

**Swine Palace Productions, Inc.**  
**Baton Rouge, Louisiana**  
**June 30, 2018**

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**HAWTHORN  
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## **Independent Auditor's Report**

Board of Directors  
Swine Palace Productions, Inc.  
Baton Rouge, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Swine Palace Productions, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 Swine Palace Productions, Inc., as of June 30, 2018 and 2017, 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.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head or chief executive officer as required by the Louisiana Legislative Auditor is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of Swine Palace Productions, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Swine Palace Productions, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Swine Palace Productions, Inc.'s internal control over financial reporting and compliance.

*Hawthorn, Waymouth & Carroll, LLP.*

November 29, 2018

**Swine Palace Productions, Inc.**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

	<b>Assets</b>		<b>2018</b>		<b>2017</b>
<b>Current Assets</b>					
Cash and cash equivalents		\$	199,794	\$	78,098
Investments, at fair value			6,105		4,863
Contributions receivable			-		20,822
Prepaid expenses			9,346		9,650
			215,245		113,433
Total current assets					
<b>Property and Equipment, net</b>			-		-
			-		-
Total assets		\$	215,245	\$	113,433
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued expenses		\$	3,763	\$	6,297
			3,763		6,297
Total current liabilities					
<b>Unrestricted Net Assets</b>			211,482		107,136
			211,482		107,136
Total liabilities and net assets		\$	215,245	\$	113,433

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

**Swine Palace Productions, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Revenue and Other Support</b>		
Admissions	\$ 91,943	\$ 48,602
Contributions and sponsorships	34,810	33,888
Grants	2,250	8,189
Investment income	1,242	1,439
Special events	-	3,910
In-kind contributions	463,274	484,889
	<b>593,519</b>	<b>580,917</b>
<b>Expenses</b>		
Production costs	388,480	480,262
General and administrative	93,048	97,747
Fundraising	7,645	14,882
	<b>489,173</b>	<b>592,891</b>
<b>Change in Unrestricted Net Assets</b>	<b>104,346</b>	<b>(11,974)</b>
<b>Unrestricted Net Assets, beginning of year</b>	<b>107,136</b>	<b>119,110</b>
<b>Unrestricted Net Assets, end of year</b>	<b>\$ 211,482</b>	<b>\$ 107,136</b>

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

**Swine Palace Productions, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 104,346	\$ (11,974)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Unrealized gain on investments	(1,129)	(1,346)
Bad debts	-	3,400
(Increase) Decrease in assets:		
Accounts receivable	-	589
Contributions receivable	20,822	(10,822)
Prepaid expenses	304	5,470
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(2,534)	788
Unearned revenue	-	(2,411)
	<b>121,809</b>	<b>(16,306)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	-	540
Purchase of investments	(113)	(93)
	<b>(113)</b>	<b>447</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>121,696</b>	<b>(15,859)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>78,098</b>	<b>93,957</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 199,794</b>	<b>\$ 78,098</b>

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

**Swine Palace Productions, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1-Summary of Significant Accounting Policies**

A. Nature of Activities

Swine Palace Productions, Inc. (the "Organization") was established February 4, 1992. The mission of the Organization is the advancement of public knowledge of the art of theatre by establishing and maintaining a permanent theatre for the performing arts in the State of Louisiana, and the production and performance of plays of educational value before general audiences and those not normally accustomed to theatrical presentations. The Organization also assists in the development of new works, and conducts lectures and seminars on subjects relating to the performing arts.

The Organization earns revenues through ticket sales for its theater productions and contributions and sponsorships from the general public as well as granting organizations. In-kind donations from Louisiana State University are a significant portion of revenues.

B. Basis of Presentation

The accompanying financial statements have been presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets include those net assets whose use by the Organization is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors (a) to later periods of time or other specific dates, or (b) for specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Organization's use of the assets. At June 30, 2018 and 2017, the Organization had no temporarily or permanently restricted net assets.

C. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all funds on deposit with financial institutions and highly liquid investments with original maturities of three months or less not included in an investment portfolio to be cash equivalents.

**Swine Palace Productions, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1-Summary of Significant Accounting Policies (Continued)**

E. Accounts and Contributions Receivable

Accounts receivable are reported at billed amounts net of any allowance for doubtful accounts. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. Accounts receivable are written off when deemed uncollectible by management. Bad debt recoveries are included in income as realized. The Organization had no accounts receivable as of June 30, 2018. As of June 30, 2017, management deemed all accounts to be fully collectible, and, therefore, no allowance for doubtful accounts was recorded.

Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Changes to the estimate of the present value of the contributions will be reported in the period the changes are made.

F. Investments

Investments in equity securities are recorded at fair value. Dividend, interest, and other investment income is recorded as an increase in unrestricted, temporarily restricted, or permanently restricted net assets depending on donor stipulations.

G. Property and Equipment

Property and equipment are recorded at cost. Donations of property and equipment are recorded at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated service lives of the assets.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

H. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an entity other than a private foundation. Accordingly, no provision has been made for income taxes.

Management has determined that there are no uncertain tax positions that would require recognition in the financial statements. If the Organization were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations, and interpretations thereof as well as other factors.

**Swine Palace Productions, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 1-Summary of Significant Accounting Policies (Continued)**

I. Advertising

Advertising costs are expensed when incurred. Advertising expenses were \$1,276 and \$4,944 for the years ended June 30, 2018 and 2017, respectively.

**Note 2-Investments**

Investments as of June 30, 2018 and 2017 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
<b>June 30, 2018</b>		
Money Market Funds	\$ 1,312	\$ 1,312
Equity Securities	<u>1,278</u>	<u>4,793</u>
	<u>\$ 2,590</u>	<u>\$ 6,105</u>
<b>June 30, 2017</b>		
Money Market Funds	\$ 1,198	\$ 1,198
Equity Securities	<u>1,278</u>	<u>3,665</u>
	<u>\$ 2,476</u>	<u>\$ 4,863</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest/dividend income	\$ 113	\$ 93
Unrealized gain	<u>1,129</u>	<u>1,346</u>
	<u>\$ 1,242</u>	<u>\$ 1,439</u>

**Note 3-Fair Value Measurements**

FASB ASC 820, *Fair Value Measurements*, provides the 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 under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

**Swine Palace Productions, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 3-Fair Value Measurements (Continued)**

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 markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2018:

*Equity Securities:* Valued at the closing price reported in the active market in 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 Organization 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 Organization's assets measured at fair value and net asset value (NAV) as of June 30, 2018:

<b><u>Investments by Fair Value Level</u></b>	<b>Assets at Fair Value as of</b>			<b><u>Total</u></b>
	<b>June 30, 2018</b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	
Equity securities	\$ 4,793	\$ —	\$ —	\$ 4,793
Total investments at fair value level	<u>\$ 4,793</u>	<u>\$ —</u>	<u>\$ —</u>	4,793
Assets measured at NAV:				
Money market funds				<u>1,312</u>
Total investments, at fair value				<u>\$ 6,105</u>

**Swine Palace Productions, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 3-Fair Value Measurements (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value and net asset value (NAV) as of June 30, 2017:

<u>Investments by Fair Value Level</u>	<u>Assets at Fair Value as of</u> <u>June 30, 2017</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equity securities	\$ 3,665	\$ —	\$ —	\$ 3,665
Total investments at fair value level	<u>\$ 3,665</u>	<u>\$ —</u>	<u>\$ —</u>	3,665
Assets measured at NAV:				
Money market funds				<u>1,198</u>
Total investments, at fair value				<u>\$ 4,863</u>

**Note 4-Property and Equipment**

The following is a summary of property and equipment, at cost less accumulated depreciation as of June 30:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 43,239	\$ 43,239
Equipment	<u>10,000</u>	<u>10,000</u>
	53,239	53,239
Less accumulated depreciation	<u>53,239</u>	<u>53,239</u>
Total property and equipment, net	<u>\$ —</u>	<u>\$ —</u>

**Note 5-Related Party Transactions**

Swine Palace Productions, Inc. is affiliated with Louisiana State University (LSU). Members of the Organization's management serve as faculty for LSU, and Swine Place Productions, Inc. shares facilities and staff with LSU. The Organization also has an agreement with LSU to use the Reilly Theatre for its theatrical productions.

Services paid in-kind by Louisiana State University for the years ended June 30, 2018 and 2017, were \$463,274 and \$484,889, respectively. These in-kind services consist of specialized production personnel and facility operating costs with the values based on estimates by management.

Amounts due to the University from Swine Palace included in accounts payable and accrued expenses was \$3,751 as of June 30, 2017. There were no amounts owed as of June 30, 2018.

**Swine Palace Productions, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 6-Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on estimates by management.

**Note 7-Defined Contribution Plan**

The Organization participates in a defined contribution plan and contributes an amount equal to 8% of actor compensation to the plan. Pension expense was \$749 and \$4,151 for the years ended June 30, 2018 and 2017, respectively.

**Note 8-Concentration Risk - Major Contributors**

Approximately 78% of the Organization's revenue and other support consist of donated services of specialized production personnel and facility operating costs from Louisiana State University. Any significant changes in the donations provided by the University could adversely impact the financial position of the Organization.

**Note 9-LSU Foundation**

Donors have contributed funds to the LSU Foundation for use by the Organization. The Organization reserves the right to request the LSU Foundation pay the designated funds in accordance with donor wishes. As of June 30, 2018 and 2017, these funds were \$24,893 and \$23,689, respectively. These funds have not been requested and are not reflected in the accompanying financial statements.

**Note 10-Subsequent Events**

Management has evaluated all subsequent events through November 29, 2018, the date the financial statements were available to be issued. As a result, the Organization noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

## **Supplementary Information**

**Swine Palace Productions, Inc.**  
**Schedule of Compensation, Benefits and Other**  
**Payments to Agency Head or Chief Executive Officer**  
**Year Ended June 30, 2018**

**Agency Head Name: Kristin Sosnowsky, Executive Director**

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 0
Benefits - insurance	0
Benefits - retirement	0
Car allowance	0
Vehicle provided by agency	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0

No payments were made to the executive director from public funds.



**HAWTHORN  
WAYMOUTH  
& CARROLL, L.L.P.**  
Certified Public Accountants

Louis C. McKnight, III, CPA  
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**Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards***

Board of Directors  
Swine Palace Productions, Inc.  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Swine Palace Productions, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Swine Palace Productions, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Swine Palace Productions, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Swine Palace Productions, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (2018-001).

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Swine Palace Productions, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*.

### **Swine Palace Productions, Inc.'s Response to Finding**

Swine Palace Productions, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Swine Palace Productions, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hawthorn, Waymouth & Carroll, L.L.P.*

November 29, 2018

**Swine Palace Productions, Inc.**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2018**

**Part I - Summary of Audit Results**

- 1) An unmodified opinion has been expressed on the financial statements of Swine Palace Productions, Inc. as of and for the year ended June 30, 2018, and the related notes to the financial statements.
- 2) One deficiency in internal control over financial reporting that we consider to be a significant deficiency was identified.
- 3) No instances of noncompliance or other matters that is required to be reported under Government Auditing Standards were identified.
- 4) A single audit in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards was not required.
- 5) A management letter was not issued.

**Part II - Financial Statement Findings**

*2018-001: Segregation of Duties*

Condition: Due to the small size of the Organization, ideal segregation of duties has not been achieved.

Criteria: The Organization should separate responsibilities for authorizing transactions, recording transactions, and the custody of assets.

Cause: The size of the Organization does not permit proper segregation of duties.

Effect: The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatements, or both.

Auditor's Recommendation:

While we recognize it may not be cost effective to justify implementing a full segregation of duties for an extensive system of internal control in all areas, we believe it is important that management and those charged with governance are aware that some weaknesses may exist and that they should continue to apply diligent oversight and monitoring activities.

Management's Response:

The Swine Palace staff is small, making it difficult to implement complete segregation of duties. However, the Board provides oversight in this area. Additionally, a significant amount of our assets are held in Louisiana State University and LSU Foundation accounts. As such, we are subject to the procedures used by both entities in terms of processing receipts and expenditures. We believe that oversight provided by the Board and the LSU system helps to mitigate any weaknesses in our controls.

**Swine Palace Productions, Inc.**  
**Schedule of Prior Year Findings and Responses**  
**Year Ended June 30, 2018**

**Part I – Financial Statement Findings**

*2017-001: Segregation of Duties*

Summary of Prior Year Finding:

Due to the small size of the Organization, ideal segregation of duties cannot be achieved.

Status:

This finding repeats as 2018-001 in the current year.

**Part II – Management Letter**

A management letter was not issued for the year ended June 30, 2017.