

**THE ORCHARD FOUNDATION**

**ALEXANDRIA, LOUISIANA**

**DECEMBER 31, 2017 AND 2016**

THE ORCHARD FOUNDATION

ALEXANDRIA, LOUISIANA

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**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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May 29, 2018

The Board of Trustees  
The Orchard Foundation  
Alexandria, Louisiana

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of The Orchard Foundation, which comprise the statements of financial position as of December 31, 2017 and 2016, 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.

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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Orchard Foundation as of December 31, 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.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 10 and 11 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 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 May 29, 2018 on our consideration of The Orchard Foundation'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 solely 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 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 The Orchard Foundation's internal control over financial reporting and compliance.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana

THE ORCHARD FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

<u>A S S E T S</u>	<u>2017</u>	<u>2016</u>
<b><u>Assets:</u></b>		
Cash and cash equivalents	926,088	1,130,804
Grants receivable	1,754,600	800,000
Accounts receivable	2,183	248
Prepaid expenses	41,374	119,852
Property and equipment, net	<u>2,344</u>	<u>666</u>
<b>Total assets</b>	<b><u>2,726,589</u></b>	<b><u>2,051,570</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>Liabilities:</u></b>		
Accounts payable	58,100	43,791
Due to The Rapides Foundation	<u>25</u>	<u>900</u>
<b>Total liabilities</b>	<b>58,125</b>	<b>44,691</b>
 <b><u>Net assets:</u></b>		
Unrestricted	529,956	411,652
Temporarily restricted	<u>2,138,508</u>	<u>1,595,227</u>
<b>Total net assets</b>	<b><u>2,668,464</u></b>	<b><u>2,006,879</u></b>
<b>Total liabilities and net assets</b>	<b><u>2,726,589</u></b>	<b><u>2,051,570</u></b>

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

THE ORCHARD FOUNDATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>Revenues, gains, and other support:</u></b>			
Interest income	128	-	128
Contributions (net of amounts returned to grantor of \$469,169 and \$382,816)	<u>433,476</u>	<u>2,331,896</u>	<u>2,765,372</u>
Total revenues, gains and other support	433,604	2,331,896	2,765,500
Net assets released from restrictions	<u>1,788,615</u>	<u>(1,788,615)</u>	<u>-</u>
Total revenues, gains, and other support	2,222,219	543,281	2,765,500
<b><u>Program expenses:</u></b>			
Direct charitable activities	<u>1,754,090</u>	-	<u>1,754,090</u>
Total program expenses	1,754,090	-	1,754,090
<b><u>Administrative expenses</u></b>	<u>349,825</u>	-	<u>349,825</u>
<b><u>Change in net assets</u></b>	118,304	543,281	661,585
<b><u>Net assets, beginning of year</u></b>	<u>411,652</u>	<u>1,595,227</u>	<u>2,006,879</u>
<b><u>Net assets, end of year</u></b>	<u><u>529,956</u></u>	<u><u>2,138,508</u></u>	<u><u>2,668,464</u></u>

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

2016		
Unrestricted	Temporarily Restricted	Total
122	-	122
<u>553,260</u>	<u>1,776,628</u>	<u>2,329,888</u>
553,382	1,776,628	2,330,010
<u>1,416,820</u>	<u>(1,416,820)</u>	<u>-</u>
1,970,202	359,808	2,330,010
<u>1,487,077</u>	<u>-</u>	<u>1,487,077</u>
1,487,077	-	1,487,077
<u>315,691</u>	<u>-</u>	<u>315,691</u>
167,434	359,808	527,242
<u>244,218</u>	<u>1,235,419</u>	<u>1,479,637</u>
<u>411,652</u>	<u>1,595,227</u>	<u>2,006,879</u>

THE ORCHARD FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b><u>Cash flows from operating activities:</u></b>		
Change in net assets	661,585	527,242
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	632	731
Changes in operating assets and liabilities:		
Grants receivable	(954,600)	(350,000)
Accounts receivable	(1,935)	36,273
Prepaid expenses	78,478	(118,500)
Accounts payable	14,309	27,652
Due to/from The Rapides Foundation	<u>(875)</u>	<u>(46,446)</u>
Net cash (used) provided by operating activities	(202,406)	76,952
<b><u>Cash flows from investing activities:</u></b>		
Purchase of property and equipment	<u>(2,310)</u>	<u>(1,000)</u>
Net cash (used) by investing activities	<u>(2,310)</u>	<u>(1,000)</u>
<b><u>Net (decrease) increase in cash and cash equivalents</u></b>	(204,716)	75,952
<b><u>Cash and cash equivalents at beginning of the year</u></b>	<u>1,130,804</u>	<u>1,054,852</u>
<b><u>Cash and cash equivalents at end of the year</u></b>	<u>926,088</u>	<u>1,130,804</u>

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

THE ORCHARD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

**1. Nature of Business**

On June 17, 2004, The Orchard Foundation (the "Foundation"), a Louisiana nonprofit corporation, was organized to carry on charitable and educational programs or activities. On May 24, 2007, The Orchard Foundation became a supporting organization of The Rapides Foundation, a Louisiana nonprofit corporation. The Foundation's mission is to improve academic achievement for Central Louisiana students by promoting best practices; recruiting, retaining, and rewarding excellent and innovative teachers; building school leadership; and strengthening school and community relationships.

**2. Summary of Significant Accounting Policies**

- a. The financial statements of the Foundation are prepared on the accrual basis, under which revenues are recorded when earned, and expenses are recorded when the liability is incurred.

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation, and/or by the passage of time.

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes. The Foundation had no permanently restricted net assets at December 31, 2017 and 2016.

- b. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.
- c. Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- d. 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.
- e. For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

## 2. Summary of Significant Accounting Policies (Continued)

- f. The Foundation is a nonprofit organization and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it is a tax exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

The Foundation files U.S. federal Form 990 for informational purposes. The Foundation's federal income tax returns for the tax years 2014 and beyond remain subject to examination by the Internal Revenue Service.

- g. Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method. Equipment and furniture are depreciated over an estimated useful life of three to seven years. The Foundation capitalizes and depreciates fixed asset acquisitions of \$1,000 or more.
- h. The Rapides Foundation pays employees of The Orchard Foundation then charges The Orchard Foundation accordingly. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.
- i. Recent new accounting pronouncements are discussed in the following paragraphs:

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. On April 1, 2015, the FASB proposed to defer the effective date by one year until January 1, 2018, but would allow early adoption as of the original January 1, 2017, effective date. The standard permits the use of either the retrospective or cumulative effect transition method. The Foundation does not believe that ASU 2014-09 will have a significant effect on its financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*," with the stated purpose of improving financial reporting by those entities. Among other provisions, this ASU reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires additional disclosures concerning liquidity and the availability of financial resources. This standard is effective for fiscal years beginning after December 15, 2017, and requires the use of the retrospective transition method. However, an entity has the option to omit the presentation by both the natural and functional classification, as well as the disclosure about liquidity and availability of financial resources, for any comparative periods originally presented before the period of adoption. The Foundation is in the process of implementing these changes in its financial statements and related disclosures.

3. **Temporarily Restricted Net Assets**

As of December 31, 2017 and 2016, temporarily restricted net assets consisted of funds received for the following programs:

	<u>2017</u>	<u>2016</u>
JUMP	63,176	68,604
Effective Schools	277,459	296,418
Rapides Public Education	60,947	60,947
School Readiness	129,232	346,818
Work Ready Network	711,827	577,855
Welding	1,201	2,647
Construction Technology	2,547	438
Career Counseling	239,550	241,500
JPMorgan NSFY	165	-
Early Childhood Literacy	<u>652,404</u>	<u>-</u>
Total temporarily restricted net assets	<u>2,138,508</u>	<u>1,595,227</u>

4. **Concentration of Credit Risk**

At times throughout the year, the Foundation may maintain certain bank accounts in excess of federally insured limits. The risk is mitigated by maintaining deposits in only well capitalized financial institutions.

5. **Property and Equipment**

A summary of property and equipment follows:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	11,111	8,801
<u>Less-accumulated depreciation</u>	<u>(8,767)</u>	<u>(8,135)</u>
	<u>2,344</u>	<u>666</u>

Depreciation expense was \$632 and \$731 for the years ended December 31, 2017 and 2016, respectively.

6. **Related Party**

The Rapides Foundation is the sole member of The Orchard Foundation and appoints the Board of Trustees. Amounts listed as "Due to The Rapides Foundation" consist primarily of payroll and rent. The Rapides Foundation pays employees of The Orchard Foundation then charges The Orchard Foundation accordingly. Related party balances with The Rapides Foundation consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Grants receivable	<u>1,754,600</u>	<u>800,000</u>
Contributions	<u>2,663,487</u>	<u>2,183,183</u>

7. **Employee Benefit Plan**

The Foundation's eligible employees participate in The Rapides Foundation's tax deferred annuity plan (Internal Revenue Code Section 403(b)) that covers all employees working over 1,000 hours per year. Retirement costs are allocated between administrative and program expenses, which are accrued and funded on a current basis. The plan does not provide for any prior service cost. Retirement contributions were \$23,391 and \$20,298 for the years ended December 31, 2017 and 2016.

8. **Contingencies**

The Orchard Foundation receives revenues from various third party payors for grant programs which are subject to final review and approval as to allow ability of expenditures by the respective grantors. Any settlements or expenses arising out of a final review are recognized in the period in which agreed upon by the grantor and Foundation. It is management's opinion that any reviews by the grantor agencies would not produce adjustments to program costs that would materially affect the Foundation's financial position.

9. **Funds Held for Louisiana Department of Education Initiative**

The Foundation entered into an agreement in January 2017 with the Louisiana Department of Education to act as fiscal agent for the receipt, disbursement, and accounting of funds received from private donors to implement a New Skills for Youth (NSFY) initiative. Under the terms of the agreement, the Department of Education manages and implements strategies to achieve the goals of the initiative. The Foundation is obligated under the agreement to receive the funds from the donor, disburse the funds as instructed by the Department of Education, and maintain the necessary accounting records of these activities. The Foundation has no responsibility for the implementation or evaluation of the NSFY initiative as fiscal agent, although it can be compensated for the performance of certain programmatic services as a vendor if approved by the Department of Education. In addition, the Foundation is compensated for the performance of its duties as fiscal agent. Funds received by the Foundation as fiscal agent are accounted for as a liability, as the Foundation has no variance power over the assets subject to the agreement. During 2017, these funds amounted to \$750,000, all of which were disbursed as directed by the Department of Education. The Foundation received and recognized as revenue \$61,576 of this amount for its services as fiscal agent and the provision of certain programmatic services.

10. **Subsequent Events**

In accordance with FASB Accounting Standards Codification Topic 740 "*Subsequent Events*," the Foundation evaluated events and transactions that occurred after the balance sheet date but before the financial statements were made available for potential recognition or disclosure in the financial statements. The Foundation evaluated such events through May 29, 2018, the date which the financial statements were available to be issued, and noted no subsequent events.

**SUPPLEMENTARY INFORMATION**

THE ORCHARD FOUNDATION

SCHEDULES OF ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Relating to unrestricted expenses:</u>		
Publishing and printing	487	932
Travel	-	2,159
Convening and facilitating	2,174	-
Program marketing	100	129
Contract services	41,188	40,800
Salaries	214,406	190,949
Payroll taxes	15,122	13,940
Retirement benefit	21,252	18,354
Health insurance	10,692	8,683
HRA reimbursement	6,632	6,761
Legal and audit	10,259	10,050
Occupancy	6,512	6,809
Telephone	3,888	3,883
Cenla travel	2,546	713
Reference materials	85	-
Postage and mailing	465	352
Office supplies and expense	7,846	4,136
Equipment and software maintenance	614	1,331
Insurance	2,513	3,064
Public relations	400	575
Staff development	1,590	900
Trustee development	58	-
Membership and professional dues	339	407
Depreciation	632	731
Other	<u>25</u>	<u>33</u>
Total unrestricted expenses	<u>349,825</u>	<u>315,691</u>

THE ORCHARD FOUNDATION  
SCHEDULE OF COMPENSATION, BENEFITS, AND  
OTHER PAYMENTS TO AGENCY HEAD  
FOR THE YEAR ENDED DECEMBER 31, 2017

Agency Head: Marjorie Taylor

Salary	114,017
Benefits-insurance-health	342
Benefits-retirement	11,402
Benefits-life insurance	450
Cell phone	1,440
Travel	2,478
Conference travel and registration	2,902

**OTHER REPORTS**

# HEARD, McELROY, & VESTAL

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May 29, 2018

The Board of Trustees  
The Orchard Foundation  
Alexandria, Louisiana

**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**

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 The Orchard Foundation as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise The Orchard Foundation's basic financial statements, and have issued our report thereon dated May 29, 2018.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Orchard Foundation'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 The Orchard Foundation's internal control. Accordingly, we do not express an opinion of the effectiveness of The Orchard Foundation'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Orchard Foundation'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*.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana

THE ORCHARD FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2017

We have audited the financial statements of The Orchard Foundation as of and for the year ended December 31, 2017, and have issued our report thereon dated May 29, 2018. We conducted our audit 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. Our audit of the financial statements as of December 31, 2017 resulted in an unmodified opinion.

**Section I – Summary of Auditor’s Reports**

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control – No material weaknesses or significant deficiencies were noted; no management letter was issued.

Compliance – No material noncompliance was noted.

b. Federal Awards – Not applicable.

**Section II – Financial Statement Findings**

No matters were reported.

THE ORCHARD FOUNDATION  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2017

There were no findings for the year ended December 31, 2016.