

**JHP, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2016 AND 2015**

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## Independent Auditor's Report

To the Board of Directors  
JHP, Inc.  
Washington, DC

We have audited the accompanying financial statements of JHP, Inc. a nonprofit organization, which comprise the statements of financial position as of June 30, 2016 and 2015, 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 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.

Independent Auditor's Report  
JHP, Inc.  
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JHP, Inc. as of June 30, 2016 and 2015, 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.

*Jane Warner & McQuade PA*

August 30, 2016  
Washington, DC

**JHP, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

	2016	2015
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 196,535	\$ 169,165
Grants and contributions receivable	167,634	177,439
Total Current Assets	364,169	346,604
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net	147,930	97,177
Deposits	-	2,565
Total Non-Current Assets	147,930	99,742
<b>TOTAL ASSETS</b>	\$ 512,099	\$ 446,346
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 81,597	\$ 53,160
Client payables	3,210	9,525
Line of credit	25,000	-
Mortgage note payable, current portion	8,967	4,408
Total Current Liabilities	118,774	67,093
<b>LONG TERM LIABILITIES</b>		
Mortgage note payable, net of current portion	261,965	182,781
<b>NET ASSETS</b>		
Unrestricted	131,360	170,264
Temporarily Restricted	-	26,208
	131,360	196,472
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 512,099	\$ 446,346

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

**JHP, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Government grants - federal	\$ 701,174	\$ -	\$ 701,174
Government grants - non-federal	954,976	-	954,976
Contributions	137,531	-	137,531
Client fees	16,628	-	16,628
Interest income and other income	219	-	219
In-kind contributions	175,000	-	175,000
Net assets released from restrictions	26,208	(26,208)	-
Total Revenue and Support	2,011,736	(26,208)	1,985,528
<b>EXPENSES</b>			
Program Services:			
Resident shelters	1,568,366	-	1,568,366
Homeless day shelters	264,797	-	264,797
	1,833,163	-	1,833,163
Support Services:			
Management and general	217,477	-	217,477
Total Expenses	2,050,640	-	2,050,640
<b>CHANGE IN NET ASSETS</b>	(38,904)	(26,208)	(65,112)
<b>NET ASSETS:</b>			
Beginning of year	170,264	26,208	196,472
End of year	\$ 131,360	\$ -	\$ 131,360

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

**JHP, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Government grants - federal	\$ 955,863	\$ -	\$ 955,863
Government grants - non-federal	623,067	-	623,067
Contributions	232,573	-	232,573
Interest income and other income	159	-	159
In-kind contributions	172,845	-	172,845
Net assets released from restrictions	3,792	(3,792)	-
Total Revenue and Support	2,008,634	(3,792)	2,004,842
<b>EXPENSES</b>			
Program Services:			
Resident shelters	1,482,724	-	1,482,724
Homeless day shelters	260,764	-	260,764
	1,743,488	-	1,743,488
Support Services:			
Management and general	138,694	-	138,694
Total Expenses	1,882,182	-	1,882,182
<b>CHANGE IN NET ASSETS</b>	126,452	(3,792)	122,660
<b>NET ASSETS:</b>			
Beginning of year	43,812	30,000	73,812
End of year	\$ 170,264	\$ 26,208	\$ 196,472

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

**JHP, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

	Resident Shelters	Homeless Day Shelters	Total Program Services	Management and General	Total
Personnel					
Salaries	\$ 926,528	\$ 112,039	\$ 1,038,566	\$ 78,006	\$ 1,116,572
Payroll taxes	93,998	11,367	105,365	7,913	113,278
Employee benefits	96,451	11,663	108,114	8,120	116,234
Total Personnel Expenses	<u>1,116,977</u>	<u>135,069</u>	<u>1,252,045</u>	<u>94,039</u>	<u>1,346,084</u>
Accounting	-	-	-	67,900	67,900
Advertising	-	-	-	545	545
Bank fees and finance charges	-	-	-	13,993	13,993
Client assistance	91,111	5,056	96,167	678	96,845
Consultants	12,273	3,251	15,524	13,867	29,391
Depreciation and amortization	10,275	1,243	11,518	865	12,383
Employment assistance	675	105	780	-	780
Housing assistance	144,064	7,606	151,670	140	151,810
In-kind contributions	70,000	105,000	175,000	-	175,000
Insurance	11,848	1,433	13,281	997	14,278
Interest	12,080	-	12,080	1,641	13,721
Meetings	1,712	-	1,712	1,202	2,914
Miscellaneous	80	-	80	549	629
Office supplies and equipment	10,290	1,301	11,591	9,453	21,044
Phone and communications	26,773	3,237	30,010	2,254	32,264
Postage and delivery	62	-	62	480	542
Printing and copying	3,695	-	3,695	1,049	4,744
Repairs and maintenance	6,852	-	6,852	1,969	8,821
Transportation assistance	5,098	1,496	6,594	-	6,594
Utilities	44,502	-	44,502	5,856	50,358
<b>TOTAL EXPENSES</b>	<u><u>\$ 1,568,366</u></u>	<u><u>\$ 264,797</u></u>	<u><u>\$ 1,833,163</u></u>	<u><u>\$ 217,477</u></u>	<u><u>\$ 2,050,640</u></u>

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



**JHP, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2015**

	Resident Shelters	Homeless Day Shelters	Total Program Services	Management and General	Total
Personnel					
Salaries	\$ 891,940	\$ 108,040	\$ 999,980	\$ 34,253	\$ 1,034,233
Payroll taxes	93,986	11,384	105,370	3,610	108,980
Employee benefits	96,174	11,650	107,824	3,693	111,517
Total Personnel Expenses	<u>1,082,100</u>	<u>131,074</u>	<u>1,213,174</u>	<u>41,556</u>	<u>1,254,730</u>
Accounting	-	-	-	57,150	57,150
Advertising	-	-	-	200	200
Bank fees and finance charges	-	-	-	1,012	1,012
Client assistance	48,212	1,032	49,244	-	49,244
Consultants	18,990	4,052	23,042	9,845	32,887
Depreciation and amortization	10,708	1,297	12,005	411	12,416
Dues and subscriptions	-	-	-	117	117
Housing assistance	117,149	9,867	127,016	897	127,913
In-kind contributions	70,300	102,545	172,845	-	172,845
Insurance	14,199	1,720	15,919	545	16,464
Interest	11,058	-	11,058	3,310	14,368
Meetings	2,493	57	2,550	2,139	4,689
Miscellaneous	971	-	971	1,179	2,150
Office supplies and equipment	18,029	2,425	20,454	8,434	28,888
Phone and communications	28,771	3,485	32,256	1,105	33,361
Postage and delivery	46	-	46	916	962
Printing and copying	1,104	-	1,104	4,459	5,563
Repairs and maintenance	10,140	-	10,140	2,653	12,793
Transportation assistance	4,187	3,210	7,397	-	7,397
Utilities	44,267	-	44,267	2,766	47,033
<b>TOTAL EXPENSES</b>	<u><u>\$ 1,482,724</u></u>	<u><u>\$ 260,764</u></u>	<u><u>\$ 1,743,488</u></u>	<u><u>\$ 138,694</u></u>	<u><u>\$ 1,882,182</u></u>

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

**JHP, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (65,112)	\$ 122,660
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	12,383	12,416
Decrease (increase) in assets:		
Grants and contributions receivable	9,805	(24,864)
Prepaid expenses	-	4,109
Deposits	2,565	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	28,437	(9,638)
Client payables	(6,315)	6,127
Net Cash (Used for) Provided by Operating Activities	(18,237)	110,810
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(63,136)	-
Net Cash Used for Investing Activities	(63,136)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing on mortgage note payable	89,090	-
Draws on line of credit	50,000	-
Principal payments on line of credit	(25,000)	(104,860)
Principal payments on mortgage note payable	(5,347)	(3,941)
Net Cash Provided by (Used for) Financing Activities	108,743	(108,801)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	27,370	2,009
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	169,165	167,156
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 196,535	\$ 169,165
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 13,721	\$ 14,368

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

**JHP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**NOTE A – NATURE OF ORGANIZATION**

JHP, Inc. is a not-for-profit organization incorporated in August 1988 under the laws of the District of Columbia. The primary purpose of JHP, Inc. is to provide and manage job training programs, employment assistance, and housing assistance for homeless people, which will enable them to participate more fully and independently in the community. JHP, Inc. is guided by the belief that a steady paycheck is more than money - it is a source of self-esteem and the catalyst for changing lives. Because of this belief JHP, Inc. focuses on employment as a key component to helping the homeless rejoin mainstream society.

Program Services

*Resident Shelters:* JHP, Inc. operates two shelters in Prince George’s County, Maryland, and one in Washington, DC. The shelters provide meals, assistance with clothing and household essentials, comprehensive case management, and wrap-around services in order to provide the residents with the tools they need to become self-sufficient. Adult residents participate in life skills, education, and employment classes, while children are provided with tutoring and enrichment activities. Each shelter houses a computer lab equipped with high speed internet and a business office for the use of residents. The shelters provided housing and services for the following during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Housing to individual	186	135
Housing to families	58	50
Children included in above	85	76
Residents who became successfully employed	241	279
Single residents who moved into permanent housing	257	224
Families who moved into permanent housing	19	40

*Employment and Housing Assistance Center (DC):* JHP, Inc. operates an employment program in the lobby of one of DC’s largest day shelter. At this location, JHP, Inc. links clients to the mainstream resources for which they may be eligible. JHP offers life-skills, employment soft skills, and vocational training; computer and internet access and training; financial literacy education; housing placements and assistance; supportive services, and emergency financial aid. JHP, Inc. partners with a number of area employers and landlords to ensure that clients can secure employment and housing despite their backgrounds and/or current living situations. During the years ended June 30, 2016 and 2015, this program helped 120 and 129 people, respectively, to get employment, and helped 120 and 96 people, respectively, to move into permanent housing.

**JHP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**  
(continued)

**NOTE A – NATURE OF ORGANIZATION - continued**

Program Services (continued)

*SNAP Program (MD):* JHP, Inc. operates an employment program in satellite centers throughout Prince George's County Maryland assisting consumers who receive Supplemental Nutritional Assistance Program funds in finding sustainable employment who reside in substance abuse detoxification centers and homeless shelters, along with those who are referred to them from various outreach centers. JHP, Inc. offers life-skills, employment soft skills and vocational training, computer and internet access and training, financial literacy education, supportive services, emergency financial aid, and housing assistance. JHP, Inc. partners with a number of area employers to ensure that consumers can secure employment despite their backgrounds and/or current living situations. During the fiscal year ending June 30, 2016 and 2015, this program helped 55 and 53 individuals gain employment; this program is not benchmarked for housing although this is a subsidiary service that can be provided.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recorded as the obligations are incurred.

Cash Equivalents

JHP, Inc. considers money market funds and investments purchased with an original maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection of information and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of June 30, 2016 and 2015, management has determined that all significant receivables are collectible within one year or less; therefore, no allowance for doubtful accounts has been established.

**JHP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) topic of Not-for-Profits Entities. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of JHP and changes therein, are classified and reported as follows.

*Unrestricted Net Assets* - Net assets not subject to donor-imposed restrictions.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed restrictions that may or will be met by either actions of JHP, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by JHP, Inc.. As of June 30, 2016 and 2015, there were no permanently or temporarily restricted net assets.

Property and Equipment

Property and equipment valued in excess of \$500 and with a useful life of more than one year is capitalized and recorded at cost. Donated property and equipment are recorded at estimated fair value. Leasehold improvements are capitalized at cost and amortized over the lesser of the remaining life of the lease or the life of the asset. Repairs and maintenance are generally expensed. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	5 - 10 years
Building and leasehold improvements	20 - 40 years

In-kind Contributions

JHP, Inc. recognizes donated services that creates or enhances nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services recorded for the years ended June 30, 2016 and 2015, totaled \$175,000 and \$172,845, respectively.

**JHP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Revenue Recognition

Revenue from government awards is treated as exchange transactions, in which revenue is earned when eligible expenditures, as defined in each contract, are incurred. Funds received but not yet earned are recorded as deferred revenue. Allowable expenditures incurred for which reimbursements have not yet been received are recorded as grants receivable.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the 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. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions.

Client fees are recognized at the time of service and contract revenue is recognized at the date of completion of the services for the contract.

Use of 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 these estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the over-all support and management of JHP, Inc.

**JHP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**  
(continued)

**NOTE C – INCOME TAXES**

JHP, Inc. is recognized as exempt from federal income tax, except on unrelated business activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code.

JHP, Inc. believes that 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 or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

JHP, Inc.'s information tax returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. JHP, Inc.'s Form 990 returns for the years ended June 30, 2012 through 2014, are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

**NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 169,962	\$ 169,962
Furniture and equipment	75,474	74,338
Leasehold improvements	131,207	69,207
	<u>376,643</u>	<u>313,507</u>
Less accumulated depreciation and amortization	228,713	216,330
Property and Equipment, Net	<u>\$ 147,930</u>	<u>\$ 97,177</u>

Depreciation and amortization expense totaled \$12,383 and \$12,416, for the years ended June 30, 2016 and 2015, respectively.

**NOTE E – LINE OF CREDIT**

On October 21, 2015, JHP, Inc. renewed a previous line of credit agreement with City First Bank of DC for a credit limit of \$50,000. It is secured by real property located at 1526 Pennsylvania Avenue, SE, Washington, DC. The line of credit bears a variable interest rate determined by the prime rate reflected in the Wall Street Journal plus 1.5% per annum. As of June 30, 2016, interest accrued at a rate of 5.25% per annum.

**JHP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**  
(continued)

**NOTE E – LINE OF CREDIT - continued**

Interest expense for the years ended June 30, 2016 and 2015, totaled \$1,641 and \$3,310, respectively. The outstanding principal balance at June 30, 2016 totaled \$25,000.

**NOTE F – MORTGAGE NOTE PAYABLE**

On November 9, 2004, JHP, Inc. secured \$175,000 with the City First Bank of DC (the “Lender”) for a deed of trust mortgage. On October 12, 2012, JHP, Inc. refinanced this mortgage and included an additional principal amount of \$23,161. On February 2, 2016, JHP, Inc. refinanced this mortgage again and included an additional principal amount of \$89,090. This mortgage is secured by real property located at 1526 Pennsylvania Avenue, SE, Washington, DC. The mortgage is scheduled to mature on February 2, 2026. Principal and interest are payable monthly over 120 payments with fixed interest at a rate of 5.25% per annum. As of June 30, 2016 and 2015, interest accrued at the rate of 5.25% and 5.75% per annum.

Future principal payments are as follows for the year ended June 30:

2017	\$	8,967
2018		8,660
2019		9,126
2020		9,616
2021		9,617
Thereafter		224,946
Total	\$	<u>270,932</u>

Interest expense for the years ended June 30, 2016 and 2015, totaled \$12,080 and \$11,058, respectively.

**NOTE G – CONCENTRATION OF RISK**

JHP, Inc. received approximately 83% and 79% of its revenue from federal and other government grants for the years ended June 30, 2016 and 2015, respectively.



**JHP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**  
(continued)

**NOTE H – CONTINGENCIES**

JHP, Inc. operates programs funded by grants that are renewed annually depending on the availability of funds and JHP, Inc.'s compliance with the requirements of the grants and contracts. Therefore, annual funding under these grants is not guaranteed. JHP, Inc. is also subject to an audit by its funding sources. Accordingly, all costs charged to federal and state grants are subject to verification.

**NOTE I – RETIREMENT PLAN**

JHP, Inc. sponsors a Section 403(b) Elective Deferral Only, retirement plan for the benefit of its employees (the "Plan"). Employees may contribute to the Plan through elective salary deferrals and are eligible immediately upon beginning employment. Contributions to the Plan are tax deferred. JHP, Inc. does not make any contributions to the Plan.

**NOTE J – SUBSEQUENT EVENTS**

In preparing these financial statements, JHP, Inc.'s management has evaluated events and transactions for potential recognition or disclosure through August 31, 2016, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.