

IRIS GLOBAL

AUDITED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

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**REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors  
Iris Global  
Redding, California

We have audited the accompanying financial statements of Iris Global, a non-profit organization, which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, and functional expenses 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 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 Iris Global, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The September 30, 2015 financial statements were reviewed by us and our report thereon, dated March 4, 2016, stated we were not aware of any material modifications that should be made to those financial statements in order 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.

*N.A. Scott & Company LLP*

Redding, California  
December 21, 2016

IRIS GLOBAL

STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2016 AND 2015

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ASSETS

	2016 (Audited)	2015 (Reviewed)
Current assets:		
Cash and cash equivalents	\$1,617,624	\$ 2,353,587
Investments	182,861	181,729
Accounts receivable	775	46,491
Inventory	90,792	68,213
Prepaid expenses	<u>18,648</u>	<u>20,601</u>
Total current assets	<u>1,910,700</u>	<u>2,670,621</u>
Property and equipment	1,731,848	1,765,028
Less accumulated depreciation	<u>( 289,865)</u>	<u>( 244,032)</u>
Total property and equipment, net	<u>1,441,983</u>	<u>1,520,996</u>
Total assets	<u>\$ 3,352,683</u>	<u>\$ 4,191,617</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 73,341	\$ 68,253
Accrued payroll and accrued liabilities	86,818	65,162
Unearned revenue	<u>743,185</u>	<u>759,221</u>
Total liabilities	<u>903,344</u>	<u>892,636</u>
Net assets:		
Unrestricted	1,817,463	2,574,761
Temporarily restricted	<u>631,876</u>	<u>724,220</u>
Total net assets	<u>2,449,339</u>	<u>3,298,981</u>
Total liabilities and net assets	<u>\$ 3,352,683</u>	<u>\$ 4,191,617</u>

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

IRIS GLOBAL

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u> <u>(Audited)</u>	<u>Temporarily</u> <u>Restricted</u> <u>(Audited)</u>	<u>Total</u> <u>(Audited)</u>
Revenue and other support:			
Contributions	\$ 5,098,020	\$ 2,423,935	\$ 7,521,955
Harvest School income	1,533,444	-	1,533,444
Global School income	303,721	-	303,721
Sale of Christian materials	80,461	-	80,461
Cost of Christian material sold	( 45,592)	-	( 45,592)
Investment income	3,662	-	3,662
Donated goods and services	107,740	-	107,740
Reimbursed travel revenue	123,911	-	123,911
Other income	71,430	-	71,430
Unrealized loss on investments	<u>( 2,263)</u>	<u>-</u>	<u>( 2,263)</u>
Total revenue and other support	7,274,534	2,423,935	9,698,469
Net assets released from restrictions:			
Satisfaction of purpose requirements	<u>2,516,279</u>	<u>(2,516,279)</u>	<u>-</u>
Total revenue and support allocated	<u>9,790,813</u>	<u>( 92,344)</u>	<u>9,698,469</u>
Operating expenses:			
Ministry expenses:			
Children's services	2,040,871	-	2,040,871
Community development	1,112,039	-	1,112,039
Education	2,196,970	-	2,196,970
Impoverished women's care	393,251	-	393,251
Missions	<u>3,284,619</u>	<u>-</u>	<u>3,284,619</u>
Total ministry expenses	<u>9,027,750</u>	<u>-</u>	<u>9,027,750</u>
Support activities:			
Administration	1,330,951	-	1,330,951
Fundraising	<u>189,410</u>	<u>-</u>	<u>189,410</u>
Total support activities expenses	<u>1,520,361</u>	<u>-</u>	<u>1,520,361</u>
Total operating expenses	<u>10,548,111</u>	<u>-</u>	<u>10,548,111</u>
Change in net assets	( 757,298)	( 92,344)	( 849,642)
Net assets at beginning of year	<u>2,574,761</u>	<u>724,220</u>	<u>3,298,981</u>
Net assets at end of year	<u>\$ 1,817,463</u>	<u>\$ 631,876</u>	<u>\$ 2,449,339</u>

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

IRIS GLOBAL

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Unrestricted</u> <u>(Reviewed)</u>	Temporarily <u>Restricted</u> <u>(Reviewed)</u>	<u>Total</u> <u>(Reviewed)</u>
Revenue and other support:			
Contributions	\$ 7,494,320	\$ 3,133,676	\$ 10,627,996
Harvest School income	1,347,075	-	1,347,075
Global School income	451,610	-	451,610
Sale of Christian materials	68,922	-	68,922
Cost of Christian material sold	( 51,762)	-	( 51,762)
Investment income	3,420	-	3,420
Donated goods and services	8,006	-	8,006
Other income	37,976	-	37,976
Unrealized gains on investments	<u>21,639</u>	<u>-</u>	<u>21,639</u>
Total revenue and other support	9,381,206	3,133,676	12,514,882
Net assets released from restrictions:			
Satisfaction of purpose requirements	<u>2,806,021</u>	<u>( 2,806,021)</u>	<u>-</u>
Total revenue and support allocated	<u>12,187,227</u>	<u>327,655</u>	<u>12,514,882</u>
Operating expenses:			
Ministry expenses:			
Children's services	2,358,193	-	2,358,193
Community development	1,622,673	-	1,622,673
Education	3,306,772	-	3,306,772
Impoverished women's care	321,924	-	321,924
Missions	<u>2,685,190</u>	<u>-</u>	<u>2,685,190</u>
Total ministry expenses	<u>10,294,752</u>	<u>-</u>	<u>10,294,752</u>
Support activities:			
Administration	1,171,054	-	1,171,054
Fundraising	<u>186,211</u>	<u>-</u>	<u>186,211</u>
Total support activities expenses	<u>1,357,265</u>	<u>-</u>	<u>1,357,265</u>
Total operating expenses	<u>11,652,017</u>	<u>-</u>	<u>11,652,017</u>
Change in net assets	535,210	327,655	862,865
Net assets at beginning of year	<u>2,039,551</u>	<u>396,565</u>	<u>2,436,116</u>
Net assets at end of year	\$ <u>2,574,761</u>	\$ <u>724,220</u>	\$ <u>3,298,981</u>

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





IRIS GLOBAL

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Children's Services <u>(Audited)</u>	Community Development <u>(Audited)</u>	Education <u>(Audited)</u>
Expenses:			
Bank charges	\$ 11,223	\$ -	\$ -
Depreciation	-	-	-
Dues, subscriptions, fees and licenses	423	-	-
Gifts and offerings	-	-	-
Grants and other disbursements	2,013,471	1,107,475	895,409
Harvest School expenses	-	-	1,076,624
Iris Global School expenses	-	-	223,398
Insurance	-	-	-
Missions aviation	-	-	-
Media and web design	10,696	-	-
Office expense	175	-	-
Postage and shipping	207	-	-
Printing and copying	1,900	-	37
Professional services	-	-	-
Salaries and related costs	-	-	-
Training and education	-	-	15
Travel, meals and lodging	2,776	4,564	1,416
Utilities	-	-	71
Rent	-	-	-
Other	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	\$ <u>2,040,871</u>	\$ <u>1,112,039</u>	\$ <u>2,196,970</u>

Impoverished Women's Care <u>(Audited)</u>	Missions <u>(Audited)</u>	Administration <u>(Audited)</u>	Fundraising <u>(Audited)</u>	Total <u>(Audited)</u>
\$ -	\$ 800	\$ 191,536	\$ -	\$ 203,559
-	54,498	24,605	-	79,103
-	3,144	13,669	1,043	18,279
-	93,476	2,111	8,712	104,299
393,251	1,854,957	-	-	6,264,563
-	-	-	-	1,076,624
-	-	-	-	223,398
-	53,222	18,928	-	72,150
-	16,075	-	-	16,075
-	29,919	-	54,475	95,090
-	32,705	22,663	2,194	57,737
-	2,927	10,283	17,587	31,004
-	88	34	3,365	5,424
-	-	96,815	-	96,815
-	849,027	851,725	74,762	1,775,514
-	823	5,602	328	6,768
-	220,259	54,253	17,264	300,532
-	22,280	7,447	1,368	31,166
-	50,206	16,704	-	66,910
-	213	14,576	8,312	23,101
<u>\$ 393,251</u>	<u>\$ 3,284,619</u>	<u>\$ 1,330,951</u>	<u>\$ 189,410</u>	<u>\$ 10,548,111</u>

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

IRIS GLOBAL

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Children's Services <u>(Reviewed)</u>	Community Development <u>(Reviewed)</u>	Education <u>(Reviewed)</u>
Expenses:			
Bank charges	\$ 7,168	\$ 468	\$ -
Depreciation	-	-	-
Dues, subscriptions, fees and licenses	594	-	-
Gifts and offerings	5,000	-	10,000
Grants and other disbursements	2,344,507	1,619,786	1,563,721
Harvest School expenses	-	-	1,281,815
Iris Global School expenses	-	-	449,539
Insurance	-	-	-
Missions aviation	-	-	-
Media and web design	657	-	-
Office expense	-	-	-
Postage and shipping	17	-	-
Printing and copying	104	-	1,697
Professional services	-	-	-
Salaries and related costs	-	-	-
Training and education	69	-	-
Travel, meals and lodging	37	2,419	-
Utilities	40	-	-
Rent	-	-	-
Other	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total expenses	\$ <u>2,358,193</u>	\$ <u>1,622,673</u>	\$ <u>3,306,772</u>

Impoverished Women's Care <u>(Reviewed)</u>	Missions <u>(Reviewed)</u>	Administration <u>(Reviewed)</u>	Fundraising <u>(Reviewed)</u>	Total <u>(Reviewed)</u>
\$ -	\$ 58	\$ 109,640	\$ 50	\$ 117,384
-	54,498	21,333	-	75,831
-	1,827	13,213	665	16,299
-	129,835	6,223	7,034	158,092
321,924	1,803,862	-	-	7,653,800
-	-	-	-	1,281,815
-	-	-	-	449,539
-	55,975	14,859	-	70,834
-	9,996	-	-	9,996
-	12,446	-	56,975	70,078
-	4,555	20,530	3,088	28,173
-	2,142	51,629	2,705	56,493
-	109	5	5,611	7,526
-	-	128,312	-	128,312
-	386,975	737,341	79,806	1,204,122
-	1,690	1,948	-	3,707
-	146,468	45,638	25,291	219,853
-	41,086	7,931	2,329	51,386
-	31,503	5,179	-	36,682
-	2,165	7,273	2,657	12,095
<u>\$ 321,924</u>	<u>\$ 2,685,190</u>	<u>\$ 1,171,054</u>	<u>\$ 186,211</u>	<u>\$ 11,652,017</u>

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

IRIS GLOBAL

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016 (Audited)	2015 (Reviewed)
Cash flows from operating activities:		
Cash received from contributions, tuition and materials	\$ 9,640,789	\$ 12,627,902
Cash paid to employees, vendors and grant recipients	(10,462,891)	(11,471,318)
Investment income	<u>3,662</u>	<u>3,420</u>
Net cash provided by (used in) operating activities	( <u>818,440</u> )	<u>1,160,004</u>
Cash flows from investing activities:		
Purchases of investments	( 3,405 )	( 3,044 )
Proceeds from sale of investments	100,548	-
Purchases of equipment	( <u>14,666</u> )	( <u>18,896</u> )
Net cash provided by (used in) investing activities	<u>82,477</u>	( <u>21,940</u> )
Net increase (decrease) in cash and cash equivalents	( 735,963 )	1,138,064
Cash and cash equivalents, beginning of year	<u>2,353,587</u>	<u>1,215,523</u>
Cash and cash equivalents, end of year	\$ <u>1,617,624</u>	\$ <u>2,353,587</u>
Supplemental disclosure of cash flow information:		
Contributed securities acquired	\$ <u>100,538</u>	\$ <u>-</u>

	2016 ( <u>Audited</u> )	2015 ( <u>Reviewed</u> )
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ ( <u>849,642</u> )	\$ <u>862,865</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	79,103	75,831
Loss on disposal of assets	14,576	7,273
Unrealized loss (gain) on investments	2,263	( 21,639)
Contribution of securities	( 100,538)	-
Decrease (increase) in assets:		
Accounts receivable	45,716	22,464
Inventory	( 22,579)	7,314
Prepaid expenses	1,953	122,445
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	26,744	( 24,891)
Unearned revenue	( <u>16,036</u> )	<u>108,342</u>
Total adjustments	<u>31,202</u>	<u>297,139</u>
Net cash provided by (used in) operating activities	\$ ( <u><u>818,440</u></u> )	\$ <u><u>1,160,004</u></u>

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

IRIS GLOBAL

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

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Note 1: NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

Nature of Operations - Iris Global (Organization) is a holistic Christian organization, which funds ongoing and expanding programs in underdeveloped nations. Since inception Iris Global has been expressing the love of God through providing education and basic needs for orphans, children at risk, widows, vulnerable women and the disabled. Iris Global's programs include education, healthcare, community development, well drilling, low cost housing, cottage industries, micro and macro agricultural projects, arts and media, and faith based leadership training. Iris Global is organized as a non-profit organization under the laws of the state of California and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

Basis of Accounting - The financial statements are prepared in accordance with generally accepted accounting principles, using the accrual basis of accounting which recognizes revenue when earned and obligations for goods and services when received or rendered.

Basis of Presentation - Iris Global's financial statements conform to FASB ASC Topic 958, *Financial Statements of Not-for-Profit Organizations*, for presentation of its financial statements. As such, the financial statements are on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Cash and Cash Equivalents - Iris Global considers all highly liquid investments, with maturity of 90 days or less when purchased, to be cash equivalents.

Concentrations - Iris Global's financial instruments that are potentially exposed to concentration of credit risk consist of cash and cash equivalents. Iris Global places its cash and temporary cash investments with high quality credit institutions. At times, such investments may be in excess of the FDIC insurance limit; however, Iris Global believes that the credit risk is nominal. As of September 30, 2016 and 2015, Iris Global had cash and cash equivalents in excess of the FDIC insured limit of \$1,352,699 and \$2,115,435, respectively.

(Continued)

IRIS GLOBAL

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

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Note 1: NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES  
(Continued)

Allowance for Doubtful Accounts - Management considers all receivables to be collectible; therefore, no allowance for doubtful accounts exists for the years ended September 30, 2016 and 2015.

Inventories - Inventories consist of books, CD's, DVD's, jewelry, artwork, and stationery. Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 2 to 30 years. Significant improvements and renewals are capitalized, while maintenance and repairs are expensed as incurred. When property and equipment are retired or disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in the current period. Equipment having a cost of \$1,500 or less is expensed in the year of acquisition. Depreciation expense for the years ended September 30, 2016 and 2015 was \$79,103 and \$75,831, respectively.

Revenue Recognition - Iris Global recognizes revenue in accordance with FASB ASC Subtopic 958-605, *Accounting for Contributions Received and Contributions Made*. As such, contributions are recognized as revenue when they are unconditionally pledged or when they are received.

Iris Global reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified in the statement of activities as net assets released from restrictions.

(Continued)



IRIS GLOBAL

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

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Note 1: NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES  
(Continued)

Iris Global reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-term assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-term assets are reported as restricted support. Absent explicit donor stipulations about how these long-term assets must be maintained, Iris Global reports expirations of donor restrictions when the donated or acquired long-term assets are placed in service.

Revenues from sales of inventory are recognized at the time the product is sold.

Unearned Revenue - Tuition revenue is recognized in the year in which the related educational instruction is performed. Accordingly, tuition fees received for a future year are deferred until the instruction commences. At September 30, 2016 and 2015, the current liability for unearned revenue was \$743,185 and \$759,221, respectively.

In-Kind Contributions of Services and Materials - Contributed services and materials, if any, are reflected in the financial statements as donated goods and services.

Income Taxes - Iris Global is a non-profit corporation exempt under the provisions of Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the Revenue and Taxation Code of California.

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.

IRIS GLOBAL

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

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Note 2: RELATED PARTY TRANSACTIONS

Iris Global paid amounts for office space and guest housing to one or more governing board members. The total rental expense related to these transactions was \$750 and \$23,273 for the years ended September 30, 2016 and 2015, respectively.

In the course of various mission-related activities, Iris Global purchases and resells certain books and publications written by two of the Organization's founders/board members. Iris Global pays to the board members a royalty out of the profits on these sales. During the years ended September 30, 2016 and 2015 royalties paid to board members amounted to \$11,920 and \$16,662, respectively.

Note 3: PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following as of September 30,:

	<u>2016</u>	<u>2015</u>
Aircraft and aviation equipment	\$ 1,632,941	\$ 1,632,941
Computers and software	82,584	101,807
Furniture and equipment	10,885	24,842
Improvements	<u>5,438</u>	<u>5,438</u>
Total property and equipment	1,731,848	1,765,028
Less accumulated depreciation	( <u>289,865</u> )	( <u>244,032</u> )
Property and equipment, net	\$ <u>1,441,983</u>	\$ <u>1,520,996</u>

IRIS GLOBAL

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

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Note 4: RESTRICTIONS ON NET ASSETS

Substantially all of the restrictions on net assets as of September 30, 2016 and 2015 related to funds received from donors who designated how the funds were to be used.

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Operation of the organization's airplane	\$ 2,330	\$ 40,205
Children's services	143,429	121,886
Relief projects	132,514	67,611
Well drilling projects	47,449	54,685
Pemba base water infrastructure	-	94,106
Other current operating programs	<u>306,154</u>	<u>345,727</u>
Total temporarily restricted net assets	\$ <u>631,876</u>	\$ <u>724,220</u>

Note 5: INVESTMENTS

Investments are reported at their fair values in the statement of financial position in accordance with FASB ASC Subtopic 958-320-50. Unrealized gains and losses are included in the change in net assets.

Investments consist of the following at September 30,:

	<u>Costs</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>2016</u> - Managed Funds	\$ <u>112,478</u>	\$ <u>182,861</u>	\$ <u>70,383</u>
<u>2015</u> - Managed Funds	\$ <u>109,083</u>	\$ <u>181,729</u>	\$ <u>72,646</u>

For the year ended September 30, 2016, direct investment advisory fees were \$-0-.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

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Note 6: FAIR VALUE MEASUREMENTS

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

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

**Level 2 -** Inputs to the valuation methodology include:  
Quoted prices for similar assets or liabilities in active markets;  
Quoted prices for identical or similar assets or liabilities in inactive markets;  
Inputs other than quoted prices that are observable for the asset or liability;  
Inputs that are derived principally from or corroborated by observable market data by correlation or other means.  
If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2016 and 2015:

(Continued)

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Note 6: FAIR VALUE MEASUREMENTS (Continued)

**Managed Funds:** Common stocks, corporate and government bonds, and U.S. government and international securities are valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other markets, the use of different methodologies or assumptions to determine the fair value of certain financial assets 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:

	<u>Assets at Fair Value as of September 30, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Managed Funds	\$ <u>182,861</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>182,861</u>

	<u>Assets at Fair Value as of September 30, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Managed Funds	\$ <u>181,729</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>181,729</u>

The unrealized gain (loss) value is reported on the statement of activities under unrealized gains (losses) on investments.

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Note 7: SALES TAX COLLECTED

The Organization collects sales tax at the point of sale on items sold. The sales tax is included in accrued liabilities and has not been included in gross revenues.

Note 8: INCOME TAXES

Generally accepted accounting principles prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management of the Organization has evaluated its uncertain tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. The Organization's tax returns are subject to examination by Federal tax authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

During the years ended September 30, 2016 and 2015, Iris Global recognized \$-0- and \$-0-, respectively, in interest and penalties related to income taxes.

Note 9: SUBSEQUENT EVENTS

Iris Global has evaluated the effects of subsequent events that have occurred subsequent to September 30, 2016 and through December 21, 2016 which is the date the financial statements were available to be issued, and has determined that there were no subsequent events that require recognition or disclosure in the financial statements or notes herein.