

ELDORADO ARTESIAN SPRINGS, INC.

**Financial Statements
and
Independent Auditors' Report
March 31, 2016 and 2015**



ELDORADO ARTESIAN SPRINGS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Eldorado Artesian Springs, Inc.
Louisville, Colorado

We have audited the accompanying financial statements of Eldorado Artesian Springs, Inc., which are comprised of the balance sheets as of March 31, 2016 and 2015, and the related statements of income, changes in stockholders' equity, 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.

AUDITORS' 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 auditors' 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 auditors consider 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 Eldorado Artesian Springs, Inc. as of March 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EKS&H LLP

EKS&H LLP

May 31, 2016
Boulder, Colorado

ELDORADO ARTESIAN SPRINGS, INC.

Balance Sheets

		March 31,	
		2016	2015
Assets			
Current assets			
Cash	\$	1,116,799	\$ 1,050,655
Accounts receivable - trade, net		1,604,484	1,643,740
Inventories		485,789	450,041
Prepaid expenses and other		68,076	56,332
Total current assets		<u>3,275,148</u>	<u>3,200,768</u>
Non-current assets			
Property, plant and equipment, net		3,909,663	3,732,498
Investments		361,196	361,196
Water rights		71,675	71,675
Deposits		20,384	20,384
Deferred tax assets		78,806	44,470
Other, net		68,614	109,545
Total non-current assets		<u>4,510,338</u>	<u>4,339,768</u>
Total assets	\$	<u>7,785,486</u>	\$ <u>7,540,536</u>
Liabilities and Stockholders' Equity			
Current liabilities			
Line-of-credit	\$	750,000	\$ -
Accounts payable		320,211	359,643
Accrued expenses		405,345	398,605
Income taxes payable		202,828	138,914
Customer deposits		145,066	146,639
Current portion of capital lease obligations		165,441	91,860
Current portion of long-term debt		93,437	188,654
Total current liabilities		<u>2,082,328</u>	<u>1,324,315</u>
Non-current liabilities			
Deferred tax liability		140,496	147,805
Capital lease obligations, less current portion		205,602	68,771
Long-term debt, less current portion		2,397,324	3,719,369
Total non-current liabilities		<u>2,743,422</u>	<u>3,935,945</u>
Total liabilities		<u>4,825,750</u>	<u>5,260,260</u>
Commitments and contingencies			
Stockholders' equity			
Preferred stock, par value \$0.001 per share; 10,000,000 shares authorized; zero shares issued and outstanding		-	-
Common stock, par value \$0.001 per share; 50,000,000 shares authorized; 6,036,091 shares issued and outstanding		6,036	6,036
Additional paid-in capital		1,693,738	1,693,738
Retained earnings		1,259,962	580,502
Total stockholders' equity		<u>2,959,736</u>	<u>2,280,276</u>
Total liabilities and stockholders' equity	\$	<u>7,785,486</u>	\$ <u>7,540,536</u>

See notes to financial statements.

ELDORADO ARTESIAN SPRINGS, INC.

Statements of Income

	For the Years Ended March 31,	
	2016	2015
Revenues		
Water and related, net	\$ 13,721,288	\$ 12,497,850
Resort operations	<u>228,013</u>	<u>170,381</u>
Total revenues	13,949,301	12,668,231
Cost of goods sold	<u>3,525,609</u>	<u>3,182,997</u>
Gross profit	<u>10,423,692</u>	<u>9,485,234</u>
Operating expenses		
Salaries and related expenses	4,747,454	4,208,275
Administrative and general	2,457,459	2,267,421
Delivery	1,079,642	1,090,900
Advertising and promotions	220,364	259,194
Depreciation and amortization	<u>672,594</u>	<u>577,267</u>
Total operating expenses	<u>9,177,513</u>	<u>8,403,057</u>
Income from operations	<u>1,246,179</u>	<u>1,082,177</u>
Other income (expense)		
Interest income	1,802	1,508
Interest expense	<u>(241,196)</u>	<u>(215,395)</u>
Total other expense	<u>(239,394)</u>	<u>(213,887)</u>
Income before income taxes	<u>1,006,785</u>	<u>868,290</u>
Income tax (expense) benefit		
Current	(368,970)	(224,271)
Deferred	<u>41,645</u>	<u>(73,833)</u>
Total income tax expense	<u>(327,325)</u>	<u>(298,104)</u>
Net income	<u>\$ 679,460</u>	<u>\$ 570,186</u>

See notes to financial statements.

ELDORADO ARTESIAN SPRINGS, INC.

**Statement of Changes in Stockholders' Equity
For the Years Ended March 31, 2016 and 2015**

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Earnings</u>	<u>Stockholders'</u>
			<u>Capital</u>		<u>Equity</u>
Balance - March 31, 2014	6,036,091	\$ 6,036	\$ 1,693,738	\$ 10,316	\$ 1,710,090
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,186</u>	<u>570,186</u>
Balance - March 31, 2015	6,036,091	6,036	1,693,738	580,502	2,280,276
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>679,460</u>	<u>679,460</u>
Balance - March 31, 2016	<u>6,036,091</u>	<u>\$ 6,036</u>	<u>\$ 1,693,738</u>	<u>\$ 1,259,962</u>	<u>\$ 2,959,736</u>

See notes to financial statements.

ELDORADO ARTESIAN SPRINGS, INC.

Statements of Cash Flows

	For the Years Ended March 31,	
	2016	2015
Cash flows from operating activities		
Net income	\$ 679,460	\$ 570,186
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	672,594	577,267
Deferred income taxes	(41,645)	73,833
Changes in assets and liabilities		
Accounts receivable	39,256	(322,410)
Inventories	(35,748)	(72,134)
Prepaid expenses and other	(12,755)	38,781
Accounts payable	(39,432)	(92,851)
Accrued expenses	6,740	37,579
Income taxes payable	63,914	196,271
Customer deposits	(1,573)	39,448
Net cash provided by operating activities	<u>1,330,811</u>	<u>1,045,970</u>
Cash flows from investing activities		
Purchases of property and equipment	(427,597)	(369,228)
Proceeds from line-of-credit	<u>750,000</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>322,403</u>	<u>(369,228)</u>
Cash flows from financing activities		
Payments on long-term debt	(1,417,262)	(205,858)
Payments on capital lease obligations	<u>(169,808)</u>	<u>(94,688)</u>
Net cash used in financing activities	<u>(1,587,070)</u>	<u>(300,546)</u>
Net increase in cash	66,144	376,196
Cash - beginning of year	<u>1,050,655</u>	<u>674,459</u>
Cash - end of year	<u>\$ 1,116,799</u>	<u>\$ 1,050,655</u>

Supplemental disclosure of cash flow information:

Cash paid for interest for the years ended March 31, 2016 and 2015 was \$241,196 and \$215,395, respectively.

Cash paid for income taxes for the years ended March 31, 2016 and 2015 was approximately \$300,000 and \$28,000, respectively.

Supplemental disclosure of non-cash activity:

The Company acquired \$380,220 and \$99,349 for the years ended March 31, 2016 and 2015, respectively, in equipment through capital leases.

See notes to financial statements.

ELDORADO ARTESIAN SPRINGS, INC.

Notes to Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies

Eldorado Artesian Springs, Inc. (the "Company") is a Colorado corporation that primarily sells bottled Artesian spring water from springs located in Eldorado Springs, Colorado, and rents water dispensers. The Company sells coffee products and rents coffee equipment to customers. The Company also sells a line of Organic Vitamin Charged Spring Water to retail stores. During the summer months, the Company operates a natural Artesian spring pool. The Company's bottling and distribution facility is located in Louisville, Colorado.

On April 20, 2015, the Board of Directors of the Company approved and authorized the Company to terminate the registration of its common stock and suspend its reporting obligations under Sections 12(g) and 15(d), respectively, of the Securities Exchange Act of 1934, as amended. The Company filed a Form 15 with the U.S. Securities and Exchange Commission (the "SEC") to effect this termination on April 30, 2015, and the deregistration was effective 90 days after the filing of the Form 15.

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 disclosures 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.

Cash

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. At March 31, 2016 and 2015, the Company had no cash equivalents. As of the balance sheet date and periodically throughout the year, the Company's cash accounts exceeded federally insured limits.

Accounts Receivable

The Company extends unsecured credit to its customers in the ordinary course of business. The Company considers a reserve for doubtful accounts based on the creditworthiness of the customer. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Company on an ongoing basis.

Concentrations of Credit Risk

The Company grants credit in the normal course of business to customers located primarily in Colorado. The Company periodically performs credit analysis and monitors the financial condition of its customers to reduce credit risk.

ELDORADO ARTESIAN SPRINGS, INC.

Notes to Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Inventories

Inventories consist of direct costs, which are primarily made up of water bottles and packaging, and are stated at the lower of cost or market, determined using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Machinery, equipment, furniture, and fixtures are depreciated using various methods over their estimated useful lives, ranging from 3 to 10 years. Buildings and improvements are depreciated using the straight-line method over the estimated useful lives for owned assets, ranging from 15 to 39 years. Depreciable lives on leasehold improvements are the shorter of the lease term or the useful life. Capital leased assets amortize over the shorter of the estimated useful life or related lease term.

Investments

The Company owns investments of capital stock in an investee. This investment entitles the Company to an equal pro rata share of this investee's irrigation system. As the ownership represents less than 20% ownership of the Company, the value of this investment is stated at cost and evaluated for impairment if there are indications of such.

Water Rights

Water rights are recorded at cost. As water rights have an indefinite life, no amortization is recognized.

Deposits

Deposits consist primarily of deposits related to the purchase of equipment.

Other Assets

Other assets consist of loan fees and other costs, which have been recorded at cost and are being amortized using the effective interest method over the term of the loan. The Company expects to amortize approximately \$18,500 each year for the next two years.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. No impairments were deemed necessary during the fiscal years 2016 and 2015.

ELDORADO ARTESIAN SPRINGS, INC.

Notes to Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company recognizes revenue on the sale of products as customer shipments are made. Returns are estimated and recorded at the time of sale. Rental revenue is recognized on a monthly basis upon commencement of the lease agreement. Water utility revenue is recognized on a monthly basis based upon the monthly contracted rate.

The Company recognizes certain promotional expenses as a reduction in revenues. These costs include off-invoice discounts to resellers and promotions for customers.

Shipping Costs

Shipping costs for materials used in the final products are included in the cost of goods. Shipping costs for products delivered to customers are included in operating expenses.

Income Taxes

The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

The Company prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the years ended March 31, 2016 and 2015 was \$220,364 and \$259,194, respectively.

Customer Deposits

Customer deposits consist primarily of deposits on bottles and equipment.

Fair Value of Financial Instruments

The carrying amount of financial instruments, including cash, receivables, accounts payable, and accrued expenses, approximated fair value as of March 31, 2016 because of the relatively short maturity of these instruments. The carrying amount of long-term debt issued approximates fair value as of March 31, 2016 because interest rates on these instruments approximate market interest rates.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

ELDORADO ARTESIAN SPRINGS, INC.

Notes to Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Stock-Based Compensation

At March 31, 2015, all of the outstanding stock options were fully vested. During the 2016 fiscal year, as part of the deregistration with the SEC, the Company repurchased all of the outstanding stock options for approximately \$7,000.

Subsequent Events

The Company has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available for issuance. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Note 2 - Balance Sheet Disclosures

Accounts receivable are summarized as follows:

	March 31,	
	2016	2015
Accounts receivable	\$ 1,724,484	\$ 1,763,740
Allowance for doubtful accounts	<u>(120,000)</u>	<u>(120,000)</u>
	<u>\$ 1,604,484</u>	<u>\$ 1,643,740</u>

Property and equipment are summarized as follows:

	March 31,	
	2016	2015
Machinery and equipment	\$ 7,039,086	\$ 6,545,792
Buildings and improvements	4,714,021	4,634,662
Land	1,000,263	1,000,263
Office furniture and fixtures	562,388	390,224
CRM/ERP system	<u>283,807</u>	<u>220,807</u>
	13,599,565	12,791,748
Less accumulated depreciation	<u>(9,689,902)</u>	<u>(9,059,250)</u>
	<u>\$ 3,909,663</u>	<u>\$ 3,732,498</u>

Depreciation expense for the years ended March 31, 2016 and 2015 was \$630,652 and \$558,465, respectively.

ELDORADO ARTESIAN SPRINGS, INC.

Notes to Financial Statements

Note 2 - Balance Sheet Disclosures (continued)

Accrued expenses consist of the following:

	March 31,	
	2016	2015
Accrued property taxes	\$ 162,420	\$ 169,971
Accrued payroll and taxes	75,375	185,843
Accrued sales taxes	43,992	42,791
Accrued vacation	<u>123,558</u>	<u>-</u>
	<u>\$ 405,345</u>	<u>\$ 398,605</u>

Note 3 - Line-of-Credit

The Company has a line-of-credit with ANB Bank in the amount of \$750,000. The line-of-credit is subject to certain borrowing base requirements and requires monthly interest payments calculated at prime rate plus 1.00% with a minimum rate of 4.50% (5.88% as of March 31, 2016). The borrowing base was \$750,000 as of March 31, 2016. The line includes certain reporting and financial covenants, is cross collateralized by accounts receivable and inventory of the Company, and is guaranteed by two Company executives, who are also directors of the Company. The line has a maturity date of December 27, 2016. As of March 31, 2016 and 2015, the outstanding balance on the line-of-credit was \$750,000 and \$0, respectively.

Note 4 - Capital Leases

The Company has acquired assets under the provisions of long-term leases. For financial reporting purposes, minimum lease payments relating to the assets have been capitalized. The leases expire between April 25, 2016 and January 27, 2019. Amortization of the leased property is included in depreciation expense.

The assets under capital lease have cost and accumulated amortization as follows as of March 31, 2016:

Cost	\$ 723,606
Less accumulated amortization	<u>(352,563)</u>
	<u>\$ 371,043</u>

ELDORADO ARTESIAN SPRINGS, INC.

Notes to Financial Statements

Note 4 - Capital Leases (continued)

Maturities of capital lease obligations are as follows:

Year Ending March 31,

2017	\$	198,932
2018		164,822
2019		<u>57,751</u>
Total minimum lease payments		421,505
Amount representing interest		<u>(50,462)</u>
Present value of net minimum lease payments		371,043
Less current portion		<u>(165,441)</u>
Long-term capital lease obligations	\$	<u>205,602</u>

Note 5 - Long-Term Debt

Long-term debt consists of:

	<u>March 31,</u>	
	<u>2016</u>	<u>2015</u>
Note payable to a bank with interest fixed at 5.0% until February 2017, at which time the interest rate may change. The note calls for monthly principal and interest payments of \$17,690 with unpaid principal and interest due February 2, 2022. The note is cross-collateralized with the line-of-credit and backed by substantially all assets of the Company and guaranteed by two Company executives, who are also directors of the Company, and a previous director and officer of the Company. The note is subject to certain restrictive covenants.	\$ 2,484,788	\$ 2,568,417
Note payable to a bank with interest fixed at 6.0% until maturity in May 2017. The note calls for monthly principal and interest payments of \$444. The note is cross-collateralized with the line-of-credit and backed by substantially all assets of the Company and is guaranteed by two Company executives, who are also directors of the Company, and a previous director and officer of the Company.	5,973	10,396
Note payable to a bank paid in-full during fiscal year 2016.	-	1,289,506
Note payable to a bank and vendor agreement paid in-full during fiscal year 2016.	-	39,704
	<u>2,490,761</u>	<u>3,908,023</u>
Less current portion	<u>(93,437)</u>	<u>(188,654)</u>
	<u>\$ 2,397,324</u>	<u>\$ 3,719,369</u>

ELDORADO ARTESIAN SPRINGS, INC.

Notes to Financial Statements

Note 5 - Long-Term Debt (continued)

Maturities of long-term obligations are as follows:

Year Ending March 31,

2017	\$	93,437
2018		93,771
2019		97,730
2020		102,801
2021		108,135
Thereafter		<u>1,994,887</u>
	\$	<u>2,490,761</u>

Note 6 - Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the differences between the financial statement and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that are not expected to be realized based on available evidence. The Company expects future taxable income; therefore, it believes it will recognize future benefits related to its deferred tax assets.

Temporary differences and carryforwards giving rise to a significant portion of deferred tax assets and liabilities are as follows:

	<u>March 31,</u>	
	<u>2016</u>	<u>2015</u>
Allowance for doubtful accounts	\$ 44,467	\$ 44,470
Vacation accrual	34,339	-
Amortization of other assets	(13,241)	-
Property and equipment depreciation	(127,255)	(149,805)
Net operating loss and credits	<u>-</u>	<u>2,000</u>
	<u>\$ (61,690)</u>	<u>\$ (103,335)</u>

ELDORADO ARTESIAN SPRINGS, INC.

Notes to Financial Statements

Note 6 - Income Taxes (continued)

The following is a reconciliation of the statutory federal income tax rate applied to pre-tax accounting net income compared to the income taxes in the statements of income:

	For the Years Ended March 31,	
	2016	2015
Federal income taxes computed at statutory rate	\$ 344,449	\$ 295,218
State income taxes, net of federal benefit	29,677	25,432
Change resulting from		
Domestic production activities deduction	(33,552)	(26,570)
Other permanent disallowances	19,302	23,031
Return to provision adjustments and other	(32,551)	(19,007)
	<u>\$ 327,325</u>	<u>\$ 298,104</u>

Note 7 - Commitments and Contingencies

Operating Leases

The Company leases delivery trucks, vehicles, equipment, and property under non-cancelable operating leases. Rent expense for these leases for the years ended March 31, 2016 and 2015 was \$600,356 and \$463,662, respectively.

Future minimum lease payments under these leases are as follows:

<u>Year Ending March 31,</u>	
2017	\$ 528,800
2018	522,966
2019	487,800
2020	355,271
2021	202,872
Thereafter	<u>63,665</u>
	<u>\$ 2,161,374</u>

ELDORADO ARTESIAN SPRINGS, INC.

Notes to Financial Statements

Note 7 - Commitments and Contingencies (continued)

Renewable Energy Service Agreement

On June 11, 2009, the Company entered into a 20-year renewable energy service agreement with Eldorado Springs Solar, LLC, an unrelated third party, to design, install, own, operate, and maintain a solar electricity generating system at the property in Louisville, Colorado. The Company will purchase all of the solar electricity generated by the system, which will provide approximately 50% of the electricity needs at the facility in Louisville, Colorado. The agreement provides a guaranteed energy rate schedule for 10 years with a reset rate in year 11 for the electric cost. If the Company were to terminate the agreement, the Company would be required to pay a termination penalty. As of March 31, 2016, this penalty would be approximately \$340,000. The Company also has the option to purchase and take title to the system starting in year 11. During the fiscal years ended March 31, 2016 and 2015, the Company expensed \$11,487 and \$9,916, respectively, in utility costs under this agreement.

Contingency

When the Company purchased the Eldorado Springs, Colorado, property in 1983, included in the purchase of the real estate were certain water rights that had been decreed for the water sources located on the property. The Company has the right to beneficially use the water derived from the sources of water that are the subject of the decreed water rights, unless there is a call being made downstream from its location by a water right that is senior to the Company's. A senior water right would be obtained by those that applied water to a beneficial use prior to the uses associated with the Company's water sources. Because the Eldorado Springs area was not developed until the early 1900's, there are many senior water rights that could place a call on the stream, and unless the Company has a recognized replacement source of water or a decreed augmentation plan ("Augmentation Plan"), it would be forced to stop using the water from its sources.

Because demand for the Company's spring water exists on a year-round basis, the Company requires a replacement water source that can be delivered to the stream at any time during the year. Since the drought of 2002, the Company purchased shares of stock of the Farmers Reservoir and Irrigation Company ("FRICO"), entitling it to use a pro rata portion of the water belonging to FRICO as operated pursuant to state regulations that govern what are known as Mutual Ditch Companies. The Marshall Reservoir is located in close proximity to the Company's water sources in Eldorado Springs, and because the water is stored, it can be released upon demand to meet the Company's obligations.

ELDORADO ARTESIAN SPRINGS, INC.

Notes to Financial Statements

Note 7 - Commitments and Contingencies (continued)

Contingency (continued)

The water represented by the Company's shares in the FRICO system had been historically used for irrigating croplands. This meant that, in addition to obtaining a decreed Augmentation Plan from the Colorado Water Court, the Company had to obtain a change of use decree in order to use the water for replacing withdrawals as part of the Augmentation Plan. The Water Court of the State of Colorado entered a Decree on April 16, 2013 approving the change in water rights and the terms and conditions of the Company's Augmentation Plan, subject to the retained jurisdiction clauses normally associated with such actions. The Decree allows the Company to use the water represented by the FRICO shares as augmentation water to replace out-of-priority withdrawals from the Company's springs and other sources. It also established the conditions under which the Company can add other sources of water to the Augmentation Plan for use as additional replacement water. It is possible that the Company's ability to withdraw water from its springs in a particular year may be limited if the water associated with the Company's FRICO shares under drought conditions is not sufficient to meet all of the Company's replacement requirements. Because drought is an ever-present possibility in the Company's location, the Company will continue to seek additional sources of replacement and augmentation water to add to the Augmentation Plan.

Note 8 - Employee Benefit Plan

The Company has adopted a 401(k) profit sharing plan for its employees. Employees become eligible to participate in the plan once they have completed one year of service and have reached 21 years of age. Contributions by the Company and employees vest immediately. The Company matches 100% of employees' contributions up to 3% of each employee's gross pay. The Company matched approximately \$61,100 and \$54,200 for the years ended March 31, 2016 and 2015, respectively. No discretionary profit-sharing contributions were approved by the Board of Directors for the years ended March 31, 2016 and 2015.