

December 19, 2016

Mr. Patrick O'Donnell  
Clerk of the Legislature  
State Capitol  
P.O. Box 94604  
Lincoln, NE 68509-4604

Dear Mr. O'Donnell:

I am writing to you to file the report required via LB 1173, Section 9, passed in the 1998 legislative session. Section 9 requires that "The Southeast Community College Area shall report to the Legislature by December 31 of each year on the financial condition of the Center, funding received from nonstate sources, training conducted, and testing and evaluation services provided." The Nebraska Center for Excellence in Electronics became operational in 2001, and we are submitting this annual report as prescribed.

## FINANCIAL CONDITION OF THE CENTER

During FY 2016, the Center experienced significant improvement in both balance sheet and income statements.

A final copy of the NCEE Financial Review for 2016 is enclosed.

The General Manager reports to the Board President.

In fiscal year 2016, the Center provided services to 68 customers. Nebraska companies made up about 46% of this cohort and provided about 60% (\$670,552 a 20.7% increase from FY 2015) of the revenue.

The value of the partnership to its 22 members cannot be overstated and is an integral part of the operating agreement between NCEE and SCC that was part of the funding grant at the Center's inception.

The Center is presently without any debt.

### Annual Comparison Highlights

	2009	2010	2011	2012	2013	2014	2015	2016
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL
<b>Income</b>	\$652,247	\$823,849	827,498	746,645	888,767	882,351	974,067	1,124,632
<b>Expenses</b>	\$540,151	\$786,922	790,291	731,224	857,495	1,002,812	820,405	918,325
<b>Net</b>	\$112,096	\$36,927	37,207	15,421	31,371	(116,030)	153,662	206,307

## FUNDING RECEIVED FROM NON-STATE SOURCES

No revenue was received from the State of Nebraska.

## TRAINING CONDUCTED

The Training Solutions Department of Southeast Community College's Continuing Education Division did not conduct any training on-site at the Nebraska Center of Excellence in Electronics in 2016.

## TESTING AND EVALUATION SERVICES PROVIDED

The overall nature of the tests offered consist of regulatory compliance testing for the Federal Communications Commission, Food and Drug Administration, the European Union and other appropriate International standards for electronics emissions and immunity testing.

The Center applied for, and received, accreditation from the American Association of Lab Accreditation in March 2002. It is accredited for Electromagnetic Compatibility (EMC), wireless and product safety testing. Accreditation was renewed in 2016 and remains current.

The tests included in that Scope of Accreditation follow:

### Test Technology:

#### Emissions

Radiated and Conducted  
(up to 40 GHz)

### Test Method(s):

CFR 47 FCC, Parts 15B, 15C, 15E (using ANSI C63.4:2003 and ANSI C63.4:2009), Part 18 (using FCC/OST MP-5), and Parts 25, 87, and 90 (using TIA/EIA 603-D); ANSI C63.10; ICES-001; ICES-002; ICES-003; RSS-GEN; RSS-119; RSS-123; RSS-170; RSS-210; CISPR 11; EN 55011; AS/NZS CISPR 11; KN 11 CISPR 12; EN 55012; CAN/CSA C108.2-06; CISPR 14-1; EN 55014-1 (excluding clicks); CISPR 22; EN 55022; AS/NZS CISPR 22 (2002); KN 22; SANS 222; CISPR 32; EN 55032; KN 32; AS/NZS 4771; AS/NZS 4268; CNS 13438 (up to 6 GHz); GB 9254 (1998); GB 17625.1 (2003); VCCI V-3-2011 (up to 6 GHz); ETSI EN 300 328; ETSI EN 300 683 (excluding DFS); ETSI EN 300 220-1; ETSI EN 300 440-1; RTCA/DO-160F, Section 21; FCC KDB 558074

**Test Technology:**

Current Harmonics  
 Voltage Fluctuations and Flicker  
 Magnetic Fields

**Test Method(s):**

IEC 61000-3-2; EN 61000-3-2; AS/NZS 61000.3.2  
 IEC 61000-3-3; EN 61000-3-3; AS/NZS 61000.3.3  
 IATA DGR Section 3.9.2.2 and PI953;  
 RTCA/DO-160F, Section 15

**Immunity**

Electrostatic Discharge (ESD)  
 Radio Frequency, Radiated  
*(80 MHz to 6 GHz, 10 V/m)*  
 Electrical Fast Transient / Burst  
 Surge Immunity  
 Radio Frequency, Conducted  
 Power Line Magnetic Field  
 Voltage Dips and Fluctuations  
 Pulse Magnetic Field  
 Radio Frequency Conducted  
*(0 Hz to 150 kHz, 10Vrms)*  
 Radio Frequency, Radiated with  
 Stripline,  
*(80 MHz to 400 MHz, 200V/m)*

IEC 61000-4-2; EN 61000-4-2; KN 61000-4-2;  
 AS/NZS 61000.4.2; SANS 61000-4-2; ISO 10605  
 IEC 61000-4-3; EN 61000-4-3; KN 61000-4-3;  
 AS/NZS 61000.4.3; SANS 61000-4-3; ISO 11452-1  
 IEC 61000-4-4; EN 61000-4-4; KN 61000-4-4;  
 AS/NZS 61000.4.4; SANS 61000-4-4  
 IEC 61000-4-5; EN 61000-4-5; KN 61000-4-5;  
 AS/NZS 61000.4.5; SANS 61000-4-5  
 IEC 61000-4-6; EN 61000-4-6; KN 61000-4-6;  
 AS/NZS 61000.4.6; SANS 61000-4-6; ISO 11452-2  
 IEC 61000-4-8; EN 61000-4-8; KN 61000-4-8;  
 AS/NZS 61000.4.8; SANS 61000-4-8  
 IEC 61000-4-11; EN 61000-4-11; KN 61000-4-11;  
 AS/NZS 61000.4.11  
 IEC 61000-4-9; SANS 61000-4-9  
 IEC 61000-4-16  
 ISO 11452-5

**Product Standards**

EN 55014-2; CISPR 14-2  
 EN 55020; CISPR 20  
 EN 55022; CISPR 22; KN 22;  
 AS/NZS CISPR 22

Immunity, Household Appliances and Electric Tools  
 Sound and Television Broadcast Receivers and Associated  
 Equipment, Immunity  
 Emissions, Information Technology Equipment

**Test Technology:**

EN 55024; CISPR 24; KN 24;  
AS/NZS CISPR 24

KN 35

EN 55032; CISPR 32; KN 32;  
AS/NZS CISPR 32

IEC 60533

**Product Standards (Cont'd)**

EN 14982; ISO 14982  
(*excluding power transients*)

EN 13766; ISO 13766  
(*emissions and ESD only*)

EN 50130-4

IEC 60601-1-2; EN 60601-1-2

IEC 61326-1; EN 61326-1

IEC 61326-2-1; EN 61326-2-1

IEC 61326-2-3; EN 61326-2-3

IEC 61000-6-1; EN 61000-6-1;  
AS/NZS 61000.6.1; KN 61000-6-1

IEC 61000-6-2; EN 61000-6-2;  
AS/NZS 61000.6.2; KN 61000-6-2

IEC 61000-6-3; EN 61000-6-3;  
AS/NZS 61000.6.3; KN 61000-6-3

IEC 61000-6-4; EN 61000-6-4;  
AS/NZS 61000.6.4; KN 61000-6-4

ETSI EN 300 220-1

ETSI EN 300 440-1

ETSI EN 300 683

**Test Method(s):**

Immunity, Information Technology Equipment

Immunity, Multimedia Equipment

Emissions, Multimedia Equipment

Electrical and Electronic Installation in Ships – EMC

Agriculture and Forestry Machinery

Earth-Moving Machinery

Immunity Requirements for Components of Fire, Intruder,  
and Social Alarms

Medical Electrical Equipment

Electrical Equipment for Measurement, Control, and  
Laboratory Use

Requirement for EMC Unprotected Area

Requirements for Transducers with Integrated or Remote  
Signal Conditioning

Generic Immunity for Residential, Commercial, and Light  
Industrial

Generic Immunity for Industrial Environments

Generic Emissions for Residential, Commercial, and Light  
Industrial

Generic Emissions for Industrial Environments

EMC Standard for SRD Operating on Frequencies  
Between 25 MHz and 1 GHz, < 500 mW

EMC Standard for SRD Operating on Frequencies  
Between 1 GHz and 40 GHz

EMC Standard for SRD Operating on Frequencies

**Test Technology:**

*(excluding section 9.6)*

ETSI EN 301 489-1;  
ETSI EN 301 489-17

EAC Voluntary Voting System  
Guidelines (Dec. 31, 2005), Vol. 1  
Section 4.1.2.4-12; Vol. 2 Section 8

**Test Method(s):**

Between 9 kHz and 25 GHz

EMC Standard for Radio Equipment and Services;  
Part 1 – Common Technical Requirements

**Test Technology:**

**Product Safety**

EN 61010-1; IEC 61010-1; UL61010-1;  
CAN/CSA C22.2 No. 61010-1

EN 61010-2-010; IEC 61010-2-010

EN 61010-2-081; IEC 61010-2-081

EN 60950-1; IEC 60950-1; ANSI/UL 60950-1;  
CAN/CSAC22.2 No. 60950-1-07

IEC 60529

**Test Method(s):**

Safety Requirements for Electrical Equipment  
for Measurement, Control, and Laboratory Use

Particular Requirements for Electrical  
Equipment for the Heating of Materials

*Exclusions:*

*Section 6.7.1.3 - Tracking Index Measurements,  
9.3.1/14.7 – Flammability Testing,  
10.5.3 – Vicat Testing,  
11.7 – Fluid Pressure and Leakage,  
12.2 – Ionizing Radiation  
12.3 – UV Radiation,  
12.4 – Microwave Radiation,  
12.5.2 – Ultrasonic Pressure*

Particular Requirements for Automatic and  
Semi-automatic Laboratory Equipment for  
Analysis and Other Purposes

Information Technology Equipment – Safety

*Exclusions:*

*4.3.13 - Ionizing Radiation,  
4.7.3 - Materials Tests*

Ingress Protection, Up To IP67

The additional tests offered by the Center are still generally environmental in nature, although the Center also now offers a series of safety tests for industrial, scientific and medical devices and acoustic testing as well as X-ray inspection:

Environmental Tests include:

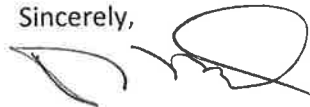
- Shock and Vibration
- Temperature and Humidity
- Salt/Fog
- Ingress Protection (Dust, Blowing Dust and Water)
- Altitude Simulation

The NCEE Board of Directors and management are confident the budget/review actions undertaken will position the Center for continued positive performance.

### **ADDITIONAL VALUE PROVIDED**

Tours by the NCEE staff of the facility and discussions with local inventors and business leaders have continued the demonstration of the organization as a valuable educational and economic development resource to the community.

Sincerely,



Paul Illich  
President

Enclosure: NCEE Audit

cc: Appropriations Committee Chair  
Phil Hovis  
Byron Diamond

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

NEBRASKA CENTER FOR  
EXCELLENCE IN ELECTRONICS

September 30, 2016 and 2015

NEBRASKA CENTER FOR  
EXCELLENCE IN ELECTRONICS

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September 30, 2016 and 2015

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## INDEPENDENT AUDITORS' REPORT

To the Audit Committee of  
Nebraska Center for Excellence in Electronics  
Lincoln, Nebraska

We have audited the accompanying financial statements of Nebraska Center for Excellence in Electronics, which comprise the Statement of Financial Position as of September 30, 2016, and the related Statements of Activities and Cash Flows for the year 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 audit. We conducted our audit 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 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 Organization'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 Organization'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 Nebraska Center for Excellence in Electronics as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Scope of Prior Year

The 2015 financial statements were reviewed by us and our report thereon, dated December 1, 2015, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

A handwritten signature in black ink, appearing to read "D. C.", is positioned above the date.

December 1, 2016

NEBRASKA CENTER FOR EXCELLENCE IN ELECTRONICS

STATEMENTS OF FINANCIAL POSITION

September 30,

	ASSETS	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 379,591	\$ 217,218
Accounts receivable, net allowance for bad debts of \$2,272 and \$1,347	224,980	133,344
Prepaid expenses	<u>1,228</u>	<u>718</u>
Total assets	<u>\$ 605,799</u>	<u>\$ 351,280</u>
	LIABILITIES AND NET ASSETS	
<b>LIABILITIES</b>		
Accounts payable	\$ 64,683	\$ 22,924
Wages and bonus payable	52,280	52,270
Accrued vacation payable	17,063	16,994
Payroll taxes and withholdings payable	4,816	5,472
Accrued real estate taxes payable	9,135	2,592
Use taxes payable	<u>523</u>	<u>36</u>
Total liabilities	<u>148,500</u>	<u>100,288</u>
<b>COMMITMENTS</b>		
<b>NET ASSETS</b>		
Unrestricted	<u>457,299</u>	<u>250,992</u>
Total net assets	<u>457,299</u>	<u>250,992</u>
Total liabilities and net assets	<u>\$ 605,799</u>	<u>\$ 351,280</u>

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

NEBRASKA CENTER FOR EXCELLENCE IN ELECTRONICS

STATEMENTS OF ACTIVITIES

For the years ended September 30,

	2016	2015
<b>UNRESTRICTED NET ASSETS</b>		
Revenue:		
Testing income, net of discounts	\$ 1,102,788	\$ 941,444
Membership dues	19,000	15,600
Other	2,462	16,975
Interest income	382	48
Total revenue	1,124,632	974,067
Expenses:		
Compensation and related expenses:		
Compensation	552,391	546,048
Employee benefits	38,736	34,959
Pension plan contributions	9,672	8,752
Payroll taxes	41,564	42,302
Advertising	1,784	349
Bad debts	926	113
Bank charges	3,549	2,664
Donations	270	-
Dues and subscriptions	6,394	5,823
Equipment	123,603	54,138
Insurance	33,696	35,099
Interest	-	485
Licenses, permits and accreditation fees	10,007	1,490
Miscellaneous	1,246	1,572
Office supplies	2,907	1,016
Postage and shipping	2,750	5,112
Professional fees	3,936	2,705
Property taxes	19,721	13,318
Repairs and maintenance	12,921	12,486
Seminar expenses	-	6,312
Supplies	8,158	4,765
Telephone	3,366	3,503
Training and conferences	4,159	3,853
Travel and entertainment	16,708	12,879
Utilities	19,861	20,662
Total expenses	918,325	820,405

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

NEBRASKA CENTER FOR EXCELLENCE IN ELECTRONICS

STATEMENTS OF ACTIVITIES

For the years ended September 30,

	<u>2016</u>	<u>2015</u>
Increase in unrestricted net assets, before restatement	\$ 206,307	\$ 153,662
Prior period adjustment	<u>-</u>	<u>(7,560)</u>
Increase in unrestricted net assets (as restated for 2015)	206,307	146,102
Net assets at beginning of year	<u>250,992</u>	<u>104,890</u>
Net assets at end of year	<u>\$ 457,299</u>	<u>\$ 250,992</u>

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

NEBRASKA CENTER FOR EXCELLENCE IN ELECTRONICS

STATEMENTS OF CASH FLOWS

For the years ended September 30,

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets (2015 as restated)	\$ 206,307	\$ 146,102
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Increase) decrease in operating assets:		
Accounts receivable	(91,636)	(10,344)
Prepaid expenses	(510)	(175)
Increase (decrease) in operating liabilities:		
Accounts payable	41,759	(4,542)
Wages and bonus payable	10	30,451
Accrued vacation payable	69	(8,251)
Payroll taxes and withholdings payable	(656)	1,982
Accrued real estate taxes payable	6,543	(2,274)
Use taxes payable	487	(228)
Unearned revenue	-	(8,200)
	162,373	144,521
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of credit line	-	(14,400)
	-	(14,400)
Net increase in cash and cash equivalents	162,373	130,121
Cash and cash equivalents at beginning of year	217,218	87,097
Cash and cash equivalents at end of year	\$ 379,591	\$ 217,218
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ -	\$ 485
Cash paid for income taxes	\$ -	\$ -

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

NEBRASKA CENTER FOR EXCELLENCE IN ELECTRONICS

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Nebraska Center for Excellence in Electronics (the Center) is a public benefit company organized under the Nebraska Nonprofit Corporation Act to support and improve the technical and educational infrastructure relating to, and enhance the growth of employment opportunities in, the electronics industry in the State of Nebraska through the operation and maintenance of facilities and equipment for the testing of electronic components and products and the training of individuals in methods of production and operation thereof. As more fully explained in Note B, the Center is currently fulfilling its stated mission through the operation of an electronics testing and training facility located in Lincoln, Nebraska.

2. Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting.

3. Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters* (previously SFAS No. 117). Under FASB ASC 958-210-45-1, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the Center or by passage of time. There were no temporarily or permanently restricted net assets at September 30, 2016 and 2015.

4. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the cash equivalents include funds invested in a daily Short-Term Federally Insured Trust, which is secured by national student loans of an equal amount.

5. Accounts Receivable

The Center records its accounts receivable at the amount management expects to collect on outstanding balances net of an allowance for doubtful accounts computed at the rate of one percent of the accounts receivable balance. There were no write-offs for bad debt during the years ended September 30, 2016 and 2015.

NEBRASKA CENTER FOR EXCELLENCE IN ELECTRONICS

NOTES TO FINANCIAL STATEMENTS – Continued

September 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

6. Property and Equipment

The Center's operating agreement with Southeast Community College (SCC) described in Note B stipulates SCC shall furnish and own all property and equipment necessary for the operation of the facility subleased by SCC to the Center. The agreement also states that from time to time, and at the discretion of the Center's management, the Center may acquire equipment to be used in the operation of the Center. The ownership of such equipment will become and remain with SCC. During the fiscal years ended September 30, 2016 and 2015, the Center acquired assets at a cost of \$123,603 and \$69,138, respectively, and in accordance with the agreement the Center did not capitalize it, but included it as part of the year's operating expenses.

7. Advertising

Advertising expenses paid by the Center are expensed as incurred.

8. Income Taxes

The Center is exempt from Federal income tax under Section 501(c)(6) of the Internal Revenue Code and has been classified as an organization other than a private foundation by the Internal Revenue Service. As such, income earned in performance of its exempt purpose is not subject to income taxes. Any income earned through activities not related to its exempt purpose is subject to unrelated business income tax at normal corporate rates. The Center currently has no unrelated business income and therefore, no taxes have currently been incurred. Management also believes the Center did not have any significant uncertain tax positions for the years ending September 30, 2016 and 2015. The tax years which still may be subject to an Internal Revenue Service audit are for fiscal years ending 2015, 2014, and 2013.

9. Use of 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.

NOTE B – HISTORY AND OPERATING AGREEMENT

In 1998, the Nebraska Legislature appropriated funds to be used for the construction and equipping of an electronics facility by Southeast Community College (SCC), a political subdivision of the State of Nebraska. The purpose of the facility is to conduct training in applied electronics



NEBRASKA CENTER FOR EXCELLENCE IN ELECTRONICS

NOTES TO FINANCIAL STATEMENTS – Continued

September 30, 2016 and 2015

NOTE B – HISTORY AND OPERATING AGREEMENT – Continued

technology and evaluation and testing of electronics equipment. The facility (the Center) was constructed on ground SCC leased from the University of Nebraska Technology Park L.L.C. under a lease continuing through July, 2059. SCC is permitted by legislation to contract with a nonprofit corporation to operate the Center and effective July, 2000 signed a one-year, automatically renewing, operating agreement with the Center to do so.

NOTE C – CONCENTRATIONS

1. Revenues

During 2016, the Center received a significant concentration of income from customer, Election Systems & Software, for \$205,44 that if discontinued, could materially change the scope of operations of the Center:

As of September 30, 2016, \$88,569 or 39.0% of the Center's accounts receivable balance was due from Election Systems & Software. No other customers individually accounted for greater than 15% of the Center's revenues for 2016 and 2015 or accounts receivable as of September 30, 2016 and 2015.

2. Financial Instruments

Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of Short Term Federal Investment Trust (STFIT) accounts which are not federally insured, rather are secured by U.S. guaranteed student loans in an amount equal to the amount invested. However, the Center has not experienced any losses on such accounts and management believes the risk is managed by maintaining all deposits in high quality institutions.

NOTE D – COMMITMENTS

In connection with the operating agreement referred to in Note B, the Center entered into a sublease agreement with SCC, which commenced July 1, 2000, to lease the Center facilities. The annual lease renews automatically until cancelled. Base rent under this agreement was the responsibility of SCC and has been paid. The Center is responsible for "additional rent," which is defined as general real estate taxes and special assessments. During the years ended September 30, 2016 and 2015, the additional rent totaled \$19,721 and \$13,318, respectively.

NOTE E – CREDIT LINES

The Center maintains an annually renewed credit line totaling \$25,000 and \$15,000 as of September 30, 2016 and 2015, respectively. The line matures June 3, 2017 and is secured by significantly all assets of the Center and carries an interest rate of 4.00%. As of September 30, 2016 and 2015, the line was paid in full.

NEBRASKA CENTER FOR EXCELLENCE IN ELECTRONICS

NOTES TO FINANCIAL STATEMENTS – Continued

September 30, 2016 and 2015

NOTE F – RELATED PARTY TRANSACTIONS

The Center's membership elects its Board of Directors from the membership body, who also patron the Center. Consequently, certain testing services are provided to member organizations which have a representative on the Center's Board of Directors. For the years then ended September 30, 2016 and 2015, the Center's transactions with these member organizations totaled \$241,354 and \$569,529 or 21.4% and 56.9% of total revenue. As of September 30, 2016 and 2015, the Center has outstanding receivables from these members in the amount of \$38,510 and \$53,411, respectively. Management believes these related party transactions have been made at arm's length.

NOTE G – PENSION PLAN

The Center has a Simple IRA plan, which covers substantially all full-time employees that meet certain eligibility requirements. The Center makes a 100% matching contribution on the employee's contribution, limited to 3% of the employee's earnings in the period for which a contribution is made. For the years ended September 30, 2016 and 2015, the Center's expense related to this plan was \$9,672 and \$8,752, respectively.

NOTE H – LEGISLATIVE MANDATE – CAPITAL RESERVE FUND

In the formation of the Center, it was legislatively mandated that following any year in which the Center shows a positive cash flow, it shall annually set aside into a reserve fund an amount equal to 67% of the Center's net income less any debt repayment for that year. The reserve fund shall be available for capital investment consistent with the mission of the Center. Since this is not a donor restriction, this fund is considered unrestricted but it does impose a limitation of the net assets of the Center. At September 30, 2016 and 2015, the capital investment reserve fund balance was \$146,581 and \$88,240, respectively.

NOTE I – PRIOR PERIOD ADJUSTMENT

In fiscal year ending September 30, 2015, the Center entered into barter exchange agreement for equipment that was not recorded properly. As a result, 2015 testing income, net of discounts, and equipment were understated by \$7,440 and \$15,000, respectively, resulting in a net decrease in unrestricted net assets of \$7,560. Accounts payable also increased by \$7,560 over what was previously reported. Also, this changed the capital reserve fund balance discussed in Note H from \$93,306 to \$88,240 as of September 30, 2015.

NOTE J – SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through December 1, 2016, the date the financial statements were available to be issued. No events or transactions were noted to that date which requires further disclosure.