

**DOLPHIN SCHOLARSHIP FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**DOLPHIN SCHOLARSHIP FOUNDATION**

**FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Dolphin Scholarship Foundation  
Virginia Beach, Virginia

We have audited the accompanying financial statements of Dolphin Scholarship Foundation (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

***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 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 risk 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 Dolphin Scholarship Foundation of June 30, 2017 and 2016, 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.

*Barnes, Brock, Cornwell & Painter, PLLC*

October 4, 2017  
Chesapeake, Virginia

**DOLPHIN SCHOLARSHIP FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

ASSETS

	2017	2016
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 146,076	\$ 164,464
Investments	4,904,239	4,673,957
Accrued investment income	10,894	13,865
Accounts receivables	29,762	50,922
Inventory	12,764	14,446
Prepaid expense	1,948	2,159
<b>Total current assets</b>	<b>\$ 5,105,683</b>	<b>\$ 4,919,813</b>
<b>FURNITURE AND EQUIPMENT:</b>		
Furniture and equipment	\$ 51,343	\$ 39,021
Less accumulated depreciation	41,763	32,980
<b>Net furniture and equipment</b>	<b>\$ 9,580</b>	<b>\$ 6,041</b>
<b>OTHER ASSET:</b>		
Security deposit	\$ 950	\$ 950
<b>Total assets</b>	<b>\$ 5,116,213</b>	<b>\$ 4,926,804</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 5,344	\$ 556
Payroll taxes withheld and accrued expenses	146	1,914
Deferred revenue	10,500	-
<b>Total current liabilities</b>	<b>\$ 15,990</b>	<b>\$ 2,470</b>
<b>NET ASSETS:</b>		
<b>Unrestricted:</b>		
Available for operations	\$ 559,558	\$ 552,912
Board designated funds	4,044,263	3,969,381
<b>Total unrestricted</b>	<b>\$ 4,603,821</b>	<b>\$ 4,522,293</b>
Temporary restricted	496,402	402,041
<b>Total net assets</b>	<b>\$ 5,100,223</b>	<b>\$ 4,924,334</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,116,213</b>	<b>\$ 4,926,804</b>

See independent auditor's report and accompanying notes to financial statements.

**DOLPHIN SCHOLARSHIP FOUNDATION**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	Unrestricted	Temporary Restricted	2017 Total	Comparative 2016 Total
<b>REVENUE AND SUPPORT:</b>				
Contributions	\$ 259,668	\$ 71,509	\$ 331,177	\$ 254,393
Special events, net of expenses \$16,382 and \$15,887, respectively	71,972	-	71,972	67,751
Interest and dividend income	122,304	12,225	134,529	139,798
Realized gain (loss) on investments	(8,639)	17,688	9,049	90,487
Unrealized gain on investments	182,482	-	182,482	157,029
Sublet rental income	13,578	-	13,578	13,118
Loss on disposal of furniture and equipment	-	-	-	(58)
Net assets released from restrictions	7,061	(7,061)	-	-
<b>Total revenue and support</b>	<b>\$ 648,426</b>	<b>\$ 94,361</b>	<b>\$ 742,787</b>	<b>\$ 722,518</b>
<b>EXPENSES:</b>				
Program services	\$ 457,438	\$ -	\$ 457,438	\$ 461,027
Management and general	70,695	-	70,695	75,979
Fundraising	38,765	-	38,765	53,697
<b>Total expenses</b>	<b>\$ 566,898</b>	<b>\$ -</b>	<b>\$ 566,898</b>	<b>\$ 590,703</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 81,528</b>	<b>\$ 94,361</b>	<b>\$ 175,889</b>	<b>\$ 131,815</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>4,522,293</b>	<b>402,041</b>	<b>4,924,334</b>	<b>4,792,519</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,603,821</b>	<b>\$ 496,402</b>	<b>\$ 5,100,223</b>	<b>\$ 4,924,334</b>

See independent auditor's report and accompanying notes to financial statements.

**DOLPHIN SCHOLARSHIP FOUNDATION**

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	Program Services	Management and General	Fundraising	2017 Total	Comparative 2016 Total
Salaries and wages	\$ 53,217	\$ 22,653	\$ 25,263	\$ 101,133	\$ 94,139
Payroll taxes	4,116	1,756	1,865	7,737	7,202
<b>Total salaries and related expenses</b>	<b>\$ 57,333</b>	<b>\$ 24,409</b>	<b>\$ 27,128</b>	<b>\$ 108,870</b>	<b>\$ 101,341</b>
Scholarship awards, net of refunds	376,900	-	-	376,900	399,100
Occupancy expense	1,294	20,103	277	21,674	22,255
Investments fees	-	14,307	-	14,307	13,919
Depreciation	6,148	1,317	1,317	8,782	3,182
Professional fees	3,800	989	1,054	5,843	7,342
Equipment rental and maintenance	-	5,209	332	5,541	6,427
Technology and website	3,878	831	831	5,540	9,217
Telephone	3,712	795	795	5,302	5,237
Insurance	2,274	488	488	3,250	3,015
Travel	-	-	2,605	2,605	2,121
Postage	713	737	852	2,302	3,449
Registration fees	-	470	1,205	1,675	488
Office expense	637	-	494	1,131	4,961
Marketing	-	-	1,071	1,071	6,817
Miscellaneous expense	-	879	155	1,034	836
Conferences and meetings	499	107	107	713	638
Security	250	54	54	358	358
<b>Total expenses</b>	<b>\$ 457,438</b>	<b>\$ 70,695</b>	<b>\$ 38,765</b>	<b>\$ 566,898</b>	<b>\$ 590,703</b>

See independent auditor's report and accompanying notes to financial statements.

**DOLPHIN SCHOLARSHIP FOUNDATION**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 175,889	\$ 131,815
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	8,782	3,182
Donated investments included in contributions	(7,903)	(14,725)
Loss on disposal of furniture and equipment	-	58
Net realized and unrealized gain on investments	(191,531)	(247,516)
(Increase) decrease in assets:		
Accrued investment income	2,971	2,890
Accounts receivable	21,160	(50,922)
Inventory	1,682	(3,032)
Prepaid expenses	211	266
Increase (decrease) in liabilities:		
Accounts payable	4,788	(953)
Payroll taxes withheld and accrued expenses	(1,768)	1,876
Deferred revenue	10,500	(10,000)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 24,781</b>	<b>\$ (187,061)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of furniture and equipment	\$ (12,321)	\$ (3,355)
Proceeds from sale of investments	773,757	546,322
Purchases of investments	(804,605)	(409,700)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>\$ (43,169)</b>	<b>\$ 133,267</b>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (18,388)</b>	<b>\$ (53,794)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>164,464</b>	<b>218,258</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 146,076</b>	<b>\$ 164,464</b>
<b>SUPPLEMENTAL DATA FOR NONCASH INVESTING:</b>		
Donated investments	<b>\$ 7,903</b>	<b>\$ 14,725</b>

See independent auditor's report and accompanying notes to financial statements.

## DOLPHIN SCHOLARSHIP FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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#### NOTE 1 - ORGANIZATION:

The Dolphin Scholarship Foundation (the "Foundation") is a non-profit organization established to ease the financial burden of undergraduate and vocational education for eligible members of the U.S. Submarine Force and their dependents. These personnel must have served actively for a minimum of eight years in the submarine fleet or actively for a minimum of ten years in a support group to the submarine fleet.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in accordance with the recommendations of the Financial Accounting Standards Board. The Foundation reports information regarding its financial position and activities according to three classes of net assets, as follows:

- Unrestricted amounts are those currently available, at the discretion of the Board of Directors, for use in the operations and those resources invested in furniture and equipment.
- Temporarily restricted amounts are those that are stipulated by donors for specific purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.
- Permanently restricted amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. The Foundation maintained no such balances as of June 30, 2017 and 2016.

##### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

##### Recognition of Restrictions on Assets

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

##### Donated Services

The Foundation recognizes in-kind contributions as revenue and expense in the period in which they are received. No amounts have been reflected in the accompanying financial statements for volunteer services since they are not susceptible to objective measurement or valuation; however, a number of volunteers donated significant amounts of their time performing services that would otherwise be performed by paid employees.

##### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Fair value is 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. Money market funds maintained with investment portfolios are included with investments. Unrealized gains and losses are reported as changes in net assets in accompanying statements of activities. Realized gains and losses on investment transactions are determined on an average cost basis.



**DOLPHIN SCHOLARSHIP FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Inventory

Inventory is stated at the lower of cost or market, using the first-in, first-out method.

Furniture and Equipment

Purchased items are stated at cost and donated items are stated at fair market value at the date of the gift. It is the Foundation's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of 5 to 7 years. Gains and losses arising from retirements or dispositions are recognized in the period incurred.

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$8,782 and \$3,182, respectively.

Income Taxes

Dolphin Scholarship Foundation, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an unexempt Foundation as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently the Foundation has no obligation for any unrelated business income tax. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in general administration. The Foundation's federal return of Foundation Exempt from Income Tax (Form 990) for 2016, 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Public Support and Revenue

The Foundation receives most of its public support from individuals, corporate donations, and from profits of Dolphin stores and other fund-raising activities controlled by various submarine officers' spouses' clubs. Profits from these organization are remitted to the Dolphin Scholarship Foundation.

Functional Allocation of Expenses

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

Advertising Costs

The Foundation expenses the cost of advertising when incurred. Advertising costs amounted to \$1,071 and \$6,817 for the years ended June 30, 2017 and 2016, respectively.

**DOLPHIN SCHOLARSHIP FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

**NOTE 3 - CONCENTRATION OF RISK:**

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and temporary cash investments. The Foundation places its cash and temporary cash investments with high credit quality depositories.

Financial instruments which potentially subject the Foundation to credit risk principally consist of temporary cash investments and securities. To minimize this risk, the Foundation places their cash and securities with high credit quality financial institutions insured by the FDIC and SIPC. Cash and cash equivalents are secured by the FDIC up to a standard maximum deposit insurance amount of \$250,000 per bank per entity for interest and non-interest bearing accounts. Securities are protected by the SIPC, which currently protects brokerage accounts of each entity up to \$500,000. As of June 30, 2017 and 2016, the Foundation did not have demand deposits on hand in financial institutions that exceeded the FDIC coverage guaranty for the years ended June 30, 2017 and 2016. As of June 30, 2017 and 2016, the Foundation had securities in excess of protected SIPC amounts of \$4,207,611 and \$4,099,401, respectively.

**NOTE 4 - FAIR VALUE MEASUREMENTS:**

FASB (ASC) 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

**Level 2** Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive
- inputs other than quoted prices that are observable for the asset or
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**DOLPHIN SCHOLARSHIP FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 4 - FAIR VALUE MEASUREMENTS (Continued):**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

*Common stock, corporate bonds, and U.S. Government securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2017 and 2016.

Assets at Fair Value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 196,629	\$ -	\$ -	\$ 196,629
U.S. Government obligations	699,157	-	-	699,157
Corporate bonds	1,130,060	-	-	1,130,060
Corporate stocks	2,878,393	-	-	2,878,393
<b>Total investments</b>	<b>\$ 4,904,239</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,904,239</b>

Assets at Fair Value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 74,556	\$ -	\$ -	\$ 74,556
U.S. Government obligations	618,948	-	-	618,948
Corporate bonds	1,383,836	-	-	1,383,836
Corporate stocks	2,596,617	-	-	2,596,617
<b>Total investments</b>	<b>\$ 4,673,957</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,673,957</b>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended:

	Unrestricted	Temporarily Restricted	Total
<b>June 30, 2017</b>			
Interest and dividends	\$ 122,304	\$ 12,225	\$ 134,529
Realized and unrealized gains and (losses)	173,843	17,688	191,531
<b>Total investment return (loss)</b>	<b>\$ 296,147</b>	<b>\$ 29,913</b>	<b>\$ 326,060</b>
<b>June 30, 2016</b>			
Interest and dividends	\$ 127,711	\$ 12,087	\$ 139,798
Realized and unrealized gains	226,494	21,022	247,516
<b>Total investment return</b>	<b>\$ 354,205</b>	<b>\$ 33,109</b>	<b>\$ 387,314</b>

**DOLPHIN SCHOLARSHIP FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 4 - FAIR VALUE MEASUREMENTS (Continued):**

The Board of Directors believes that to achieve the greatest likelihood of meeting investment objectives and the best balance between risk and return for optimal diversification, the Foundation allocates assets in accordance with the target and allowance variation for each class as stated below:

Asset Classes	Target Allocation	Allowable Range
Fixed income - U.S.	49%	40 - 60%
Equity - U.S.	50%	40 - 60%
Cash	1%	1 - 5%

Consistent with the Dolphin Foundation Spending Policy, it is anticipated that up to 8% of the value of the Fund will be disbursed annually, normally in July or November of each year. Therefore, at least 10% of the Fund will be invested in instruments that can be quickly converted to cash with no significant adverse changes in value as a result of the liquidation.

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS:**

The composition of temporarily restricted net assets and the changes in temporarily restricted net assets at June 30, 2017 and 2016 are as follows:

	Laura W. Bush Scholarship	Nautilus Educational Assistance Fund	USS Hampton Scholarship	Total
Temporarily restricted net assets, July 1, 2015	\$ 311,576	\$ 65,485	\$ -	\$ 377,061
Contributions	-	410	-	410
Interest and dividends income	10,051	2,130	-	12,181
Realized and unrealized gain	17,518	3,730	-	21,248
Investment fees	(973)	(206)	-	(1,179)
Amounts appropriated for expenditure	(6,800)	(1,000)	-	(7,800)
Temporarily restricted net assets, June 30, 2016	\$ 331,372	\$ 70,549	\$ -	\$ 401,921
Contributions	-	16,090	57,969	74,059
Interest and dividends income	9,859	2,383	174	12,416
Realized and unrealized gain	13,939	3,711	67	17,717
Investment fees	(1,029)	(237)	-	(1,266)
Amounts appropriated for expenditure	(8,500)	(1,000)	-	(9,500)
Temporarily restricted net assets, June 30, 2017	\$ 345,641	\$ 91,496	\$ 58,210	\$ 495,347

The Laura W. Bush Scholarship was established to provide up to three scholarships to be awarded annually to children and stepchildren of current or former crew members of the USS Texas that meet certain eligibility requirements. The scholarships are in the amount being awarded by the Foundation in its regular scholarship program. Two scholarships totaling \$8,200 were awarded for the years ended June 30, 2017 and 2016.

The Nautilus Educational Assistance Fund (NEAF) was established to provide scholarships to be known as Nautilus Scholarships. It was established to honor the crewmembers of USS Nautilus. Scholarships are to be paid from the income of the fund for the benefit of spouses, children, grandchildren, and great grandchildren (including stepchildren and grandchildren) of a current or former crewmember that meets certain eligibility requirements. One scholarship totaling \$1,000 was awarded for the years ended June 30, 2017 and 2016.

**DOLPHIN SCHOLARSHIP FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS (Continued):**

As of May 16, 2017, the USS Hampton Scholarship (SSN 767) was established to award two scholarships annually to two current or former crew members of the USS Hampton (SSN 767), their spouses, children, and stepchildren that meet certain eligibility requirements. No scholarships were awarded for the year ended June 30, 2017.

At such time as it is determined by the board of Directors of the Foundation that there are no longer any individuals eligible to receive the Laura W. Bush Scholarship, the Nautilus Scholarship, or the USS Hampton Scholarship, the programs will be discontinued. Any funds remaining therein will become part of the unrestricted assets of the Foundation and will be distributed as scholarships as part of the general scholarship program.

Temporarily restricted assets are invested by the Foundation in accordance with rules and investment policies of the Foundation adopted by the Board of Directors.

**NOTE 6 - OPERATING LEASE COMMITMENT:**

The Foundation has an operating lease for its office facility. The original lease began on September 1, 2008 and ran through August 31, 2013. The lease has been amended effective September 1, 2017 to run until August 31, 2020. Rent expense for 2017 and 2016 were \$19,826 and \$19,826, respectively.

Future required lease payments are as follows:

June 30, 2018	\$ 20,400
June 30, 2019	20,400
June 30, 2020	20,400
June 30, 2021	3,400
Total	<u>\$ 64,600</u>

On September 2013, the Foundation entered into a one year sublease agreement with a non-profit organization for a portion of the above office space. The original lease agreement called for rental payments of \$394 per month to be paid to the Foundation through September 14, 2015. The lease was amended on October 1, 2016 to run through August 31, 2017. Thereafter, the sublease shall extend indefinitely until either party gives a sixty (60) day notice of termination. The lessee gave notice and did not renew the lease. The agreement calls for rental payments of \$464 per month, to be paid to the Foundation.

On September 2013, the Foundation entered into a one year sublease agreement with a non-profit organization for a portion of the above office space. The original lease agreement called for rental payments of \$433 per month to be paid to the Foundation through September 15, 2015. The lease was amended on October 1, 2016 to run through July 31, 2017. Thereafter, the sublease shall extend indefinitely until either party gives a sixty (60) day notice of termination. The lessee gave notice and did not renew the lease. The agreement calls for rental payments of \$482 per month, to be paid to the Foundation.

Payments in the amount of \$13,578 and \$13,118 for the above amounts have been reflected as rental income in the statements of activities for the years ended June 30, 2017 and 2018, respectively.

**NOTE 7 - SUBSEQUENT EVENTS:**

Subsequent events were evaluated through October 4, 2017, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through October 4, 2017 that would require adjustment to, or disclosure in, the financial statements.