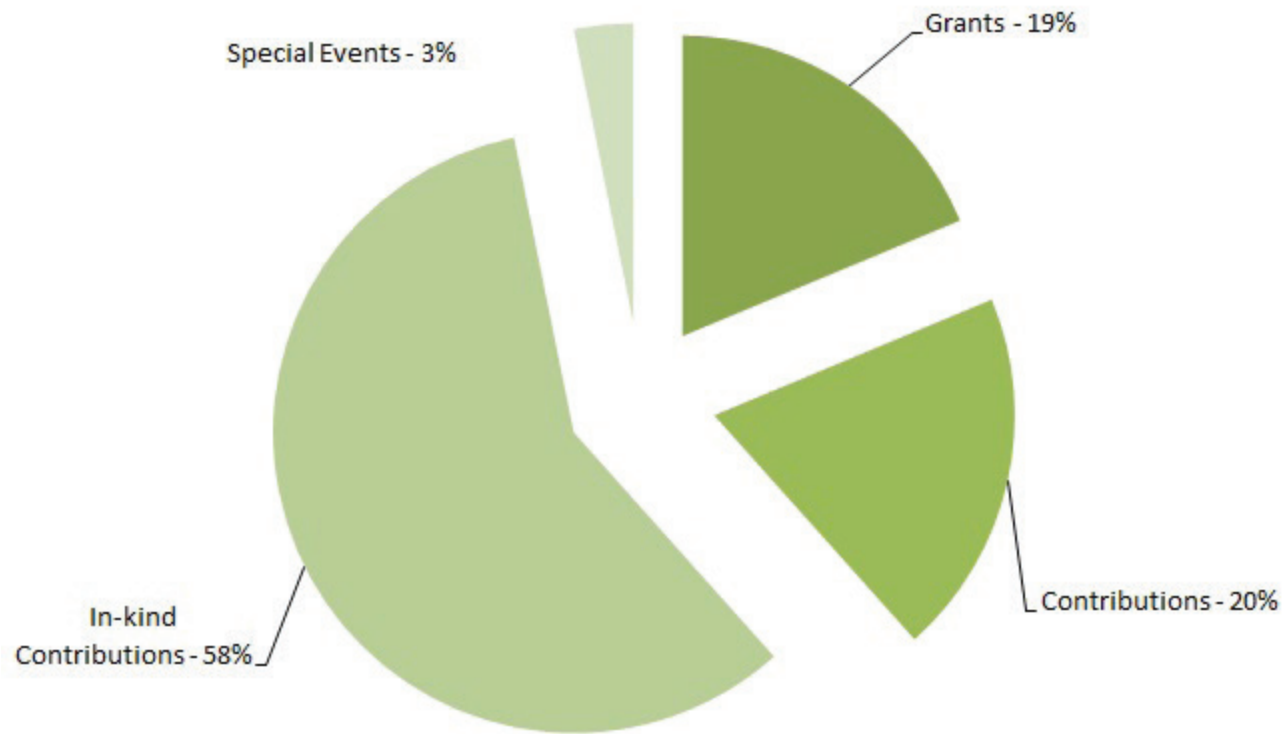
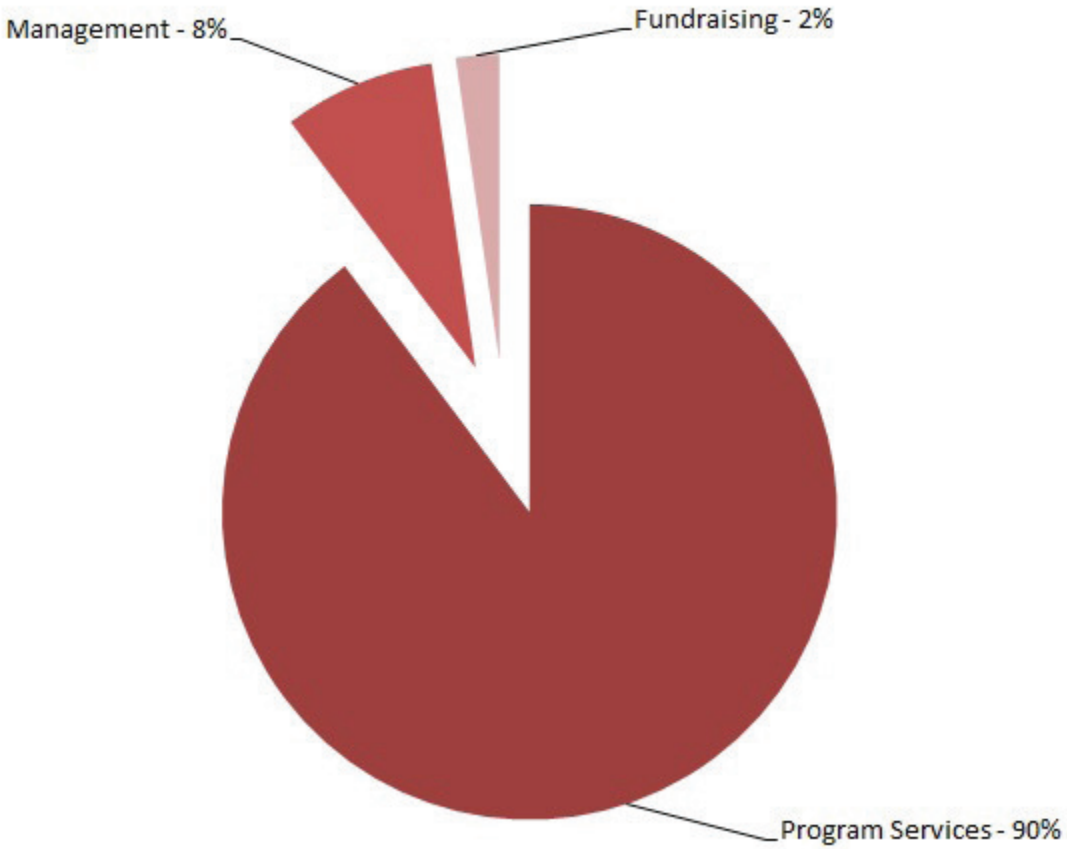


REVENUE - 2016



EXPENSES - 2016



INCOME STATEMENT FY15-16

REVENUE		
Grants	\$	378,088
Contributions		397,628
In-kind Contributions		1,180,407
Special Events		64,369
Investment Income		2,052
		<u>2,022,544</u>
Total Unrestricted		2,022,544
Net Assets Released		<u>71,542</u>
EXPENSES		
Program Services		1,786,955
Management		155,616
Fundraising		37,793
Total Unrestricted		<u>1,980,364</u>
OTHER REVENUE AND EXPENSES		
Rental income, net		4,619
Change in Unrestricted Net Asset		<u>118,543</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSEST		
Contributions and grants		122,719
Net assets released from restrictio		<u>(71,542)</u>
Change in Temporarily Restricted		<u>51,177</u>
CHANGE IN NET ASSETS		169,720
Beginning of year		898,117
End of year		<u>\$ 1,067,837</u>

BALANCE SHEET FY15-16

		ASSETS
CURRENT ASSETS		
Cash and cash equivalents - Operating	\$	376,785
Certificates of deposit		200,580
Pledges receivable		22,812
Inventory		134,997
Investments - St. Croix Valley Foundation		10,157
Prepaid expenses		18,993
		<u>764,324</u>
FIXED ASSETS		
Building and improvements		1,311,336
Land		463,822
Computers and telephones		47,783
Computer software		22,713
Furniture and fixtures		20,682
Equipment		38,978
Assets not in service		4,435
Less accumulated depreciation		<u>(236,853)</u>
Total fixed assets		<u>1,672,896</u>
Total assets		<u>\$ 2,437,220</u>
		LIABILITIES AND NET ASSETS
CURRENT LIABILITIES		
Accounts payable	\$	24,286
Accrued payroll		24,636
Accrued absences		9,099
Security deposits - tenants		9,994
Deferred revenue		19,937
Current portion of long-term debt		29,775
Total current liabilities		<u>117,727</u>
LONG-TERM LIABILITIES		
Long-term debt		<u>1,251,656</u>
NET ASSETS		
Unrestricted		914,488
Temporarily restricted		153,349
Total net assets		<u>1,067,837</u>
Total liabilities and net assets		<u>\$ 2,437,220</u>

VALLEY OUTREACH

**Financial Statements
September 30, 2015 and 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Valley Outreach
Stillwater, Minnesota

I have audited the accompanying financial statements of Valley Outreach (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and change in net assets, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Outreach, as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lake Elmo, MN
January 18, 2016

A handwritten signature in black ink, appearing to read "D. J. M.", with a long horizontal flourish extending to the right.

VALLEY OUTREACH
 Statements of Financial Position
 September 30, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 400,365	\$ 264,898
Pledges receivable	28,911	82,222
Inventory	102,137	107,473
Prepaid expenses	24,117	28,708
Total current assets	555,530	483,301
FIXED ASSETS		
Building and improvements	1,311,336	164,525
Land	463,822	-
Computers and telephones	47,783	43,884
Computer software	22,713	22,713
Furniture and fixtures	20,682	20,682
Equipment	38,978	35,858
	1,905,314	287,662
Less accumulated depreciation	(173,049)	(127,963)
Total fixed assets	1,732,265	159,699
OTHER ASSETS		
Security deposit	-	7,946
Total assets	\$ 2,287,795	\$ 650,946
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 29,422	\$ 12,170
Accrued payroll	18,615	11,645
Accrued absences	9,079	8,489
Security deposits - tenants	9,994	-
Unrelated business income taxes payable	1,253	-
Deferred revenue	12,485	10,310
Current portion of long-term debt	28,445	-
Total current liabilities	109,293	42,614
LONG-TERM LIABILITIES		
Long-term debt	1,280,385	-
NET ASSETS		
Unrestricted	795,945	492,434
Temporarily restricted	102,172	115,898
Total net assets	898,117	608,332
Total liabilities and net assets	\$ 2,287,795	\$ 650,946

See accompanying notes to the financial statements.

VALLEY OUTREACH
 Statements of Activities and Change in Net Assets
 For the Years Ended September 30, 2015 and 2014

	2015	2014
CHANGES IN UNRESTRICTED ASSETS		
SUPPORT AND REVENUE		
Grants	\$ 325,892	\$ 315,652
Contributions	386,143	404,620
In-kind contributions	1,121,677	1,052,312
Special events, net	54,928	2,390
Investment income	1,175	473
Total unrestricted support and revenue	1,889,815	1,775,447
Net assets released from donor restrictions	384,652	95,978
EXPENSES		
Program services	1,751,547	1,615,463
Management and general	181,032	152,095
Fundraising	45,625	43,379
Total unrestricted expenses	1,978,204	1,810,937
OTHER REVENUE AND EXPENSES		
Miscellaneous income	-	217
Rental income, net	7,249	-
Total unrestricted other revenue and expenses	7,249	217
Change in unrestricted net assets	303,512	60,705
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	370,925	129,540
Net assets released from restrictions	(384,652)	(95,978)
Change in temporarily restricted net assets	(13,727)	33,562
CHANGE IN NET ASSETS	\$ 289,785	\$ 94,267
Beginning of year	608,332	514,065
End of year	\$ 898,117	\$ 608,332

See accompanying notes to the financial statements.

VALLEY OUTREACH
Statements of Cash Flows
For the Years Ended September 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 289,785	\$ 94,267
Adjustments to reconcile change in net assets to net cash flows from operations:		
Depreciation	45,086	32,333
Donated inventory, net change	5,336	(59,588)
Changes in operating assets and liabilities:		
Pledges receivable	53,311	(52,991)
Purchased inventory	-	(544)
Prepaid expenses	4,591	(11,472)
Security deposits	7,946	-
Accounts payable	17,252	(10,582)
Accrued payroll	6,970	1,945
Accrued absences	590	(10,303)
Security deposits - tenants	9,994	-
Unrelated business income taxes payable	1,253	-
Deferred revenue	2,175	10,310
Net cash flows from operating activities	444,289	(6,625)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(1,617,652)	(22,921)
Net cash flows from investing activities	(1,617,652)	(22,921)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on notes payable	1,317,500	-
Payments on notes payable	(8,670)	-
Net cash flows from financing activities	1,308,830	-
NET CHANGE IN CASH AND CASH EQUIVALENTS:		
	135,467	(29,546)
Beginning of year	264,898	294,444
End of year	\$ 400,365	\$ 264,898
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for taxes	\$ -	\$ -
Cash paid for interest	\$ 21,331	\$ -
Donated inventory received	\$ 1,120,962	\$ 1,049,145
Donated inventory distributed	(1,126,298)	(989,557)
Increase (decrease) in donated inventory, net	\$ (5,336)	\$ 59,588

See accompanying notes to the financial statements.

VALLEY OUTREACH
Statement of Functional Expenses
For the Year Ended September 30, 2015

	Program Services	Management and General	Fundraising	Total
Donated items distributed	\$ 1,126,298	\$ -	\$ -	\$ 1,126,298
Cost of purchased inventory distributed	94,699	-	-	94,699
Client assistance-Emergency Fund	50,419	-	-	50,419
Salaries and contracted services	283,816	64,470	26,660	374,946
Employee benefits	13,848	-	49	13,897
Payroll taxes	38,995	7,083	2,420	48,498
Legal fees	-	42	-	42
Accounting fees	-	11,924	-	11,924
Other professional fees	-	3,540	-	3,540
Advertising and marketing	260	3,925	1,419	5,604
Office expense	202	5,668	52	5,922
Supplies	2,878	4,433	323	7,634
Rent	60,047	7,081	4,348	71,476
Travel	1,220	1,426	-	2,646
Conferences and meetings	936	5,575	-	6,511
Depreciation	31,984	3,772	2,316	38,072
Insurance	-	8,600	-	8,600
Telephone	-	5,810	-	5,810
Postage	-	3,013	1,207	4,220
Equipment rental and maintenance	11,158	21,857	-	33,015
Printing and publications	1,271	8,674	1,999	11,944
Meals and entertainment	245	2,052	-	2,297
Utilities	18,368	2,166	1,330	21,864
Snow and lawn care	-	668	-	668
Property taxes	6,372	752	461	7,585
Bank and payroll service fees	141	2,470	1,349	3,960
Interest expense	7,925	960	574	9,459
Internet/website	-	1,340	-	1,340
Fundraising expense	-	-	909	909
Dues and subscriptions	235	1,304	209	1,748
Volunteer recognition	230	3,021	-	3,251
Miscellaneous	-	1,341	-	1,341
Unrelated business income taxes	-	683	-	683
Operating expenses allocated to rental	-	(2,618)	-	(2,618)
Total expenses	\$ 1,751,547	\$ 181,032	\$ 45,625	\$ 1,978,204

See accompanying notes to the financial statements.

VALLEY OUTREACH
Statement of Functional Expenses
For the Year Ended September 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Donated items distributed	\$ 989,557	\$ -	\$ -	\$ 989,557
Cost of purchased inventory distributed	73,041	-	-	73,041
Client assistance-Emergency Fund	75,404	-	-	75,404
Salaries and contracted services	275,318	58,767	13,139	347,224
Employee benefits	13,087	438	-	13,525
Payroll taxes	32,277	5,530	1,272	39,079
Legal fees	-	325	-	325
Accounting fees	-	25,000	-	25,000
Other professional fees	578	3,995	8,873	13,446
Advertising and marketing	1,763	1,783	-	3,546
Office expense	551	4,716	856	6,123
Supplies	2,535	1,287	97	3,919
Rent	89,665	10,575	6,492	106,732
Travel	102	282	-	384
Conferences and meetings	719	968	-	1,687
Depreciation	27,162	3,203	1,968	32,333
Insurance	-	3,854	-	3,854
Telephone	173	6,774	-	6,947
Postage	325	661	3,584	4,570
Equipment rental and maintenance	6,293	10,189	-	16,482
Printing and publications	7,433	2,400	2,861	12,694
Meals and entertainment	170	2,813	-	2,983
Utilities	18,173	2,143	1,316	21,632
Bank and payroll service fees	69	2,636	-	2,705
Internet/website	-	1,383	-	1,383
Fundraising expense	-	-	2,545	2,545
Dues and subscriptions	372	887	77	1,336
Volunteer recognition	553	608	-	1,161
Miscellaneous	143	878	299	1,320
Total expenses	<u>\$ 1,615,463</u>	<u>\$ 152,095</u>	<u>\$ 43,379</u>	<u>\$ 1,810,937</u>

See accompanying notes to the financial statements.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Valley Outreach works to provide the most basic human needs - food, clothing, and funding of shelter and heat - to eligible St. Croix Valley residents in a welcoming and non-judgmental manner that maintains our clients' dignity. Our service delivery model in each of our three programs – food shelf, clothing closet and emergency fund - is specifically designed to demonstrate our focus on respect, support and empowerment, supporting our clients as they move towards self-sufficiency. Valley Outreach is a community supported and privately funded non-profit.

Cash and cash equivalents

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash on deposit in excess of FDIC and similar insurance coverage is subject to the usual banking risks for funds in excess of those limits.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Investment income or loss is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. The Organization records donated securities at their estimated market value at the date of donation. Realized and unrealized investment gains or losses are determined by comparison of specific costs of acquisition to proceeds at the time of disposal or market value at the balance sheet date, respectively.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, whereby revenue and support are recognized when earned and expenses are recognized when incurred.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. They are those resources over which the Board of Directors has discretionary control.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – Net assets subject to a donor-imposed stipulation that they be maintained permanently by the Organization. The Organization currently has no permanently restricted net assets.

Tax-exempt status

Valley Outreach has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provision of State law and, accordingly, is not subject to federal or state income taxes. However, rental net income from debt-financed property is subject to taxation as unrelated business income. Income taxes for such related business income totaled \$1,227 and \$0 for the years ending September 30, 2015 and 2014, respectively.

Functional allocation of expenses

Expenses by function have been allocated among program and supporting service classifications on the basis of direct expenses and based on the best estimates of the Organization's management.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2015 and 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind contributions

In-kind contributions, which include food, clothing, and donated services, are recorded as unrestricted support by the Organization at the estimated fair value on the date of donation. The Organization received non-cash donations of \$1,121,677 and \$1,052,312 during the years ended September 30, 2015 and 2014, respectively. In-kind contributions are as follows:

<u>Year ended September 30, 2015</u>		<u>Year ended September 30, 2014</u>	
533,538 pounds of food valued at \$1.650 per lb	\$ 880,601	564,771 pounds of food valued at \$1.593 per lb	\$ 899,746
46,892 clothing items with valued at \$5.126 per item	240,361	40,215 clothing items valued at \$3.715 per item	149,399
Other in-kind contributions	<u>715</u>	Other in-kind contributions	<u>3,167</u>
Total	<u>\$ 1,121,677</u>		<u>\$ 1,052,312</u>

Revenue recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allocation of expenses to the various functional expense categories and the value of in-kind donations.

Inventory pricing method

Inventories, which include food and clothing, are stated at lower of cost (which is determined using the average cost method) or market based on average value per pound for food and average value per item for clothing. Inventory consists of the following:

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Food	\$ 28,581	\$ 33,649
Clothing	<u>73,556</u>	<u>73,824</u>
Total	<u>\$ 102,137</u>	<u>\$ 107,473</u>

Prepaid expenses

Prepaid expenses reported on the Statement of Financial Position represent the amount of expenditures made in advance of when the economic benefit of the costs will be realized, and which will be expensed in future periods.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2015 and 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed assets

Fixed assets are stated at cost when purchased. Depreciation is provided over the estimated useful lives of the assets using straight-line and accelerated methods as follows:

Building and improvements	5 to 39 years
Computers and telephones	5 to 7 years
Furniture and fixtures	7 years
Equipment	5 years
Computer software	3 years

Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense was \$45,086 and \$32,333 for the years ended September 30, 2015 and 2014, respectively. A portion of this depreciation was net with rental income at September 30, 2015.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended September 30, 2015 and 2014 were \$5,604 and \$3,546, respectively.

Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 18, 2016, the date the financial statements were issued.

2. INVESTMENTS

Interest income from savings accounts for the years ended September 30, 2015 and 2014 was \$1,175 and \$473, respectively.

3. PLEDGES RECEIVABLE

Pledges receivable consist of operating funds for the Emergency Fund and Food Shelf. At September 30, 2015 and 2014 pledges receivable are expected to be collected during the next year. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary as of September 30, 2015 and 2014.

4. OPERATING LEASES

Facility lease

The Organization entered into a lease agreement on February 11, 2011 for space at 1901 Curve Crest Boulevard, Stillwater, MN. The term of the lease began April 1, 2011 and was to expire on March 31, 2021. However, the Organization purchased the building on May 15, 2015.

Rent expense on the operating lease for the years ended September 30, 2015 and 2014 was \$71,476 and \$106,732, respectively.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2015 and 2014
(Continued)

4. OPERATING LEASES (CONTINUED)

Copier lease

The Organization entered into a lease for a copier that is recorded as an operating lease. The term of the lease, which began September 10, 2012, is a continuous month to month lease, and requires a sixty day notice to cancel. The Organization is required to pay a minimum of \$129 per month. During the year ended September 30, 2014, the Organization added another copier on to their monthly agreement, for which they are required to pay a minimum of \$50 per month.

Rent expense charged to operations under the lease and the related service fees amounted to \$2,147 and \$2,048 for the years ended September 30, 2015 and 2014, respectively.

5. DONATED SERVICES

The Organization places significant reliance on donated services by volunteers. The value of services donated by most volunteers has not been reflected in the financial statements as there is no objective basis to measure their value. The estimated number of volunteers who helped the Organization during the years ended September 30, 2015 and 2014 was 1,313 and 1,309, respectively.

Additionally, during fiscal year 2015 and 2014, professionals contributed services for advertising and waived bank fees in the amount of \$715 and \$3,167, respectively. These professional services were reflected in the accompanying financial statements as in-kind contributions.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent operating funds available for future use by the Food Shelf/Emergency Fund programs and funds for capital improvements. Temporarily restricted net assets consist of the following:

	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Food Shelf/Emergency Fund	\$ 64,292	\$ 114,898
Capital Improvements	<u>37,880</u>	<u>1,000</u>
Total	<u>\$ 102,172</u>	<u>\$ 115,898</u>

7. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in two financial institutions located in Stillwater, Minnesota and Lake Elmo, Minnesota. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the year, the Organization's cash in bank balances exceeded the FDIC insured limits. Uninsured balances were \$22,606 and \$0 at September 30, 2015 and 2014, respectively.

8. INCOME TAXES

The Organization has evaluated for uncertain tax positions and management has expressed there are no uncertain tax positions as of September 30, 2015. Tax returns for the past three years remain open for examination by tax jurisdictions.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2015 and 2014
(Continued)

9. LINE OF CREDIT

On January 15, 2015, the Organization entered into a \$75,000 line of credit agreement with a bank through January 15, 2016, to provide working capital. There was no outstanding balance at September 30, 2015 and 2014. The interest rate is variable at US Bank Prime Rate plus 2.00%, with a minimum interest rate of 5.25%. The interest rate at September 30, 2015 was 5.25%. The note is secured by all assets of the Organization. The note agreement requires compliance with specific terms, unless compliance is waived in writing. The Organization was in compliance with all covenants at September 30, 2015 and 2014.

10. LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2015:

	2015
Mortgage bearing interest at 4.75%, payable in monthly installments of \$7,500 (principal and interest). Matures May 15, 2025. Secured by the building.	\$ 1,308,830
Less current maturities	(28,445)
Total long-term debt	\$ 1,280,385

Future maturities of long-term debt are as follows:

2016	\$	28,445
2017		29,825
2018		31,273
2019		32,792
2020		34,384
Thereafter		1,152,111
	\$	1,308,830

11. OPERATING LEASE COMMITMENTS

The Organization leased to five tenants under operating leases for office space located at 1901 Curve Crest Boulevard, Stillwater, Minnesota during 2015. The terms of those leases call for base monthly payments of \$587 through December 1, 2015 (with annual increases through November 30, 2016), monthly payments of \$2,200 through November 30, 2016, monthly payments of \$1,105 through April 30, 2016, monthly payments of \$1,820 through October 31, 2017, and monthly payments of \$704 through September 30, 2016. In addition, the leases call for common area maintenance fees and prorated tax reimbursements. Rental income is reported net of related expenses and depreciation of \$45,129 for the year ended September 30, 2015.

The following is a schedule by years of future minimum rentals under the leases at September 30, 2015:

Year Ending September 30,	Amount
2016	\$ 104,980
2017	43,685
2018	2,986