

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2017 AND 2016**

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

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**LUTZ AND GARR**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Free Arts for Abused Children of NYC, Inc.

We have audited the accompanying financial statements of Free Arts for Abused Children of NYC, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 of 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 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 Free Arts for Abused Children of NYC, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Lotz + Carr, LLP*

New York, New York  
October 17, 2018

## FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash (Note 9)	\$ 118,214	\$ 158,300
Investments (Notes 1b, 1c and 3)	146,555	41,750
Unconditional promises to give (Notes 1d and 4)	133,448	176,882
Insurance receivable (Note 10)	152,022	-
Prepaid expenses and other assets	21,250	20,959
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 5)	24,133	31,600
Security deposits	<u>21,447</u>	<u>21,496</u>
<b>Total Assets</b>	<u>\$ 617,069</u>	<u>\$ 450,987</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 93,009	\$ 17,579
Deferred rent (Note 1h)	147,448	213,151
Other deferred income (Note 10)	31,855	-
Security deposit payable (Note 7)	4,000	-
Total Liabilities	<u>276,312</u>	<u>230,730</u>
Commitment (Note 6)		
Net Assets		
Unrestricted	247,518	134,641
Temporarily restricted (Note 2)	<u>93,239</u>	<u>85,616</u>
Total Net Assets	<u>340,757</u>	<u>220,257</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 617,069</u>	<u>\$ 450,987</u>

See notes to financial statements.

## FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Change in Unrestricted Net Assets</b>		
Revenues and Support		
Contributions	\$1,135,363	\$1,012,917
Donated services, materials, advertising and marketing (Note 8)	102,678	60,567
Fundraising events	595,581	788,821
Less: Direct benefit expenses	(111,600)	(142,792)
Merchandise sales	95,845	45,680
Sublet income (Note 7)	42,000	-
Net investment income (Note 3)	4,955	8,556
Miscellaneous income	4,594	460
	<u>1,869,416</u>	<u>1,774,209</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>57,750</u>	<u>48,500</u>
Total Revenues and Support	<u>1,927,166</u>	<u>1,822,709</u>
Expenses		
Program Services		
Free arts days	709,245	581,958
Teen arts	584,475	259,520
Parents and children together	-	359,498
Arts mentoring	-	353,124
Total Program Services	<u>1,293,720</u>	<u>1,554,100</u>
Supporting Services		
Management and general	134,719	151,884
Fundraising	385,850	406,162
Total Supporting Services	<u>520,569</u>	<u>558,046</u>
Total Expenses	<u>1,814,289</u>	<u>2,112,146</u>
Increase (Decrease) in Unrestricted Net Assets	<u>112,877</u>	<u>(289,437)</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	65,373	85,616
Net assets released from restrictions	<u>(57,750)</u>	<u>(48,500)</u>
Increase in Temporarily Restricted Net Assets	<u>7,623</u>	<u>37,116</u>
Increase (decrease) in net assets	120,500	(252,321)
Net assets, beginning of year	<u>220,257</u>	<u>472,578</u>
<b>Net Assets, End of Year</b>	<u>\$ 340,757</u>	<u>\$ 220,257</u>

See notes to financial statements.

## FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 120,500	\$ (252,321)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	13,430	13,579
Bad debt	9,001	348
Realized (gain) loss on investments	(1,388)	12,344
Unrealized gain on investments	(1,252)	(17,541)
(Increase) decrease in:		
Unconditional promises to give	34,433	81,128
Insurance receivable	(152,022)	-
Prepaid expenses and other assets	(291)	18,248
Security deposit	49	-
Increase (decrease) in:		
Accounts payable and accrued expenses	75,430	(6,440)
Deferred rent	(65,703)	(55,989)
Other deferred income	31,855	-
Security deposit payable	4,000	-
Net Cash Provided (Used) By Operating Activities	<u>68,042</u>	<u>(206,644)</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	(5,963)	(4,226)
Purchase of investments	(145,962)	(252,294)
Proceeds from sale of investments	43,797	499,248
Net Cash Provided (Used) By Investing Activities	<u>(108,128)</u>	<u>242,728</u>
Net increase (decrease) in cash	(40,086)	36,084
Cash, beginning of year	<u>158,300</u>	<u>122,216</u>
<b>Cash, End of Year</b>	<u>\$ 118,214</u>	<u>\$ 158,300</u>

See notes to financial statements.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Organization

Free Arts for Abused Children of NYC, Inc. (the "Organization") was established to provide under-served children and families with a unique combination of educational arts and mentoring programs that help them to foster the self-confidence and resiliency needed to realize their fullest potential.

b - Investments

Investments are measured at fair value on a recurring basis. Investments with fair values that are based on quoted market prices in active markets are, therefore, classified within Level 1, and include active listed equity securities, mutual funds and money market funds.

Investments that trade in markets that are not considered to be active, but are valued based on quoted prices, dealer quotations, or alternative pricing sources with observable inputs are classified within Level 2. These include certain debt securities, certificates of deposit and government agency and municipal obligations.

Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

c - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances.

Fair value measurements are categorized into three levels as follows:

- Level 1    Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.



**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017 AND 2016****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Fair Value Measurements (continued)**

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**d - Contributions and Unconditional Promises to Give**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**e - Property and Equipment**

Property and equipment are recorded at cost, if purchased, and at fair value at date of donation, if contributed, and is being depreciated using the straight-line method over the estimated useful life of the asset.

**f - Advertising and Marketing**

Advertising and marketing costs are charged to operations when incurred. Advertising expense incurred during the years ended December 31, 2017 and 2016 was \$4,413 and \$7,011, respectively. There was no donated advertising during 2017. During 2016, \$4,000 of the advertising expense was donated.

**g - Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017 AND 2016****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Deferred Rent**

The Organization records rent expense associated with its office leases on a straight-line basis over the life of the lease (Note 6). The difference between the straight-line amount and the amount actually paid during the year is recorded as a decrease to the liability and the occupancy expense in the accompanying financial statements.

**i - 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.

**j - Tax Status**

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

**k - Subsequent Events**

The Organization has evaluated subsequent event through October 17, 2018, the date that the financial statements are considered available to be issued.

**l - Recent Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.*" The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two net asset classes now entitled "net assets without donor restrictions" and "net assets with donor restrictions;" (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the impact of ASU 2016-14 for its 2018 financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. The Theater is currently evaluating the impact of ASU 2016-02 on its financial statements.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**Note 2 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted for future programs and periods.

**Note 3 - Investments**

Investments are reported at fair value and consist of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 1,264	\$ 1,264	\$13,687	\$13,687
Equities	<u>145,059</u>	<u>145,291</u>	<u>29,083</u>	<u>28,063</u>
	<u>\$146,323</u>	<u>\$146,555</u>	<u>\$42,770</u>	<u>\$41,750</u>

Net investment income for the years ended December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$2,315	\$ 3,359
Realized gain (loss) on investments	1,388	(12,344)
Unrealized gain on investments	<u>1,252</u>	<u>17,541</u>
	<u>\$4,955</u>	<u>\$ 8,556</u>

All investments are classified as Level 1 in the fair value hierarchy as of December 31, 2017 and 2016.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**Note 4 - Unconditional Promises to Give**

Unconditional promises to give are due as follows:

	<u>2017</u>		
	<u>Unrestricted</u>	<u>Future Programs and Periods</u>	<u>Total</u>
Due in less than one year	\$82,209	\$37,100	\$119,309
Due in one to five years	-	15,000	15,000
	<u>82,209</u>	<u>52,100</u>	<u>134,309</u>
Less: Discount	-	(861)	(861)
	<u>\$82,209</u>	<u>\$51,239</u>	<u>\$133,448</u>
	<u>2016</u>		
	<u>Unrestricted</u>	<u>Future Programs and Periods</u>	<u>Total</u>
Due in less than one year	\$114,016	\$35,000	\$149,016
Due in one to five years	-	30,000	30,000
	<u>114,016</u>	<u>65,000</u>	<u>179,016</u>
Less: Discount	-	(2,134)	(2,134)
	<u>\$114,016</u>	<u>\$62,866</u>	<u>\$176,882</u>

Uncollectible promises to give are expected to be insignificant. Unconditional promises to give due in excess of one year are discounted to net present value using a discount rate of 3%. As of December 31, 2017, 22% of unconditional promises to give were due from one foundation. As of December 31, 2016, 25% of unconditional promises to give were due from one estate.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**Note 5 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2017</u>	<u>2016</u>
Furniture, fixture and equipment	5-7 years	\$102,370	\$124,051
Leasehold improvements	10 years	73,652	73,652
Software	3 years	-	3,378
		<u>176,022</u>	<u>201,081</u>
Less: Accumulated depreciation		<u>(151,889)</u>	<u>(169,481)</u>
		<u>\$ 24,133</u>	<u>\$ 31,600</u>

Depreciation expense for the years ended December 31, 2017 and 2016 totaled \$13,430 and \$13,579, respectively.

**Note 6 - Lease Commitment**

The Organization leases its office space under the terms of a lease through May 31, 2023. In addition to base rent, the lease requires additional rent for utilities and increases in real estate taxes. Minimum annual rental payments are as follows:

<u>Year Ending December 31,</u>	
2018	\$240,833
2019	254,215
2020	261,892
2021	269,867
2022	277,962
Thereafter, through May 31, 2023	117,240

Rent expense for the years ended December 31, 2017 and 2016 was \$162,174 and \$172,011, respectively.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

**Note 7 - Sublet Income**

During 2017, the Organization commenced subleasing a portion of its office space. The Organization holds a security deposit from the subtenant of \$4,000. Minimum annual rental income are as follows:

<u>Year Ending December 31,</u>	
2018	\$41,000
2019	32,000

Sublet income for the year ended December 31, 2017 was \$42,000. There was no sublet income for the year ended December 31, 2016.

**Note 8 - Donated Services, Materials, Advertising and Marketing**

Donated services, materials, advertising and marketing consist of:

	<u>2017</u>	<u>2016</u>
Donated services	\$ 31,510	\$25,452
Donated materials	71,168	31,115
Donated advertising and marketing	<u>-</u>	<u>4,000</u>
	<u>\$102,678</u>	<u>\$60,567</u>

**Note 9 - Concentration of Credit Risk**

The Organization's cash is on deposit with a financial institution located in New York. The balances, at times, may exceed federally insured limits.

**Note 10 - Insurance Receivable**

Between July 2017 and February 2018, the Organization experienced theft by an employee of approximately \$157,000. The Organization's insurance covered \$152,022 which is reflected as a receivable. The insurance deductible and other costs not covered by the insurance company totaling \$5,254 was expensed as miscellaneous expenses during the year ended December 31, 2017. Of the total insurance proceeds, approximately \$28,000 was related to 2018 and was deferred.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017 AND 2016****Note 11 - Functional Allocation of Expenses**

The cost of providing the various program and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management.

**SUPPLEMENTARY INFORMATION**





**LUTZ AND CARR**

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**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of  
Free Arts for Abused Children of NYC, Inc.

We have audited the financial statements of Free Arts for the Abused Children of NYC, Inc. as of and for the years ended December 31, 2017 and 2016, and our report thereon dated October 17, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended December 31, 2017 with comparative totals for 2016 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lutz + Carr, LLP*

New York, New York  
October 17, 2018

## FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

	Program Services				Total Program Services	Supporting Services		2017	2016 *
	Free Arts Days	Teen Arts	Parents and Children Together	Arts Mentoring		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries, payroll taxes and benefits	\$403,366	\$380,418	\$ -	\$ -	\$ 783,784	\$ 54,428	\$ 93,308	\$ 931,520	\$1,214,029
Consultants	18,632	28,391	-	-	47,023	15,422	47,358	109,803	79,246
Curriculum writers	-	-	-	-	-	-	-	-	17,366
Counselor artist fees and workshops	15,959	1,972	-	-	17,931	-	-	17,931	14,604
Art supplies	58,451	5,887	-	-	64,338	-	-	64,338	37,112
Professional facilitators	4,680	-	-	-	4,680	-	-	4,680	58,648
Program food and refreshments	19,923	5,720	-	-	25,643	-	-	25,643	36,636
Volunteer, training and screening	248	1,028	-	-	1,276	148	-	1,424	1,900
Postage and materials transport	30,024	4,862	-	-	34,886	423	1,839	37,148	36,317
Workshops and conferences	5,908	511	-	-	6,419	24	-	6,443	1,192
Marketing and advertising	2,206	2,207	-	-	4,413	-	-	4,413	7,011
Printing expense	3,896	3,616	-	-	7,512	-	1,997	9,509	2,497
Occupancy	93,920	89,746	-	-	183,666	12,522	12,523	208,711	197,468
Office expenses	3,559	3,559	-	-	7,118	395	395	7,908	23,037
Insurance	11,749	11,227	-	-	22,976	1,566	1,567	26,109	28,720
Telephone	5,604	5,355	-	-	10,959	747	747	12,453	13,097
Software/hardware maintenance	1,987	7,949	-	-	9,936	10,839	863	21,638	20,678
Equipment rental	10,590	11,120	-	-	21,710	2,405	1,480	25,595	14,102
Travel	1,865	4,140	-	-	6,005	158	3,990	10,153	4,363
Supplies	3,170	3,170	-	-	6,340	432	432	7,204	5,989
Accounting	-	-	-	-	-	15,887	-	15,887	17,710
Indirect benefit expense	-	-	-	-	-	-	216,989	216,989	218,138
Gifts and recognition	2,956	2,894	-	-	5,850	417	696	6,963	14,440
Dues and subscriptions	1,724	1,724	-	-	3,448	232	194	3,874	6,887
Bank and credit card fees	-	-	-	-	-	7,793	-	7,793	9,380
Miscellaneous expenses	-	-	-	-	-	1,074	-	1,074	9,919
Bad debt	-	-	-	-	-	9,001	-	9,001	348
Tickets and merchandise	-	-	-	-	-	-	-	-	2,590
Meals	3,056	2,933	-	-	5,989	-	666	6,655	5,143
Depreciation	5,772	6,046	-	-	11,818	806	806	13,430	13,579
<b>Total Expenses, 2017</b>	<b>\$709,245</b>	<b>\$584,475</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$1,293,720</b>	<b>\$ 134,719</b>	<b>\$ 385,850</b>	<b>\$1,814,289</b>	
<b>Total Expenses, 2016</b>	<b>\$581,958</b>	<b>\$259,520</b>	<b>\$ 359,498</b>	<b>\$353,124</b>	<b>\$1,554,100</b>	<b>\$ 151,884</b>	<b>\$ 406,162</b>		<b>\$2,112,146</b>

\* Certain amounts have been reclassified for comparative purposes.

See independent auditors' report on supplementary information.