11,838)
Ending balance	<u>\$ 394,540</u>	<u>\$ 416,380</u>

Note 4. Beneficial Interest in Assets Held by The Seattle Foundation

MCC has a beneficial interest in assets held by The Seattle Foundation ("the Foundation"). Under the terms of the agreement, MCC will receive distributions at such times as decided by the Foundation, but at least annually, in amounts as determined by the Foundation's spending policy. The timing and amount of the distributions are determined at the sole discretion of the Foundation and may invade the principal. The Foundation has variance power over the assets, which gives the Foundation the right to modify any restriction or condition regarding distributions from the fund for any charitable purpose or to any organization if, in the sole judgment of the Foundation's Board of Trustees, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes of the Foundation.

The beneficial interest in assets held by the Foundation is stated at the fair value of the underlying investments (cash and marketable securities) as provided by the Foundation, which constitutes Level 3 inputs using the market approach.

A reconciliation of the beginning and ending balances of the beneficial interest in assets held by the Foundation is as follows for the years ended June 30:

	2016	2015
Beginning balance	\$ 123,094	\$ 126,783
Change in value	(3,155)	185
Interest and dividends, net of fees	49	223
Distributions	(4,228)	(4,097)
Ending balance	<u>\$ 115,760</u>	<u>\$ 123,094</u>

Note 5. Line of Credit

MCC maintains a line of credit ("the Line") with a bank carrying a maximum borrowing limit of \$500,000. The Line bears interest at the bank's prime rate plus 1%, and a minimum rate of 4.25%, resulting in a rate of 4.5% at June 30, 2016. The Line is secured by all inventory, equipment, and rents. The outstanding balance of \$498,829 matured on December 4, 2016. MCC is in the process of negotiating an extension on the Line.

Note 6. Employee Benefit Plan

MCC provides 403(b) benefits to eligible employees. All eligible employees are eligible to make elective deferrals under the plan. Employees are eligible for employer contributions to the plan after age 21 and completion of one year of service. MCC, at its discretion, contributes 5% of the employee's compensation annually and matches employee contributions to the plan up to 3% of their compensation. MCC's contributions to the plan were \$50,353 and \$55,460 for the years ended June 30, 2016 and 2015, respectively. Employer contributions vest over five years. Employee contributions are 100% vested at the time of contribution.

Note 7. Lease

In 2015, MCC leased a building to provide low-income individuals housing under a non-cancelable operating lease expiring in 2024. Rent expense (net of straight-line adjustment) under this agreement for the years ended June 30, 2016 and 2015, was \$124,708 and \$62,354, respectively.

The future minimum lease payments for the years ending June 30 are as follows:

2017	\$ 111,000
2018	121,800
2019	125,454
2020	129,218
2021	133,094
Thereafter	497,515
	<u>\$ 1,118,081</u>