# THE CENTER FOR AMERICAN AND INTERNATIONAL LAW

## FINANCIAL STATEMENTS

## YEARS ENDED JUNE 30, 2017 AND 2016

The Center for American and International Law

Financial Statements

June 30, 2017 and 2016

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THOMAS STEPHEN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

# Independent Auditor's Report

To the Board of Trustees of
The Center for American and International Law

We have audited the accompanying financial statements of the Center for American and International Law (a nonprofit organization), which comprise the statements of financial position as of June 30, 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. 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 the Center for American and International Law as of June 30, 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.

THOMAS STEPHEN & COMPANY, LLP
Dallas, Texas
January 25, 2018

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The Center for American and International Law
Statements of Financial Position
June 30, 2017 and 2016

Assets

| | 2017 | 2016 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 2,478,164 | $ 2,345,695 |
| Restricted cash and cash equivalents | 326,482 | 273,027 |
| Accrued interest receivables | 41,723 | 34,132 |
| Accounts receivables, net | 286,465 | 203,584 |
| Prepaid expenses and other assets | 88,696 | 98,440 |
| Total current assets | 3,221,530 | 2,954,878 |
| Investments | | |
| Marketable securities | 20,200,107 | 18,766,105 |
| Structured investments | 788,741 | 1,700,265 |
| Investment in limited partnerships | 673,386 | 587,141 |
| Investment in venture partnership | 38,174 | 47,052 |
| Investment in private equity partners | 561,979 | 614,411 |
| Total investments | 22,262,387 | 21,714,974 |
| Property and equipment | | |
| Land | 1,206,737 | 1,206,737 |
| Building | 9,354,031 | 9,354,031 |
| Rare books and documents | 47,746 | 47,746 |
| Furniture and equipment | 3,197,204 | 3,032,827 |
| | 13,805,718 | 13,641,341 |
| Accumulated depreciation | (5,585,780) | (5,275,074) |
| Net property and equipment | 8,219,938 | 8,366,267 |
| Total assets | $ 33,703,855 | $ 33,036,119 |

Liabilities and Net Assets

| | 2017 | 2016 |
|---|---|---|
| Current liabilities | | |
| Accounts payables | $ 239,205 | $ 282,755 |
| Accrued expenses | 245,228 | 274,047 |
| Deferred income | 148,601 | 108,602 |
| Total current liabilities | 633,034 | 665,404 |
| Net assets | | |
| Unrestricted | | |
| Board designated as reserves | 21,297,591 | 21,316,362 |
| Abell Hanger | 12,275 | 9,597 |
| Other purposes | 10,964,417 | 10,496,087 |
| Total unrestricted net assets | 32,274,283 | 31,822,046 |
| Temporarily restricted | 456,795 | 208,926 |
| Permanently restricted | 339,743 | 339,743 |
| Total net assets | 33,070,821 | 32,370,715 |
| Total liabilities and net assets | $ 33,703,855 | $ 33,036,119 |

See accompanying notes.

The Center for American and International Law
Statements of Activities
For the years ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Revenues and support | | |
| Programs and activities revenues | | |
| Tuition from programs | $ 993,889 | $ 1,152,250 |
| Project income | 193,165 | 251,944 |
| Annual dues | 953,748 | 1,007,595 |
| Royalties on publications | 293,595 | 296,227 |
| Miscellaneous | 127,805 | 123,168 |
| Total programs and activities revenues | 2,562,202 | 2,831,184 |
| Released from restriction | 100,276 | 396,023 |
| Contributions | 698,995 | 751,035 |
| Investment income | | |
| Interest, dividend and royalty income | 812,911 | 659,144 |
| Realized gain on sale of investments | 320,182 | 197,603 |
| Unrealized gain/(loss) on investments | 1,333,707 | (1,130,670) |
| Total revenues, gains and other support | 5,828,273 | 3,704,319 |
| Expenses | | |
| Salaries and employee benefits | 2,586,031 | 2,499,784 |
| Lecturers and speakers | 270,649 | 282,138 |
| Participant related expenses | 598,007 | 633,981 |
| Printing and supplies | 93,517 | 114,104 |
| Equipment expense | 322,038 | 312,377 |
| Depreciation expense | 310,706 | 354,016 |
| Meeting expense | 57,889 | 56,839 |
| Investment fee expense | 101,979 | 132,800 |
| Professional services | 425,224 | 374,866 |
| Communications | 135,809 | 153,094 |
| Employee related expenses | 114,057 | 104,338 |
| Grants | 95,129 | 100,635 |
| Other | 265,001 | 308,453 |
| Total expenses | 5,376,036 | 5,427,425 |
| Change in unrestricted net assets | 452,237 | (1,723,106) |
| Temporarily restricted | | |
| Revenues | 348,145 | 390,396 |
| Released from restriction | (100,276) | (396,023) |
| Change in temporarily restricted net assets | 247,869 | (5,627) |
| Total change in net assets | 700,106 | (1,728,733) |
| Net assets, beginning of year | 32,370,715 | 34,099,448 |
| Net assets, end of year | $ 33,070,821 | $ 32,370,715 |

See accompanying notes.

The Center for American and International Law
Statements of Cash Flows
For the years ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ 700,106 | $ (1,728,733) |
| Adjustments to reconcile change in net assets to | | |
| net cash used in operating activities: | | |
| Depreciation expense | 310,706 | 354,016 |
| Interest amortization on bonds | (7,591) | 13,398 |
| Unrealized and realized (gain)/loss on securities | (1,653,889) | 933,067 |
| Increase in restricted cash | (53,455) | (116,365) |
| (Increase) decrease in receivables, net | (82,881) | 96,189 |
| Decrease (increase) in prepaid expenses and other assets | 9,744 | (65,122) |
| (Decrease) increase in accounts payable | (43,550) | 30,190 |
| (Decrease) increase in accrued expenses | (28,819) | 18,110 |
| Increase (decrease) in deferred income | 39,999 | (39,848) |
| Net cash used in operating activities | (809,630) | (505,098) |
| Cash flows from investing activities | | |
| Purchases of marketable securities | (6,545,554) | (5,064,756) |
| Sale of marketable securities | 6,764,879 | 4,921,493 |
| Sale of structured investments | 928,963 | 742,298 |
| Purchase of limited partnerships | (215,806) | (83,932) |
| Sale of limited partnerships | 120,733 | 215,529 |
| Increase in private equity partners | (31,000) | (7,500) |
| Return of venture partnership capital | 829 | 13,107 |
| Return of private equity partners | 83,432 | 40,462 |
| Purchase of property and equipment | (164,377) | (135,184) |
| Net cash provided by investing activities | 942,099 | 641,517 |
| Net increase in cash | 132,469 | 136,419 |
| Cash and cash equivalents at beginning of year | 2,345,695 | 2,209,276 |
| Cash and cash equivalents at end of year | $ 2,478,164 | $ 2,345,695 |

See accompanying notes.

1. Significant Accounting Policies

In fulfilling their responsibility for the preparation of the financial statements and related disclosures, The Center for American and International Law's (CAIL) management and Board of Trustees have selected accounting principles generally accepted in the United States of America and have adopted methods for their application. The application of accounting principles requires the estimating, matching and timing of revenue and costs in the determination of income or loss. It is also necessary to determine, measure and allocate CAIL's resources and obligations within the financial process according to those principles. Below is a summary of certain significant accounting policies selected by management and the Board.

Nature of Operations

CAIL is a nonprofit institution dedicated to improving the quality of justice through continuing education for lawyers and law enforcement officials in the United States and throughout the world. Since its founding in 1947, tens of thousands of lawyers and law enforcement officers from all 50 states and more than 125 countries have participated in programs of CAIL. Through its courses, conferences, publications and membership activities, CAIL has earned a reputation for excellence in professional education. Much of CAIL's work is accomplished through its five educational institutes, each specializing in different areas of the law.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The net assets, revenues, gains and losses and other support and expenses and other changes in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of CAIL and changes therein are classified as follows:

*Unrestricted net assets* - net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board or management for grants, special programs and other purposes.

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

*Permanently restricted net assets* - net assets subject to donor-imposed restrictions that they be maintained permanently by CAIL. Generally, the donors of these assets permit CAIL use of all or part of the income earned on related investments for general or specific purposes.

For record-keeping purposes, CAIL's books are maintained on a fund basis, with each fund representing an institute or activity center. Each institute or activity center accounts for revenues and expenses of specific programs (e.g. antitrust law, oil and gas law, police supervision, contract courses, etc.).

CAIL reports gifts of cash and other assets as temporarily 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 to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

1. Significant Accounting Policies (Continued)

CAIL reports gifts of land, property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived 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-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, CAIL reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Investment Income

Realized and unrealized investment income from permanently restricted funds are reported as unrestricted income unless restricted for a specific purpose, in which case, it is recognized as temporarily restricted income. Based on the endowment agreements and applicable state laws, gains or losses from the sale of permanently restricted investments are recorded as changes in unrestricted net assets.

Marketable Securities

JPMorgan now serves as CAIL's primary investment manager and has full responsibility to manage CAIL's investment portfolio subject to specific guidelines. CAIL holds a limited number of units of participation with Commonfund. These units of participation are stated at fair value, based upon the fair value of the underlying assets as determined by the Commonfund. For a summary of investments at June 30, 2017 and 2016 see Note 3. Donated securities are recorded at fair market value at the date of donation.

Investments in Real Estate Investment Trusts, Venture Partnerships, and Limited Liability Company

Investments in real estate investment trusts (REITS), venture partnerships and the limited liability company are stated at the lower of aggregate cost or fair value. Fair value is determined by the REIT, the venture partnerships and the limited liability company based on the net asset value of the underlying collateral.

Revenue Recognition

CAIL records unconditional promises to give as contributions in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give that are expected to be collected within one year are recorded as receivables at their estimated realizable value in the year made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Property and Equipment

Equipment is recorded at cost, if purchased, or fair market value at the date the equipment is donated, less accumulated depreciation. Major expenditures that substantially increase useful lives are capitalized. It is general practice of CAIL to expense asset purchases costing less than $1,000. Maintenance, repairs and replacements which do not improve or extend the lives of the respective assets, are charged to operations when incurred.

1. Significant Accounting Policies (Continued)

Property and Equipment

When equipment is sold or otherwise disposed of, the asset and related accumulated depreciation are removed, and any gain or loss is included in operations.

Rare books and documents are not depreciated. Depreciation of furniture, equipment and automobiles is provided utilizing the half-year convention straight-line method based upon estimated useful lives of three to fifteen years. Depreciation of the building is provided utilizing the half-year convention straight-line method based upon estimated useful life of fifty years.

Deferred Income

Deferred income represents tuition and annual dues received in fiscal years 2017 and 2016 but for services related to fiscal years 2018 and 2017, respectively.

Statements of Cash Flows

The statements of cash flows are presented using the "indirect method". For purposes of these statements, CAIL considers as cash and cash equivalents all cash on hand, cash in checking and money market accounts and other similar instruments with original maturities at acquisition of three months or less.

Cash and Cash Equivalents

Pursuant to grants by Texas Court of Criminal Appeals, CAIL is required to maintain grant funds in separate bank accounts. As of June 30, 2017 and 2016, $326,482 and $273,027 were maintained in separate bank accounts. The funds are used to provide practical educational forums to support members of the criminal justice system, often with a focus on capital trial issues and innocence law.

Federal Income Taxes

CAIL is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the Code. CAIL has been classified as an organization that is a school and thus, it is not a private foundation as defined under IRC Sections 509. However, income generated from activities unrelated to CAIL's exempt purpose is subject to tax under IRC Section 511. CAIL does not believe it has any material unrelated business income for the years ended June 30, 2017 and 2016 and therefore, no tax liability has been provided in the accompanying financial statements.

CAIL previously adopted Financial Accounting Standard ASC 740-10 regarding uncertain tax positions. CAIL does not believe it has any uncertain tax positions as of June 30, 2017. Generally the three prior tax years remain open for internal revenue service examination.

Allowance for Doubtful Accounts

CAIL uses the allowance method to account for uncollectible accounts. Accounts receivable are presented net of an allowance for doubtful accounts. Management periodically reviews accounts on an individual basis. Management considers CAIL's history with the obligor and the size of the accounts in evaluating the allowance. An allowance for uncollectible receivables is provided equal to 100% of the face value of dues receivable not collected within 75 days after the fiscal year end. Allowance for doubtful accounts for 2017 and 2016 was $86,503 and $67,330, respectively.

1. Significant Accounting Policies (Continued)

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 certain reported amounts and disclosures. The major estimates used in preparing these financial statements include the lives and methods used to depreciate fixed assets, the allocation of functional expenses, valuation of marketable securities and other investments. Accordingly, actual results could differ from those estimates.

2. Contributed Services

CAIL receives donations of time and effort from trustees, advisory board members, program chairs, lecturers and students. Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skill that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No contributed services have been recorded in the financial statements for the years ended June 30, 2017 and 2016.

3. Investments

Investment fair values are determined based on a hierarchy that prioritizes the inputs to valuation techniques. The hierarchy gives 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 are described as follows:

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

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

The asset's 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.

*Certificates of deposit:* Valued using similar investments with the same remaining terms and yields.

*Corporate bonds/US Government/US Government Agency obligations:* Valued using quoted prices for investments with similar yields and terms.

*Equity Securities:* Quoted market prices.

3. Investments (Continued)

*Mutual Funds:* Valued at the net asset value (NAV) of shares at year end.

*Investments in Private Investment Companies:* Valued utilizing the net asset valuations provided by the underlying private companies and/or their administrators.

*Structured Investments:* Valued based on the structured strategies of the underlying securities as provided by the fund manager or counterparty.

The preceding methods described may produce fair values that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CAIL 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, CAIL's investments at fair value as of June 30, 2017:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equity securities | $ 11,998,250 | $ - | $ - | $ 11,998,250 |
| Mutual funds | 2,287,971 | - | - | 2,287,971 |
| Corporate bonds | - | 1,171,992 | - | 1,171,992 |
| Government and agency bonds | - | 2,702,651 | - | 2,702,651 |
| International, mortgage, and asset back bonds | - | 2,039,242 | - | 2,039,242 |
| Investment in limited partnerships | - | - | 673,386 | 673,386 |
| Structured investments | - | - | 788,741 | 788,741 |
| Private equity partners | - | - | 561,979 | 561,979 |
| Venture partnership | - | - | 38,174 | 38,174 |
| Total investments | $ 14,286,221 | $ 5,913,885 | $ 2,062,280 | $ 22,262,387 |

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

| | Private Equity Partners | Venture Partnership | Limited Partnerships | Structured Investments | Total |
|---|---|---|---|---|---|
| June 30, 2016 | $ 614,411 | $ 47,052 | $ 587,141 | $ 1,700,265 | $ 2,948,869 |
| Capital call | 31,000 | - | - | - | 31,000 |
| Return of capital | (83,432) | (829) | - | (928,963) | (1,013,224) |
| Purchases | - | - | 215,806 | - | 215,806 |
| Sales | - | - | (120,733) | - | (120,733) |
| Realized losses | - | - | - | (5,188) | (5,188) |
| Unrealized gains (losses) | - | (8,049) | (8,828) | 22,627 | 5,750 |
| June 30, 2017 | $ 561,979 | $ 38,174 | $ 673,386 | $ 788,741 | $ 2,062,280 |

3. Investments (Continued)

Investment Return Objectives, Risk Parameters and Strategies

CAIL has adopted investment and spending policies, approved by the Board of Trustees, for investment assets that attempt to preserve the real purchasing power of the principal and to provide a stable source of perpetual financial support without undue exposure to risk. Although the policy recognizes the importance of preserving capital, it also reflects the varying degrees of investment risk generally regarded with increased returns that compensate for the additional risk. Accordingly, the investment process seeks on an annualized, net-of-fees basis, the total return of the portfolio to equal or exceed the spending rate plus inflation over a rolling five year period.

Additionally, the returns should show favorable, relative performance characteristics. These returns should equal or exceed the average return of appropriate capital market indices weighted by the asset allocation target percentages over a rolling five year period and equal or exceeding the average return of a universe of similarly managed funds.

Spending Policy

It is CAIL's policy to distribute quarterly up to 5% of the market value at March 31$^{st}$ of a three year moving average of the marketable investments not including cash. It is the goal of CAIL to reduce its reliance on these funds to pay operating expenses.

Investment in Private Equity Partners

In January 2007, CAIL entered into an investment agreement for $1,000,000 to acquire an interest as a limited partner in nine multi-manager programs of private equity investments principally within the United States. As of June 30, 2017, $897,000 has been called with $103,000 remaining to be called. The estimated fair values at June 30, 2017 and 2016 were $561,979 and $614,411, respectively.

Investment in Venture Partnership

In 1998, CAIL entered into a subscription agreement to purchase an interest in Endowment Venture Partners (the "Partnership"), a limited liability partnership, which requires $1,000,000 to be invested. As of June 30, 2017 and 2016, net amounts of $275,228 and $274,399, of the original investment have been returned to CAIL resulting in investment balances of $724,772 and $725,601, respectively. Additional investments are to be made by CAIL upon written notice from the Trust, subject to certain restrictions in the agreement. As of June 30, 2017 and 2016, there was no additional capital called. The estimated fair values of the two Venture Partnerships at June 30, 2017 and 2016 were $38,174 and $47,052, respectively.

Investment in Limited Partnerships

In 2011, CAIL entered into an agreement to purchase as interest in Providence TMT Debt Opportunity Feeder II, LP (the "Partnership"), a limited partnership. The Partnership invests in private equity funds. Pursuant to the terms of the agreement, CAIL invested $500,000 in the Partnership. As of June 30, 2017, $409,992 has been called with a net distribution since inception of $530,652. The estimated fair values at June 30, 2017 and 2016 were $113,601 and $200,853, respectively.

3. Investments (Continued)

Investment in Limited Partnerships (Continued)

In 2012, CAIL entered into an agreement to purchase as interest in KKR North America Fund XI, LP (the "Partnership"), a limited partnership. The Partnership invests in private companies. Pursuant to the terms of the agreement, CAIL invested $500,000 in the Partnership. As of June 30, 2017, $442,888 has been called with a net distribution since inception of $143,500. The estimated fair values at June 30, 2017 and 2016 were $509,385 and $386,288 respectively.

In 2016, CAIL entered into an agreement to purchase as interest in HPS Mezzanine Private Investors, LP (the "Partnership"), a limited partnership. The Partnership invests in private equity and venture capital funds. Pursuant to the terms of the agreement, CAIL invested $500,000 in the Partnership. As of June 30, 2017, $50,340 has been called. The estimated fair value at June 30, 2017 was $50,400.

4. Temporarily and Permanently Restricted Net Assets

Permanently restricted net assets are restricted to the following at June 30, 2017 and 2016:

| | |
|---|---|
| Law Enforcement Institute activities | $ 70,000 |
| International legal activities | 124,085 |
| Cosponsored activities | 19,658 |
| Activities of the Center | 126,000 |
| | $ 339,743 |

Temporarily restricted net assets are restricted to the following at June 30:

| | 2017 | 2016 |
|---|---|---|
| Criminal justice training | $ 326,482 | $ 78,613 |
| Higginbotham | 126,309 | 126,309 |
| NITA scholarships | 4,004 | 4,004 |
| | $ 456,795 | $ 208,926 |

5. Functional Allocation of Expenses

CAIL's main function is to provide continuing education for the legal and law enforcement professions.

The functional allocation of expenses is as follows:

| | 2017 | 2016 |
|---|---|---|
| Continuing education related to law enforcement | $ 1,030,823 | $ 1,156,679 |
| Continuing education in the legal field | 3,782,078 | 3,235,223 |
| Total program | 4,812,900 | 4,391,902 |
| Total fundraising | 220,267 | 393,994 |
| Total general and administrative | 342,869 | 641,529 |
| Total expenses | $ 5,376,036 | $ 5,427,425 |

6. Pension Program

CAIL has a safe harbor 403(b) plan in place to provide substantially all employees an opportunity to save for retirement on a tax-advantage basis. CAIL matches 100% of the first 6% of eligible compensation contributed by the employee as a safe harbor matching contribution. Pension expense for the years ended June 30, 2017 and 2016 amounted to $108,502 and $96,693, respectively.

7. Concentrations of Credit Risk

Financial instruments that potentially subject CAIL to concentrations of credit risk consist principally of cash equivalents and marketable securities. CAIL places its cash investments in money market accounts and limits the amount of credit exposure to any one financial institution. However, at June 30, 2017, cash and cash equivalent balances did exceed the level of insurance provided by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. Concentrations of credit risk with respect to marketable securities are due to JP Morgan serving as the investment manager for the majority of CAIL's marketable securities. JP Morgan disperses the investment across many different industries and geographic areas in order to limit the risk of any one investment materially affecting the total investment portfolio. The majority of CAIL's support is derived from tuition and membership dues.

8. Commitments and Contingencies

CAIL currently has two noncancelable operating leases for equipment used in operations. Lease expense related to this equipment recorded as equipment expenses during 2017 and 2016 was $137,258 and $132,752, respectively. Commitments for payment under the operating leases at June 30, 2017, are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2018 | $ 26,556 |
| 2019 | 19,917 |
| Total | $ 46,473 |

In the normal course of business, CAIL may become involved in certain legal actions, claims or disputes. As of June 30, 2017 and 2016, respectively, there were no such actions against CAIL. CAIL has significant investments in marketable securities, structured and private investments. These investments are subject to market risk and there is a risk of significant decline in market value in the near term.

9. Subsequent Events

CAIL has evaluated subsequent events through January 25, 2018, the date which the financial statements were available to be issued and determined that there were no subsequent events or transactions that required recognition or disclose in the financial statements.