

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS**

**For the Years Ended**  
**September 30, 2018 and 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bayshore Christian Ministries  
East Palo Alto, CA 94303

We have audited the accompanying financial statements of Bayshore Christian Ministries (a California nonprofit public benefit corporation) which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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.

### *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 of America. Those standards require that we plan and perform the audits 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 Bayshore Christian Ministries as of September 30, 2018 and 2017, and the changes in its net assets, cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

November 27, 2018

*Bunker & Company LLP*

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**As of September 30, 2018 and 2017**

	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 199,808	\$ 32,669
Pledges receivable, current portion (Note 2)	184,108	271,945
Certificate of Deposit	100,710	100,710
Prepaid expenses and deposits	22,904	18,373
Total current assets	507,530	423,697
Building, leasehold improvements, furniture, and equipment, net of accumulated depreciation of \$1,017,774 in 2018 and \$972,496 in 2017 (Notes 1 and 3)	1,121,806	1,167,083
Pledges receivable, net of current portion and allowance (Note 2)	74,992	148,219
Total assets	\$ 1,704,328	\$ 1,738,999
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 48,091	\$ 50,362
Accrued scholarships (Note 4)	11,550	20,050
Deferred revenue	51,524	37,524
Line of Credit (Note 5)	-	78,000
Mortgage payable (Note 6)	11,122	180,000
Total current liabilities	122,287	365,936
Non current liabilities:		
Mortgage payable (Note 6)	337,312	-
Total liabilities	459,599	365,936
Net assets:		
Unrestricted net assets	899,079	857,849
Temporarily restricted net assets (Note 7)	270,650	440,214
Permanently restricted net assets (Note7)	75,000	75,000
Total net assets	1,244,729	1,373,063
Total liabilities & net assets	\$ 1,704,328	\$ 1,738,999

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

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>				
Contributions	\$ 517,965	\$ 4,289	\$ -	\$ 522,254
Program fee revenue	-	17,444	-	17,444
Grants	96,875	35,000	-	131,875
Fundraising events	123,206	-	-	123,206
Interest income	303	-	-	303
Facility use fees	85,000	-	-	85,000
In-kind contributions (Note 8)	119,741	-	-	119,741
Total support and revenue	<u>943,090</u>	<u>56,733</u>	<u>-</u>	<u>999,823</u>
Net assets released from restrictions	226,297	(226,297)	-	-
Total support, revenue and transfers	<u>1,169,387</u>	<u>(169,564)</u>	<u>-</u>	<u>999,823</u>
<b>EXPENSES</b>				
Program expenses				
Bible Club	107,595	-	-	107,595
Create Academy & Studios	208,407	-	-	208,407
Education and outreach	134,044	-	-	134,044
EPA Fellow	28,550	-	-	28,550
Kidsmart	214,890	-	-	214,890
Leaders in Training	65,261	-	-	65,261
Streetworkz	126,023	-	-	126,023
Total program expenses	<u>884,770</u>	<u>-</u>	<u>-</u>	<u>884,770</u>
General and administrative	77,639	-	-	77,639
Fundraising	165,748	-	-	165,748
Total expenses	<u>1,128,157</u>	<u>-</u>	<u>-</u>	<u>1,128,157</u>
Change in net assets	41,230	(169,564)	-	(128,334)
Net assets, beginning of year	<u>857,849</u>	<u>440,214</u>	<u>75,000</u>	<u>1,373,063</u>
Net assets, end of year	<u>\$ 899,079</u>	<u>\$ 270,650</u>	<u>\$ 75,000</u>	<u>\$1,244,729</u>

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

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>				
Contributions	\$ 503,553	\$ 7,110	\$ -	\$ 510,663
Program fee revenue	-	19,980	-	19,980
Grants	-	76,482	-	76,482
Fundraising events	119,194	-	-	119,194
Interest income	606	-	-	606
Facility use fees	43,000	-	-	43,000
In-kind contributions (Note 8)	95,906	-	-	95,906
Total support and revenue	<u>762,259</u>	<u>103,572</u>	<u>-</u>	<u>865,831</u>
Net assets released from restrictions	182,120	(182,120)	-	-
Total support, revenue and transfers	<u>944,379</u>	<u>(78,548)</u>	<u>-</u>	<u>865,831</u>
<b>EXPENSES</b>				
Program expenses				
Bible Club	104,091	-	-	104,091
Create Academy & Studios	210,870	-	-	210,870
Education and outreach	108,378	-	-	108,378
EPA Fellow	27,988	-	-	27,988
Kidsmart	201,406	-	-	201,406
Leaders in Training	54,776	-	-	54,776
Streetworkz	114,945	-	-	114,945
Total program expenses	<u>822,454</u>	<u>-</u>	<u>-</u>	<u>822,454</u>
General and administrative	55,834	-	-	55,834
Fundraising	159,710	-	-	159,710
Total expenses	<u>1,037,998</u>	<u>-</u>	<u>-</u>	<u>1,037,998</u>
Change in net assets	(93,619)	(78,548)	-	(172,167)
Net assets, beginning of year	<u>951,468</u>	<u>518,762</u>	<u>75,000</u>	<u>1,545,230</u>
Net assets, end of year	<u>\$ 857,849</u>	<u>\$ 440,214</u>	<u>\$ 75,000</u>	<u>\$1,373,063</u>

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

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**STATEMENT OF CASH FLOWS**  
**For the years ended September 30, 2018 and 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	<u>\$ (128,334)</u>	<u>\$ (172,167)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,277	57,907
Changes in assets and liabilities:		
Pledges receivable	161,064	72,198
Prepaid expenses and deposits	(4,531)	(13,859)
Accounts payable and accrued liabilities	(2,271)	3,009
Accrued scholarships	(8,500)	(6,350)
Deferred revenue	14,000	37,524
Total adjustments	<u>205,039</u>	<u>150,429</u>
Net cash provided (used) by operating activities	<u>76,705</u>	<u>(21,738)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Line of Credit	(78,000)	-
Mortgage payable from donor (Note 6)	(180,000)	-
Mortgage payable from bank (Note 6)	360,000	-
Mortgage payable from bank (Note 6)	(11,566)	-
Net cash provided by financing activities	<u>90,434</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	167,139	(21,738)
Cash and cash equivalents, beginning of year	<u>32,669</u>	<u>54,407</u>
Cash and cash equivalents, end of year	<u>\$ 199,808</u>	<u>\$ 32,669</u>
Supplementary information:		
Cash paid for interest	<u>\$ 13,672</u>	<u>\$ 10,972</u>

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

**BAYSHORE CHRISTIAN MINISTRIES**  
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**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended September 30, 2018**

	Program	Management and General	Fundraising	Total
Personnel	\$ 436,966	\$ 39,724	\$ 90,798	\$ 567,488
Payroll taxes and insurance	38,146	3,468	7,927	49,541
Employee benefits	41,531	3,776	8,630	53,937
Professional and outside services	130,177	18,502	4,020	152,699
Bad debt expense	110	-	(81)	29
Conferences and training	1,167	340	280	1,787
Equipment rental and maintenance	43,241	2,470	2,337	48,048
Food, meals and entertainment	17,014	103	935	18,052
Insurance	16,381	528	705	17,614
Interest	12,442	547	684	13,673
Licenses, fees and taxes	11,359	1,669	7,800	20,828
Occupancy and admission fees	14,827	167	23,885	38,879
Postage, printing and publications	1,335	707	8,223	10,265
Stipends and awards	5,177	132	710	6,019
Supplies	32,053	1,636	3,071	36,760
Telephone, fax and internet	7,095	580	1,217	8,892
Travel, transportation and lodging	12,850	312	884	14,046
Utilities	21,472	1,267	1,584	24,323
Total operating expenses	<u>843,343</u>	<u>75,928</u>	<u>163,609</u>	<u>1,082,880</u>
Depreciation	41,427	1,711	2,139	45,277
Total expenses	<u>\$ 884,770</u>	<u>\$ 77,639</u>	<u>\$ 165,748</u>	<u>\$ 1,128,157</u>
	78%	7%	15%	100%



**BAYSHORE CHRISTIAN MINISTRIES**  
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**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended September 30, 2017**

	Program	Management and General	Fundraising	Total
Personnel	\$ 403,920	\$ 26,528	\$ 100,805	\$ 531,253
Payroll taxes and insurance	36,236	2,384	9,059	47,679
Employee benefits	33,275	2,172	8,302	43,749
Professional and outside services	113,749	7,757	5,725	127,231
Bad debt expense	4,374	-	1,240	5,614
Conferences and training	2,344	396	364	3,104
Equipment rental and maintenance	31,800	1,742	1,394	34,936
Food, meals and entertainment	3,778	395	1,466	5,639
Insurance	22,692	1,716	1,144	25,552
Interest	7,683	2,951	338	10,972
Licenses, fees and taxes	9,903	1,885	6,889	18,677
Occupancy and admission fees	17,447	365	9,905	27,717
Postage, printing and publications	1,428	965	5,608	8,001
Stipends and awards	4,758	112	770	5,640
Supplies	39,821	1,671	3,279	44,771
Telephone, fax and internet	6,828	850	298	7,976
Travel, transportation and lodging	8,172	40	-	8,212
Utilities	20,967	1,334	1,067	23,368
Total operating expenses	<u>769,175</u>	<u>53,263</u>	<u>157,653</u>	<u>980,091</u>
Depreciation	53,279	2,571	2,057	57,907
Total expenses	<u>\$ 822,454</u>	<u>\$ 55,834</u>	<u>\$ 159,710</u>	<u>\$1,037,998</u>
	80%	5%	15%	100%

**BAYSHORE CHRISTIAN MINISTRIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2018 and 2017**

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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization – Bayshore Christian Ministries (BCM) was founded in 1984 and incorporated in the State of California in 1987. The mission of BCM is to equip East of Bayshore youth to grow spiritually, gain life skills and develop as leaders so that they have hope and a future. The organization targets its programs primarily to youth from age seven through eighteen years old and offers programs during after school hours, during the summer and year-round. BCM is recognized by the Internal Revenue Service as a nonprofit, public benefit organization under the IRC section 501(c)(3).

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

*Unrestricted net assets* - Net assets that are not subject to any donor-imposed restrictions. This class may include restricted gifts whose donor-imposed restrictions were met during the fiscal year.

*Temporarily restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by BCM is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of BCM pursuant to those stipulations, (b) from other asset enhancements and diminishment that are subject to the same kind of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of BCM pursuant to those stipulations.

*Permanently restricted net assets* - Net assets resulting (a) from contributions and other inflows of assets whose use by BCM is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of BCM, (b) from other asset enhancements and diminishment that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Method of Accounting - The financial statements of the Corporation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on-hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

**BAYSHORE CHRISTIAN MINISTRIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2018 and 2017**

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Fair Value Measurements - Accounting standards were created which established a framework for reporting fair value and expand disclosures about fair value measurements, effective for years beginning after November 15, 2007. The Corporation adopted these standards, thereby measuring the fair value of its cash and cash equivalents, investments, and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the assets or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the asset or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The Corporation's carrying amounts of its assets and liabilities, including its investments presented in Note 7, approximate fair value under Level 1 and Level 2 for the years ended September 30, 2018 and 2017.

UPMIFA - A standard was created which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). California adopted UPMIFA on January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. A key component of the standard is a requirement to classify the portion of investment return from donor-restricted endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. The required disclosures are set forth in Note 7.

Contributions - Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2018 and 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Pledges Receivable - It is the practice of BCM to expense uncollectibles only after exhausting all efforts to collect the amounts due. An allowance for doubtful accounts was established using an estimate based upon a statistical calculation of receipts of pledges.

Furniture, Equipment and Leasehold Improvements - BCM records furniture, equipment and leasehold improvements at historical cost or, if donated, at fair market value at the date of donation. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets, from 3 to 10 years. BCM capitalizes asset purchases in excess of \$500.

Income Taxes - BCM is exempt from federal and state corporate income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. In the opinion of management, there is no unrelated business income.

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

Advertising Costs – It is the policy of BCM to expense advertising costs as incurred.

**NOTE 2 PLEDGES RECEIVABLE**

At September 30, 2018 and 2017 pledges receivable consist of the following:

	<u>2018</u>	<u>2017</u>
Pledges receivable, current portion	\$ 184,108	\$ 271,945
Pledges receivable 2019	87,946	165,000
Allowance for doubtful accounts	<u>(12,954)</u>	<u>(16,781)</u>
Total non-current	74,992	148,219
Total pledges receivable	<u>\$ 259,100</u>	<u>\$ 420,164</u>

**BAYSHORE CHRISTIAN MINISTRIES**  
**(A California Nonprofit Public Benefit Corporation)**

**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2018 and 2017**

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**NOTE 3 FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS**

Furniture, equipment, and leasehold improvements, at cost, consist of the following at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 225,000	\$ 225,000
Building and improvements	1,754,848	1,754,848
Furniture and equipment	89,356	89,356
Vehicles	70,376	70,376
Less Accumulated depreciation	<u>(1,017,774)</u>	<u>(972,496)</u>
Fixed assets, net	<u>\$ 1,121,806</u>	<u>\$ 1,167,083</u>

**NOTE 4 SCHOLARSHIP PROGRAM AND ACCRUED SCHOLARSHIPS**

BCM awards scholarships to encourage and assist youth from East Palo Alto to pursue their post-secondary education at accredited institutions. BCM awards scholarships based on a formal application process based upon financial need and merit. BCM remits funds directly to the educational institution for the benefit of the awarded student for qualified educational expenses such as tuition, books, supplies, room and board. Accrued scholarships as of September 30, 2018 and 2017 in the amount of \$11,550 and \$20,050, respectively, represent funds received by BCM, and restricted by the donor for the scholarship program, which have not yet been paid.

**NOTE 5 LINE OF CREDIT**

A revolving line of Credit loan was payable to California Bank & Trust and secured by other accounts. Interest was payable on the 15th of each month and the interest rate was fixed at 3.0%. As of September 30, 2018 and 2017, the credit limit was \$100,000 and the outstanding balance was \$0 and \$78,000, respectively.

**BAYSHORE CHRISTIAN MINISTRIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2018 and 2017**

**NOTE 6 LOAN PAYABLE**

A loan payable to an individual donor was secured by BCM's property at 1001 Beech, East Palo Alto, CA and the balance due was \$180,000 for the year ended September 30, 2017. The loan was renewed in September, 2017. The loan was interest only with a fixed interest rate of 4.25%. Monthly interest payments were due the 5<sup>th</sup> of each month. The loan was paid in full in April, 2018.

A new commercial loan was established at California Bank & Trust on April 20, 2018 secured by BCM's property at 1001 Beech, East Palo Alto, CA. The interest rate is 5.38% adjustable to LIBOR plus 2.5% on April 20, 2028, with monthly payments of \$2469.78 and a maturity date of April 20, 2038.

Future obligations on the loan are as follows:

2019	\$	11,122
2020		11,736
2021		12,384
2022		13,068
Thereafter		300,124
		<u>\$ 348,434</u>

**NOTE 7 NET ASSESTS**

Temporarily Restricted Net Assets

BCM receives contributions with donor stipulations that limit the use of the assets for specific purposes or for specific time periods. Temporarily restricted net assets at September 30, 2018 and 2017 are designated for the following uses:

	<u>2018</u>	<u>2017</u>
Time restricted and program restricted	\$ 259,100	\$ 420,164
Accrued scholarships	11,550	20,050
Total	<u>\$ 270,650</u>	<u>\$ 440,214</u>

Permanently restricted net Assets

These are endowment funds which are held in perpetuity, the income from which is used for the program execution expenses of the scholarship awards program. Permanently restricted net assets at September 30, 2018 and 2017 were \$75,000.

**BAYSHORE CHRISTIAN MINISTRIES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended September 30, 2018 and 2017**

**NOTE 8 IN-KIND CONTRIBUTIONS**

Contributions of services are recognized if the services received: (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provide by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The fair value of contributed services received recorded as in-kind volunteer revenues in the financials as follows:

	Volunteers	Hours	Value
Bible Club	27	1,140	\$ 16,598
KidSmart	21	2,267	33,000
VBS	86	880	12,813
Streetworks	7	195	2,839
Create Academy	41	100	1,456
Create studios	23	1,120	16,300
LIT	6	302	4,397
Education outreach	119	1,958	28,508
Administrative & development	9	220	3,219
Total	338	8,182	\$ 119,130

Contributions of equipment and supplies are recognized at the estimated fair market value on the date of receipt which for the years ended September 30, 2018 and 2017 was \$611 and \$517, respectively.

**NOTE 9 OPERATING LEASES**

BCM leases office equipment; the lease will expire at the end of two years. The lease expense for the year ended September 30, 2018 and 2017 was \$3,635 and \$3,552, respectively.

BCM entered into a new operational lease for a copy machine for 60 months. The lease has a monthly payment of \$295.00.

Future minimum obligations under the lease for the remainder of the term are as follows:

September 30,		
2019	\$	3,540
2020		3,540
2021		3,540
2022		3,540
2023		3,540
Total		\$ 17,700

**NOTE 10 SUBSEQUENT EVENTS**

Management has evaluated all subsequent events through the Auditor's Report date, the date the financial statements were available to be issued.