



Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2016 and 2015

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

THE CENTER FOR ARTS EDUCATION, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
The Center for Arts Education, Inc.

We have audited the accompanying financial statements of The Center for Arts Education, Inc. ("CAE"), 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 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 The Center for Arts Education, 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 of America.

Marks Paneth LLP

New York, NY
February 8, 2017

**THE CENTER FOR ARTS EDUCATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents (Notes 2C and 9A)	\$ 298,885	\$ 538,971
Investments (Notes 2D and 4)	1,590,778	1,790,096
Contributions and grants receivable (Notes 2F, 2G and 3)	280,306	333,698
Accounts receivable (Note 2G)	29,988	20,432
Prepaid and other assets (Notes 2L and 6)	103,024	81,553
Property and equipment, net (Notes 2E and 5)	<u>3,475</u>	<u>2,500</u>
TOTAL ASSETS	<u>\$ 2,306,456</u>	<u>\$ 2,767,250</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 113,959	\$ 201,444
Deferred rent obligation (Note 2K)	<u>101,311</u>	<u>92,428</u>
TOTAL LIABILITIES	<u>215,270</u>	<u>293,872</u>
COMMITMENTS AND CONTINGENCIES (Note 6)		
NET ASSETS (Note 2B)		
Unrestricted	1,951,143	2,098,133
Temporarily restricted (Note 8)	<u>140,043</u>	<u>375,245</u>
TOTAL NET ASSETS	<u>2,091,186</u>	<u>2,473,378</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,306,456</u>	<u>\$ 2,767,250</u>

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

**THE CENTER FOR ARTS EDUCATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	Year Ended June 30, 2016			Year Ended June 30, 2015		
	Unrestricted	Temporarily Restricted	TOTAL 2016	Unrestricted	Temporarily Restricted	TOTAL 2015
SUPPORT AND REVENUE:						
Public Support:						
Foundations, corporations, individuals and other (Note 2B)	\$ 474,728	\$ 339,574	\$ 814,302	\$ 440,491	\$ 701,959	\$ 1,142,450
Special events, net of direct expenses \$29,329 in 2016 and \$26,425 in 2015 (Note 2I)	203,471	-	203,471	185,613	-	185,613
Contributions in-kind (Note 2H)	38,810	-	38,810	14,308	-	14,308
Total Public Support	<u>717,009</u>	<u>339,574</u>	<u>1,056,583</u>	<u>640,412</u>	<u>701,959</u>	<u>1,342,371</u>
Governmental Support (Note 9B)	<u>509,625</u>	<u>-</u>	<u>509,625</u>	<u>518,675</u>	<u>-</u>	<u>518,675</u>
Revenue:						
Interest and investment income (Note 4)	51,672	-	51,672	39,251	-	39,251
Other revenue	9,228	-	9,228	14,919	-	14,919
Fee income	708,673	-	708,673	649,583	-	649,583
Net assets released from restrictions (Notes 2B and 8)	<u>574,776</u>	<u>(574,776)</u>	<u>-</u>	<u>627,759</u>	<u>(627,759)</u>	<u>-</u>
Total Revenue	<u>1,344,349</u>	<u>(574,776)</u>	<u>769,573</u>	<u>1,331,512</u>	<u>(627,759)</u>	<u>703,753</u>
TOTAL SUPPORT AND REVENUE	<u>2,570,983</u>	<u>(235,202)</u>	<u>2,335,781</u>	<u>2,490,599</u>	<u>74,200</u>	<u>2,564,799</u>
EXPENSES:						
Program services	2,037,022	-	2,037,022	2,052,267	-	2,052,267
Management and general	347,857	-	347,857	320,367	-	320,367
Fundraising	333,094	-	333,094	319,585	-	319,585
TOTAL EXPENSES	<u>2,717,973</u>	<u>-</u>	<u>2,717,973</u>	<u>2,692,219</u>	<u>-</u>	<u>2,692,219</u>
CHANGE IN NET ASSETS	(146,990)	(235,202)	(382,192)	(201,620)	74,200	(127,420)
Net assets - beginning of year	<u>2,098,133</u>	<u>375,245</u>	<u>2,473,378</u>	<u>2,299,753</u>	<u>301,045</u>	<u>2,600,798</u>
NET ASSETS - END OF YEAR	<u>\$ 1,951,143</u>	<u>\$ 140,043</u>	<u>\$ 2,091,186</u>	<u>\$ 2,098,133</u>	<u>\$ 375,245</u>	<u>\$ 2,473,378</u>

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

**THE CENTER FOR ARTS EDUCATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Program Services	Management and General	Fundraising	TOTAL 2016	Program Services	Management and General	Fundraising	TOTAL 2015
Salaries	\$ 1,180,988	\$ 115,859	\$ 235,107	\$ 1,531,954	\$ 1,209,261	\$ 142,090	\$ 225,301	\$ 1,576,652
Payroll taxes and employee benefits (Note 7)	<u>204,908</u>	<u>20,102</u>	<u>40,793</u>	<u>265,803</u>	<u>215,341</u>	<u>25,303</u>	<u>40,121</u>	<u>280,765</u>
Total Salaries and Related Costs	<u>1,385,896</u>	<u>135,961</u>	<u>275,900</u>	<u>1,797,757</u>	<u>1,424,602</u>	<u>167,393</u>	<u>265,422</u>	<u>1,857,417</u>
School based programming	141,327	-	-	141,327	198,843	-	-	198,843
School based programming (Scholarship)	37,500	-	-	37,500	28,000	-	-	28,000
Conferences	35,161	2,437	168	37,766	29,661	2,901	544	33,106
Rent (Note 6)	161,513	15,845	32,154	209,512	160,295	18,835	29,865	208,995
Travel	11,802	1,575	315	13,692	16,264	-	500	16,764
Professional fees (Note 2H)	68,228	169,604	1,045	238,877	48,608	106,659	896	156,163
Performance fees	46,795	-	-	46,795	24,387	-	-	24,387
Program supplies	69,347	-	-	69,347	47,590	-	-	47,590
Office expense	32,268	3,329	6,359	41,956	28,031	2,251	3,355	33,637
Telephone	16,496	1,618	3,284	21,398	14,670	1,724	2,733	19,127
Insurance	-	5,453	-	5,453	-	4,263	-	4,263
Equipment rental and maintenance	22,616	2,219	4,502	29,337	25,787	3,030	4,804	33,621
Fundraising/hospitality	-	-	7,760	7,760	-	-	10,436	10,436
Depreciation and amortization (Note 5)	1,025	103	204	1,332	479	56	89	624
Bad debts	-	2,250	-	2,250	-	5,383	-	5,383
Miscellaneous expense	<u>7,048</u>	<u>7,463</u>	<u>1,403</u>	<u>15,914</u>	<u>5,050</u>	<u>7,872</u>	<u>941</u>	<u>13,863</u>
Subtotal	<u>651,126</u>	<u>211,896</u>	<u>57,194</u>	<u>920,216</u>	<u>627,665</u>	<u>152,974</u>	<u>54,163</u>	<u>834,802</u>
TOTAL EXPENSES	<u>\$ 2,037,022</u>	<u>\$ 347,857</u>	<u>\$ 333,094</u>	<u>\$ 2,717,973</u>	<u>\$ 2,052,267</u>	<u>\$ 320,367</u>	<u>\$ 319,585</u>	<u>\$ 2,692,219</u>

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

**THE CENTER FOR ARTS EDUCATION, 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	\$ (382,192)	\$ (127,420)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	1,332	624
Bad debt expense	2,250	5,383
Realized/unrealized loss on investments	4,613	43,697
Subtotal	(373,997)	(77,716)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Contributions and grants receivable	51,142	132,085
Accounts receivable	(9,556)	789
Prepaid and other assets	(21,471)	29,122
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(87,485)	(21,242)
Deferred rent	8,883	13,148
Net Cash (Used in) Provided by Operating Activities	(432,484)	76,186
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(105,295)	(75,671)
Proceeds from investment sales	300,000	220,000
Purchase of property and equipment	(2,307)	-
Net Cash Provided by Investing Activities	192,398	144,329
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(240,086)	220,515
Cash and cash equivalents - beginning of year	538,971	318,456
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 298,885	\$ 538,971

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

THE CENTER FOR ARTS EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Center for Arts Education, Inc. ("CAE") was organized in 1996 under the Not-For-Profit Corporation Law of the State of New York, and is dedicated to ensuring that public school students have quality arts learning as an essential part of their K-12 education. In addition to its capacity-building programs in New York City public schools, CAE provides information and resources that demonstrate the benefits of and need for arts education as part of a quality, balanced education for all children in New York City, New York State, and nationwide. CAE works to:

- Raise awareness of the value of arts learning for every child.
- Increase public consciousness about the need for dedicated arts curricula in the New York City public schools.
- Provide tools, support, and actionable strategies for educators, parents, elected officials, and others to implement arts programming and advocate for equitable education that includes the arts.
- Influence educational and fiscal policies that will support arts education in all of the city's public schools.

Since its founding, CAE has implemented sustainable arts programs in hundreds of schools; provided high-quality professional development to teachers, artists, and administrators; created long-term partnerships between schools and cultural institutions; implemented programs that involve parents in arts education; opened doors for high school students exploring careers in the creative industries; published resources for educators and parents to replicate the success of their peers, and engages with elected officials and decision makers providing topical information and reports on arts education issues and concerns.

CAE has been granted exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. CAE receives a significant portion of its support and revenue from private foundations, corporations, individuals and government funding sources.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – CAE's financial statements have been prepared on the accrual basis of accounting. CAE adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. ***Basis of Net Asset Presentation*** – CAE distinguishes between contributions that increase temporarily restricted net assets and unrestricted net assets depending on the existence and/or nature of any donor restrictions. CAE reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
- C. ***Cash Equivalents*** – CAE considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents, except cash equivalents held in brokerage accounts as part of CAE's investments.
- D. ***Investments*** – Investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.
- E. ***Property and Equipment*** – Property and equipment is stated at cost less accumulated depreciation and amortization. The amount does not purport to represent replacement or realizable value. CAE capitalizes all assets having a useful life of more than one year and a cost greater than or equal to \$1,000. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease. Other property and equipment is depreciated using the straight-line method over its estimated useful life.

THE CENTER FOR ARTS EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. **Contributions Receivable** – Contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. CAE does not discount long term pledges receivable unless material.
- G. **Allowance for Uncollectible Receivables** – As of June 30, 2016 and 2015, CAE determined that an allowance for doubtful accounts receivable was not necessary. Such estimates are based on management’s judgment of the creditworthiness of its donors and grantors, historical experience and periodic review of the receivable status.
- H. **In-Kind Goods and Services** – CAE records contributed goods and services at their fair value on the date received. For the years ended June 30, 2016 and 2015, CAE received \$38,810 and \$14,308, respectively, of contributed goods and services. The donated goods and services consisted of legal services, and the venue for the special events and are recorded as both income and expense in the accompanying financial statements.
- I. **Special Events** – The direct costs of special events include expenses incurred for the benefit of the donor. Such direct costs include meals and facilities rental.
- J. **Use of Estimates** – The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures at the date of the financial statements, the reported amounts of revenues, and expenses during the reported period. Actual results could differ from those estimates.
- K. **Deferred Rent** – CAE leases real property under an operating lease agreement that contains scheduled future rent increases. Since the rent payments increase over time, CAE records an adjustment to rent expense each year to reflect its straight-line policy. During the years ended June 30, 2016 and 2015, CAE recorded adjustments to rent expense to reflect the difference between the rent paid and the average rent to be paid over the term of the lease amounting to approximately \$9,000 and \$13,000, respectively, as an increase in rent expense. Straight-lining of rent gives rise to a timing difference that is reflected as a liability in the accompanying statements of financial position.
- L. **Reclassifications** – Certain line items in the 2015 financial statements have been reclassified to conform to 2016 presentation.

NOTE 3 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Collectible within one year	\$ 280,306	\$ 313,698
Collectible in one to five years	<u>-</u>	<u>20,000</u>
	<u>\$ 280,306</u>	<u>\$ 333,698</u>

NOTE 4 – INVESTMENTS

Investments consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash and money market	\$ 508,640	\$ 791,595
Fixed income	<u>1,082,138</u>	<u>998,501</u>
	<u>\$ 1,590,778</u>	<u>\$ 1,790,096</u>

THE CENTER FOR ARTS EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4 – INVESTMENTS (Continued)

Interest and investment income consisted of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest income	\$ 62,692	\$ 90,225
Realized/unrealized loss on investments	<u>(4,613)</u>	<u>(43,697)</u>
	58,079	46,528
Less: Investment management fees	<u>(6,407)</u>	<u>(7,277)</u>
	<u>\$ 51,672</u>	<u>\$ 39,251</u>

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuation in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs. This is not applicable to CAE.

In determining fair value, CAE utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value to another. In such instances, the transfer is reported at the end of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2016 and 2015, there were no significant transfers in or out of levels 1 and 2.

Financial assets carried at fair value as of June 30, 2016, are classified as Level 1 and Level 2 in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>2016 Total</u>
ASSETS CARRIED AT FAIR VALUE			
Investments:			
Money market funds	\$ 508,640	\$ -	\$ 508,640
Fixed Income:			
Mutual funds	1,840	-	1,840
Asset backed securities	-	82,969	82,969
Municipal bonds	-	231,061	231,061
Corporate bonds	<u>-</u>	<u>766,268</u>	<u>766,268</u>
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 510,480</u>	<u>\$ 1,080,298</u>	<u>\$ 1,590,778</u>

THE CENTER FOR ARTS EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4 – INVESTMENTS (Continued)

Financial assets carried at fair value as of June 30, 2015, are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>2015 Total</u>
ASSETS CARRIED AT FAIR VALUE			
Investments:			
Money market funds	\$ 791,595	\$ -	\$ 791,595
Fixed Income:			
Asset backed securities	-	83,362	83,362
Municipal bonds	-	287,953	287,953
Corporate bonds	<u>-</u>	<u>627,186</u>	<u>627,186</u>
TOTAL ASSETS CARRIED AT FAIR VALUE	<u>\$ 791,595</u>	<u>\$ 998,501</u>	<u>\$ 1,790,096</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Office equipment	\$ 78,889	\$ 78,889	2-3 Years
Computer software	11,086	8,779	3 Years
Leasehold improvements	<u>4,372</u>	<u>4,372</u>	3 Years
Total cost	94,347	92,040	
Less: accumulated depreciation and amortization	<u>(90,872)</u>	<u>(89,540)</u>	
Net book value	<u>\$ 3,475</u>	<u>\$ 2,500</u>	

Depreciation and amortization expense amounted to \$1,332 and \$624 for the years ended June 30, 2016 and 2015. During the year ended June 30, 2015, CAE wrote off fully-depreciated fixed assets no longer in use amounting to \$94,750.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

- A. CAE has a ten year operating lease agreement for office space located at 520 Eighth Avenue, New York City that commenced on July 1, 2012. The lease includes an annual rental escalation of 2.5% per year commencing in the second year of the lease and continuing in succeeding years thereafter for the term of the lease and includes a base rent change from \$29 per sq.ft. to \$31 per sq.ft. in year six. Additionally, CAE received a rent abatement for the first three months of the lease.

The following is a schedule by years of the future lease payments for the years ending after June 30, 2016:

2017	\$ 179,300
2018	194,900
2019	199,800
2020	204,800
2021	209,900
2022	<u>215,200</u>
	<u>\$ 1,203,900</u>

Real property lease expense amounted to \$209,512 and \$208,995 for the years ended June 30, 2016 and 2015, respectively, and is included in the accompanying statements of functional expenses.

**THE CENTER FOR ARTS EDUCATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

B. CAE believes it has no uncertain tax positions as of June 30, 2016 and 2015 in accordance with Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes* which provides standards for establishing and classifying any tax provision for uncertain tax positions.

NOTE 7 – RETIREMENT PLAN

CAE maintains a pension plan in accordance with the provisions of Section 403(b) of the Internal Revenue Code. This plan is available to all eligible employees. CAE contributes 4% of each employee’s gross compensation and matches each employee’s tax deferred annuity contribution, subject to a maximum of 8% of gross compensation. CAE contributed \$20,361 and \$29,964 to the pension plan for the years ended June 30, 2016 and 2015, respectively. Such amounts are included in payroll taxes and employee benefits in the accompanying financial statements.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following as of June 30, 2016 and 2015:

	2016	2015
Time and purpose restricted	\$ 140,043	\$ 375,245
	<u>\$ 140,043</u>	<u>\$ 375,245</u>

Net assets were released from restrictions by incurring expenses or the passage of time thus satisfying the restricted purposes for the years ended June 30, 2016 and 2015 as follows:

	2016	2015
School arts investment	\$ 91,276	\$ 74,559
Arts education initiative	50,000	50,000
Parents as arts partners	50,000	52,500
Career development	96,000	41,200
Advocacy / communications	85,000	195,000
Teaching and learning	<u>202,500</u>	<u>214,500</u>
	<u>\$ 574,776</u>	<u>\$ 627,759</u>

NOTE 9 – CONCENTRATIONS

A. Concentration of Credit Risk

Cash and cash equivalents that potentially subject CAE to a concentration of credit risk include cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. As of June 30, 2016 and 2015, there was approximately \$136,000 and \$300,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

B. Concentration of Revenue

CAE derives a significant portion of its revenue from contractual arrangements with governmental sources. Such revenue approximated 22% and 20% of total support and revenue for the years ended June 30, 2016 and 2015, respectively. This revenue is subject to audit and possible adjustment by the various governmental agencies.

NOTE 10 – SUBSEQUENT EVENTS

CAE has evaluated events subsequent to the date of the statement of financial position through February 8, 2017, the date the financial statements were available to be issued.