

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Fiscal Years Ended June 30, 2017 and 2016

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
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June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The College Crusade of Rhode Island, Inc.
Providence, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of The College Crusade of Rhode Island, Inc. which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 respective financial position of The College Crusade of Rhode Island, Inc. as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have also issued our report dated November 28, 2017, on our consideration of The College Crusade of Rhode Island, Inc.'s schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 audit 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of The College Crusade of Rhode Island, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The College Crusade of Rhode Island, Inc.'s internal control over financial reporting and compliance.

Report on Supplementary Information

Our audit was conducted for the purposes of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule on page 22 is presented for the purpose 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 audit 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.

NADEAU WADDICK LLP

West Warwick, Rhode Island
November 28, 2017

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 290,679	\$ 202,442
Investments	5,299,206	5,640,454
Interest receivable	6,896	9,651
Grants receivable	548,504	736,338
Other receivables	730	6,843
Prepaid expenses	<u>10,500</u>	<u>10,500</u>
TOTAL CURRENT ASSETS	<u>6,156,515</u>	<u>6,606,228</u>
<u>LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET</u>	<u>19,191</u>	<u>63,272</u>
<u>NON-CURRENT ASSETS</u>		
Believe Fund	103,575	89,870
Legacy Fund	<u>27,272</u>	<u>23,992</u>
TOTAL NON-CURRENT ASSETS	<u>130,847</u>	<u>113,862</u>
 TOTAL ASSETS	 <u>\$ 6,306,553</u>	 <u>\$ 6,783,362</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 246,138	\$ 279,692
Line of credit	285,000	457,000
Grants payable	44,830	28,620
Deferred revenue	164,484	167,469
Accrued scholarship costs	<u>886,774</u>	<u>946,980</u>
TOTAL CURRENT LIABILITIES	<u>1,627,226</u>	<u>1,879,761</u>
<u>LONG-TERM LIABILITIES</u>		
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,627,226</u>	<u>1,879,761</u>
<u>NET ASSETS</u>		
Undesignated	138,220	95,157
Board designated	<u>3,088,083</u>	<u>2,841,591</u>
Total Unrestricted	<u>3,226,303</u>	<u>2,936,748</u>
Temporarily restricted	1,427,924	1,941,753
Permanently restricted	<u>25,100</u>	<u>25,100</u>
TOTAL NET ASSETS	<u>4,679,327</u>	<u>4,903,601</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,306,553</u>	 <u>\$ 6,783,362</u>

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

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Fiscal Year Ended June 30, 2017
With Comparative Totals for the Fiscal Year Ended June 30, 2016

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES, GAINS, AND OTHER SUPPORT					
Grants - Federal	\$ 2,924,315	\$ 100,000	\$ -	\$ 3,024,315	\$ 3,120,185
Grant - State of Rhode Island	355,000	-	-	355,000	356,538
Grants - other	605,192	-	-	605,192	464,961
Contributions	39,480	-	-	39,480	53,802
Special event, net of \$9,257	30,206	-	-	30,206	50,375
Interest and dividends, net	50,144	23,755	-	73,899	90,756
Realized gain on investments, net	401,836	105,034	-	506,870	399,132
Unrealized gain/(loss) on investments, net	123,335	105,863	-	229,198	(489,462)
In-kind support	470,374	-	-	470,374	507,164
NET ASSETS RELEASED FROM RESTRICTIONS					
Cost of scholarships	848,481	(848,481)	-	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT					
	<u>5,848,363</u>	<u>(513,829)</u>	<u>-</u>	<u>5,334,534</u>	<u>4,553,451</u>
EXPENSES					
Program	4,774,817	-	-	4,774,817	4,663,796
Management and general	487,251	-	-	487,251	474,862
Development	296,740	-	-	296,740	274,381
TOTAL EXPENSES					
	<u>5,558,808</u>	<u>-</u>	<u>-</u>	<u>5,558,808</u>	<u>5,413,039</u>
CHANGE IN NET ASSETS					
	<u>289,555</u>	<u>(513,829)</u>	<u>-</u>	<u>(224,274)</u>	<u>(859,588)</u>
NET ASSETS - July 1,	<u>2,936,748</u>	<u>1,941,753</u>	<u>25,100</u>	<u>4,903,601</u>	<u>5,763,189</u>
NET ASSETS - June 30,	<u>\$ 3,226,303</u>	<u>\$ 1,427,924</u>	<u>\$ 25,100</u>	<u>\$ 4,679,327</u>	<u>\$ 4,903,601</u>

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

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
 STATEMENTS OF CASH FLOWS
 Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (224,274)	\$ (859,588)
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</i>		
Net realized gain on investments	(506,870)	(399,132)
Net unrealized (gain) loss on investments	(211,022)	488,007
Net unrealized (gain) loss on Investment - Believe Fund	(3,530)	1,434
Net unrealized (gain) loss on Investment - Legacy Fund	(14,646)	21
Depreciation	44,081	43,637
<i>(Increase) decrease in operating assets:</i>		
Interest receivable	2,755	3,393
Grants receivable	187,834	13,837
Other receivables	6,113	(3,406)
Prepaid expenses	-	(3,120)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable and accrued expenses	(33,554)	(21,754)
Grants payable	16,210	8,820
Deferred revenue	(2,985)	159,289
Accrued scholarship costs	(60,206)	(74,494)
NET CASH USED BY OPERATING ACTIVITIES	<u>(800,094)</u>	<u>(643,056)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(100,000)	(261,000)
Withdrawals from investments	1,159,140	1,237,379
Contribution to Investment - Legacy Fund	-	(100)
Withdrawals from Investment - Believe Fund	941	5,353
Withdrawals from Investment - Legacy Fund	250	250
Purchase of leasehold improvements	-	(3,329)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,060,331</u>	<u>978,553</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Advances on line-of-credit	680,000	657,000
Repayments on line-of-credit	(852,000)	(860,000)
NET CASH USED BY FINANCING ACTIVITIES	<u>(172,000)</u>	<u>(203,000)</u>
CHANGE IN CASH	88,237	132,497
CASH - July 1,	<u>202,442</u>	<u>69,945</u>
CASH - June 30,	<u>\$ 290,679</u>	<u>\$ 202,442</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</u>		
Interest expense paid	<u>\$ 11,103</u>	<u>\$ 13,551</u>

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

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION

The College Crusade of Rhode Island, Inc. (the “Crusade”) is a Rhode Island not-for-profit organization formed in November 1989 for the purpose of fostering the education of economically disadvantaged youth through Crusader support programs for parents and students along with student scholarship awards. The Crusade is an independent 501(c)(3) not-for-profit organization with oversight by a Board of Directors. The Crusade receives a substantial portion of its support from federal grant funding.

BASIS OF REPORTING

The financial statements of the Crusade have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to non-profit organizations. The financial statements of the Crusade have been prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The financial statements include prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Crusade’s financial statements for the fiscal year ended June 30, 2016 from which the summarized financial information was derived.

BASIS OF PRESENTATION

Cash and Cash Equivalents – Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. The Crusade maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Crusade has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Fair Value Measurements – Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 820, “Fair Value Measurements and Disclosures”, defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

FASB ASC No. 820 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity’s own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under FASB ASC No. 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Crusade for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access as of the measurement date.
- Level 2 – Significant inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

Investments – The Crusade's portfolio is managed by an outside investment manager who operates within the guidelines established by the Finance and Administration Committee of the Board of Directors. The Finance and Administration Committee has established and communicated to the investment manager policies relating to the nature of permitted investment instruments, diversification, and the use of derivatives.

All long-term investments have been reported in the financial statements at their current market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. The net increase (decrease) in realized and unrealized appreciation (depreciation) in the market value of such investments has been included in the statements of revenues, expenses, and changes in net assets.

Management is not aware of any derivative financial instruments through its investment manager's investment strategy and mutual fund investments. Derivatives, such as forward foreign currency contracts and futures, are used to hedge against foreign currency and price risk. Management has estimated that the risk, if any, associated with these derivatives is not material to the Crusade as June 30, 2017 and 2016.

Pledges and Grants Receivable – Promises to give and grants receivable are recorded at estimated net realizable value. Management periodically reviews the status of all promises to give and grants receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the grantor and the age of the receivable balance. As a result of these reviews, management's assessment was that all outstanding balances as of June 30, 2017 and 2016 were deemed collectible and no allowance was required.

Leasehold Improvements and Equipment – Leasehold improvements and equipment is recorded at cost. Depreciation is provided using the straight-line method over estimated useful lives of respective assets. Useful lives of assets are as follows:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>	<u>Capitalization Threshold</u>
Leasehold Improvements	5 years	\$5,000
Office Furniture & Equipment	5 years	\$2,000
Computer Equipment	3 years	\$5,000

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

Income Taxes – The Crusade is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under §509(a) of the Internal Revenue Code. Accordingly, no provision has been made for income tax in the financial statements. Generally, federal, state and local authorities may examine the Crusade’s tax returns for three years from the date of filing or the due date of the return and the current and prior three years remain subject to examination as of June 30, 2017.

Net Assets – Financial statement presentation follows the recommendation of FASB ASC No. 958, “Not-for-Profit Entities”. Under FASB ASC No. 958, the Crusade is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Unrestricted net assets are not subject to donor-imposed stipulations. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose having been accomplished and/or the stipulated time period having elapsed, are reported as transfers between the applicable classes of net assets. See Note 13 for further information on the composition of unrestricted net assets.

Temporarily Restricted Net Assets – Temporarily restricted net assets include grants, gifts, unconditional promises to give, income, and gains which can be expended but for which restrictions have not yet been met. Such restrictions include restrictions where donors have specified the purpose for which the net assets are to be spent, or time limitations imposed by donors or implied by the nature of the gift (capital projects, unconditional promises to give to be paid in the future). See Note 14 for further information on the composition of temporarily restricted net assets.

Permanently Restricted Net Assets – Permanently restricted net assets include the historical dollar amount of gifts (including unconditional promises to give), and investment earnings required by donors to be permanently retained. See Note 15 for further information on the composition of permanently restricted net assets.

Advertising Costs – The Crusade expenses advertising costs as they are incurred. For the fiscal years ending June 30, 2017 and 2016, advertising expense was \$6,985 and \$9,3189.

Compensated Absences – Employees are allowed to accrue ten vacation days and thirty sick days. Employees are entitled to receive full pay for the number of vacation days accrued at the time of termination which has been accrued. Employees’ sick leave is not accrued and does not vest. Accordingly, employees may only utilize sick time when sick or when appropriately approved for personal reasons. For fiscal years ending June 30, 2017 and 2016, accrued compensated absences were \$98,299 and \$112,354 and are included in accounts payable and accrued expenses.

Contributions – The Crusade accounts for contributions in accordance with the recommendations of FASB ASC No. 958. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or proposed 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.

Donated Goods and Services – The Crusade accounts for donated goods and services received in accordance with the recommendations of FASB ASC No. 958 at fair market value at the date of donation. There were no donated goods received during the fiscal years ended June 30, 2017 and 2016.

Contributed Services – Unpaid volunteers have made contributions of their time to develop the Crusade's programs and to assist in registering students in these programs. The value of this contributed time is reflected in these financial statements and it is susceptible to objective measurement or valuation.

Functional Allocation of Expenses – Costs of providing the Crusade's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect costs. Indirect costs are allocated among program and support services by a method that best measures the relative degree of benefit.

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. Accordingly, actual results could differ from those estimates.

Subsequent Events – The Crusade has evaluated subsequent events for recognition and disclosure through November 28, 2017, which is the date the financial statements were available to be issued. Management does not believe that there have been any events which have occurred that require further disclosure or adjustment to the financial statements as presented.

NOTE 2 – GRANTS RECEIVABLE

The following is a summary of grants receivable as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
GEAR UP Grant	\$ 517,797	\$ 726,490
Other grants	<u>30,707</u>	<u>9,848</u>
 TOTAL	 <u>\$ 548,504</u>	 <u>\$ 736,338</u>

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

NOTE 3 – INVESTMENTS

At June 30, 2017 and 2016, investments consisted of the following:

	June 30, 2017			
	Cost	Gross	Gross	Fair Value
		Unrealized	Unrealized	
		Gains	Losses	
Money market funds	\$ 81,444	\$ -	\$ -	\$ 81,444
Corporate bonds	136,903	1,430	(11,256)	127,077
U.S. Treasuries	991,191	6,832	(2,163)	995,860
Government agency securities	258,135	4,359	(803)	261,691
Preferred stocks	86,206	-	(6,921)	79,285
Common stocks	<u>2,330,939</u>	<u>1,508,940</u>	<u>(86,030)</u>	<u>3,753,849</u>
TOTAL	\$ 3,884,818	\$ 1,521,561	\$ (107,173)	\$ 5,299,206

	June 30, 2016			
	Cost	Gross	Gross	Fair Value
		Unrealized	Unrealized	
		Gains	Losses	
Money market funds	\$ 316,831	\$ -	\$ -	\$ 316,831
Corporate bonds	295,020	5,505	(18,515)	282,010
U.S. Treasuries	620,416	29,767	(10,877)	639,306
Government agency securities	330,047	10,646	(93)	340,600
Preferred stocks	88,612	-	(3,636)	84,976
Common stocks	<u>2,765,824</u>	<u>1,352,805</u>	<u>(141,898)</u>	<u>3,976,731</u>
TOTAL	\$ 4,416,750	\$ 1,398,723	\$ (175,019)	\$ 5,640,454

Gross gains of \$586,750 and gross losses of \$79,880 were realized on sales of investments during the fiscal year ended June 30, 2017 and gross gains of \$460,030 and gross losses of \$60,898 were realized on sales of investments during the fiscal year ended June 30, 2016.

Interest and dividend income for the fiscal years ended June 30, 2017 and 2016 consist of the following:

	2017	2016
Interest and dividend income	\$ 105,268	\$ 126,262
Less: Investment expenses	<u>(31,369)</u>	<u>(35,506)</u>
TOTAL	\$ 73,899	\$ 90,756

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

The cost and fair value of corporate bonds, corporate agency, U.S. Treasuries, and government agency securities at June 30, 2017 and 2016 by maturity are as follows:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Due within one year	\$ 263,879	\$ 265,754	\$ 194,213	\$ 172,946
Due after one through five years	737,903	726,273	510,025	507,616
Due after five through ten years	126,313	130,911	166,787	180,544
Due after ten years	<u>258,134</u>	<u>261,690</u>	<u>374,458</u>	<u>400,810</u>
TOTAL	\$ 1,386,229	\$ 1,384,628	\$ 1,245,483	\$ 1,261,916

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at June 30, 2017 and 2016 are as follows:

	June 30, 2017			
	Fair Value	Continuous Unrealized Losses Existing For:		Total Unrealized Losses
		Less Than 12 Months	More Than 12 Months	
<u>Debt securities:</u>				
Corporate bonds	\$ 91,210	\$ -	\$ (11,256)	\$ (11,256)
U.S. Treasuries	235,132	(2,163)	-	(2,163)
Government agency securities	<u>66,605</u>	<u>(802)</u>	<u>-</u>	<u>(802)</u>
Total debt securities	<u>392,947</u>	<u>(2,965)</u>	<u>(11,256)</u>	<u>(14,221)</u>
<u>Equity securities:</u>				
Common stocks	98,886	(20,731)	(65,300)	(86,031)
Preferred stocks	<u>79,285</u>	<u>-</u>	<u>(6,921)</u>	<u>(6,921)</u>
Total equity securities	<u>178,171</u>	<u>(20,731)</u>	<u>(72,221)</u>	<u>(92,952)</u>
TOTAL	\$ 571,118	\$ (23,696)	\$ (83,477)	\$ (107,173)

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

	June 30, 2016			
	Fair Value	Continuous Unrealized Losses Existing For:		Total Unrealized Losses
		Less Than 12 Months	More Than 12 Months	
<u>Debt securities:</u>				
Corporate bonds	\$ 191,288	\$ (5)	\$ (18,510)	\$ (18,515)
Government agency securities	67,933	(93)	-	(93)
U.S. Treasuries	71,854	-	(10,877)	(10,877)
Total debt securities	<u>331,075</u>	<u>(98)</u>	<u>(29,387)</u>	<u>(29,485)</u>
<u>Equity securities:</u>				
Common stocks	742,692	(35,015)	(106,883)	(141,898)
Preferred stocks	84,976	-	(3,636)	(3,636)
Total equity securities	<u>827,668</u>	<u>(35,015)</u>	<u>(110,519)</u>	<u>(145,534)</u>
TOTAL	<u>\$ 1,158,743</u>	<u>\$ (35,113)</u>	<u>\$ (139,906)</u>	<u>\$ (175,019)</u>

No investments at June 30, 2017 and 2016 were considered "other-than-temporary" impaired.

NOTE 4 – FAIR VALUE MEASUREMENTS

Financial instruments carried at fair value at June 30, 2017 and 2016 are presented according to the FASB fair value hierarchy as follows:

	June 30, 2017			
	Level 1	Level 2	Level 3	Total Fair Value
<u>Investments:</u>				
Money market funds	\$ 81,444	\$ -	\$ -	\$ 81,444
Corporate bonds	127,077	-	-	127,077
U.S. Treasuries	995,860	-	-	995,860
Government agency securities	261,691	-	-	261,691
Preferred stocks	79,285	-	-	79,285
Common stocks				
U.S. large cap	3,431,461	-	-	3,431,461
Developed international	322,388	-	-	322,388
	<u>5,299,206</u>	<u>-</u>	<u>-</u>	<u>5,299,206</u>
<u>Investments:</u>				
Funds held in trust by				
The Rhode Island Foundation	-	-	130,847	130,847
TOTAL	<u>\$ 5,299,206</u>	<u>\$ -</u>	<u>\$ 130,847</u>	<u>\$ 5,430,053</u>

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017 and 2016

	June 30, 2016			Total Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Money market funds	\$ 316,831	\$ -	\$ -	\$ 316,831
Corporate bonds	282,010	-	-	282,010
U.S. Treasuries	639,306	-	-	639,306
Government agency securities	340,600	-	-	340,600
Preferred stocks	84,976	-	-	84,976
Common stocks				
U.S. large cap	3,489,915	-	-	3,489,915
U.S. mid cap	4,957	-	-	4,957
Developed international	481,859	-	-	481,859
	<u>5,640,454</u>	<u>-</u>	<u>-</u>	<u>5,640,454</u>
Investments:				
Funds held in trust by The Rhode Island Foundation	<u>-</u>	<u>-</u>	<u>113,862</u>	<u>113,862</u>
TOTAL	<u>\$ 5,640,454</u>	<u>\$ -</u>	<u>\$ 113,862</u>	<u>\$ 5,754,316</u>

For the fiscal years ended June 30, 2017 and 2016, activity related to level three inputs consisted of the following:

	2017	2016
Funds held in trust by The Rhode Island Foundation at beginning of the year	\$ 113,862	\$ 120,820
Deposits	-	100
Net investment gain (loss)	18,175	(1,455)
Fees	(1,190)	(1,223)
Funds distributed to the Crusade	<u>-</u>	<u>(4,380)</u>
Funds held in trust by The Rhode Island Foundation at end of the year	<u>\$ 130,847</u>	<u>\$ 113,862</u>

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE 5 – LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET

Leasehold improvements and equipment at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
<u>Cost:</u>		
Office equipment	\$ 80,048	\$ 80,048
Furniture	91,685	91,685
Leasehold improvements	129,207	129,207
TOTAL COST	<u>\$ 300,940</u>	<u>\$ 300,940</u>
 <u>Accumulated Depreciation:</u>		
Office equipment	80,048	80,048
Furniture	78,920	68,489
Leasehold improvements	122,781	89,131
TOTAL ACCUMULATED DEPRECIATION	<u>\$ 281,749</u>	<u>\$ 237,668</u>
 LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET	 <u>\$ 19,191</u>	 <u>\$ 63,272</u>

Depreciation expense was \$44,081 and \$43,637 for the fiscal years ended June 30, 2017 and 2016, respectively.

NOTE 6 – CONTRIBUTIONS

Contributions are available for unrestricted use unless specifically restricted by the donor.

The Crusade received \$39,480 and \$53,802 of unrestricted contributions during fiscal years ended June 30, 2017 and 2016, respectively. During the year ended June 30, 2016, the Crusade received a \$100 restricted donation for scholarships.

NOTE 7 – IN-KIND SUPPORT

Schools and community centers, where services related to the federal grant programs are performed, donate personnel, certain program costs, and the use of space as in-kind support to the Crusade.

For fiscal years ended June 30, 2017 and 2016, the estimated value of in-kind support for donated personnel, certain program costs, and the use of space was \$470,374 and \$507,164, respectively. Total in-kind support of \$470,374 and \$507,164, has been reflected in the accompanying statement of activities and changes in net assets as in-kind support with a similar amount included in grant program expense.

NOTE 8 – OUTSIDE SCHOLARSHIP AGREEMENTS

The Crusade has obtained scholarship agreements from 18 colleges and universities. The college and university scholarship agreements are tied to the Crusade Board authorized tiered scholarship amounts at the time of matriculation, except for the University of Rhode Island (URI) which is tied to the full tuition amount at the time of matriculation currently \$12,002; Roger Williams University that donates \$5,000 scholarships; and Johnson and Wales University, Providence College and Rhode Island College which donate at the gold level scholarship currently at \$4,500.

The value of these scholarship agreements has not been recorded in the Crusade's financial statements since they are considered an intention to give rather than a legal obligation to give, final awards are received directly by the students and awards are considered highly contingent.

Management has estimated that the maximum value of these contingent scholarships, which may become available, to be approximately \$19,066,900 at June 30, 2017 and approximately \$22,200,000 at June 30, 2016. In August 2008 The Higher Education Opportunity Act (Public Law 110-315) authorized GEAR UP grant recipients (which the Crusade is) to benchmark their scholarship award amount in FY 2017 and FY 2016 to no less than minimum Pell vs. maximum Pell as authorized in previous years, thus reducing the maximum value of these contingent scholarships. The values used for the projected usage estimate is the Crusade's Board authorized tiered scholarship amounts. As of June 30, 2017 and 2016, management had projected the value of the non-cash contingent scholarships, which will likely be utilized over the life of the scholarship agreements to be approximately \$9,000,000 and \$9,235,190 respectively.

NOTE 9 – PENSION PLAN

The Crusade established, and has the authority to amend, The College Crusade of Rhode Island, Inc. Defined Contribution Retirement Plan on January 1, 1993, which covers substantially all employees. The Plan is administered by TIAA-CREF and allows tax-deferred employee contributions in accordance with Internal Revenue Code Section 403(b). Under the provisions of the plan, beginning July 1, 2008, employees may defer 2% or 5% of their salary and the Crusade will match up to 3%, respectively. Effective July 1, 2015 (FY2016), the Crusade's matching contribution was reduced to 1%. The Board approved to increase the matching contribution effective July 1, 2016 (FY2017) back to 3%. Employees may defer an additional percentage to a supplemental plan that is not matched by the Crusade. Participants are fully and immediately vested in plan contributions when they are made. Pension expense for the fiscal years ended June 30, 2017 and 2016 was \$76,202, and \$47,437 respectively, which is included in personnel costs.

NOTE 10 – ACCRUED SCHOLARSHIP COSTS

Through the accumulation of funds, the Crusade will award scholarships for post-secondary studies to eligible students. Scholarship awards are granted on a year-to-year basis. In the Crusade's sole judgment, if not enough money is available to meet all of the Crusade's current or future financial obligations, the Crusade's paid scholarships may be reduced as the Crusade deems appropriate, but not below the minimum Pell grant threshold which was \$600 for the 2016-2017 school year.

The Crusade's scholarship amount to four year colleges and universities and proprietary schools for 2017 and 2016 were tied to the Crusade Board maximum authorized scholarship amount of \$4,500. The Crusade's scholarship amount for two year colleges and the Community College of Rhode Island for

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

2017 and 2016 were tied to the Crusade Board maximum authorized scholarship amount at the time of matriculation, currently \$2,585.

As noted above in Note 8, the 2008 Higher Education Opportunity Act reduces the scholarship benchmark in 2012 from maximum Pell to no less than minimum Pell grant threshold.

Management has developed, and regularly updates, comprehensive projections that account for numerous factors that might influence the Crusade's potential scholarship amount and adjusts the enrollment of new cohorts accordingly. There were 519 and 411 new enrollments for the fiscal years ended June 30, 2017 and 2016, respectively. Factors that influence the potential scholarship include the number of these students who will continue in the program until they start college and whether the student will choose to attend an in-state institution or an institution from which the Crusade has secured an agreement.

At June 30, 2017, the Crusade has committed \$886,774 toward scholarships for educational expenses during the 2017/2018 school year. This amount represents an average award of approximately \$1,519 per student to approximately 584 students. At June 30, 2016, the Crusade had committed \$946,980 toward educational expenses for tuition during the 2016/2017 school year. This amount represents an average award of approximately \$2,356 per student to approximately 402 students. As noted above, the 2008 Higher Education Opportunity Act allowed for these reductions in the scholarship amounts. The changes allowed by the Higher Education Opportunity Act provided the Crusade with much needed flexibility to manage scholarship costs and to extend future opportunities to newly enrolled cohorts.

At June 30, 2017, based on the updated actuarial study completed as of February 2017 that takes into consideration the potential for five (5) year graduation, the estimated value of the potential future scholarship costs through the year 2030 is estimated to range from \$2,267,017 to \$9,284,352. This estimate represents annual awards between \$600 and \$4,500 to approximately 1,011 presently enrolled eligible Crusaders. The actual cost will be determined on an annual basis predicated on the availability of funds and other factors. At June 30, 2017 an additional 1,012 Crusaders may be eligible to receive scholarship awards through the Crusade's scholarship collaborative agreements.

At June 30, 2016, based on the updated actuarial study completed as of May 2015, the estimated value of the potential future scholarship costs through the year 2029 was estimated to range from \$2,000,000 to \$9,000,000. This estimate represents annual awards between \$600 and \$4,500 to approximately 1,073 presently enrolled eligible Crusaders. The actual cost will be determined on an annual basis predicated on the availability of funds and other factors. At June 30, 2016 an estimated additional 966 Crusaders may have been eligible to receive scholarship awards through the Crusade's scholarship collaborative agreements.

NOTE 11 – OPERATING LEASE COMMITMENTS

On September 1, 2012, the Crusade extended its lease for office space under a five year non-cancellable operating lease. Rent expense of \$128,484 and \$124,815, respectively, for the fiscal years ended June 30, 2017 and 2016 is included in occupancy costs.

As of the date of the financial statements, the Crusade was in process of negotiating a lease agreement extension. The total future minimum lease payments for the fiscal year ending June 30, 2018 are \$31,677.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE 12 – LINE OF CREDIT

The Crusade has a \$1,200,000 line of credit agreement with a financial institution. The line of credit provides the Crusade with cash flow for the GEAR UP program until such time as the Crusade is reimbursed and is secured by the assets of the Crusade. Interest is payable monthly at the 1-month LIBOR daily floating rate plus 3.0% for the fiscal years ended June 30, 2017 and 2016. Interest rates were 4.22% and 3.44% at June 30, 2017 and 2016, respectively. Balances outstanding on June 30, 2017 and 2016 were \$285,000 and \$457,000, respectively. The outstanding balance is secured by the Crusade's grants receivable and equipment. Total interest expense for the fiscal years ended June 30, 2017 and 2016 was \$11,103 and \$13,551, respectively.

NOTE 13 – UNRESTRICTED NET ASSETS

The Board of Directors has voted to provide for the use of certain unrestricted net assets in accordance with board-designated purposes. The majority of these funds are reserved for scholarships, consistent with the projections of an independent actuarial analysis. During 2014, the Board authorized the creation of the Believe Fund with the Rhode Island Foundation from undesignated net assets to provide additional operating and/or scholarship income to the Crusade. The following is a summary of unrestricted net assets as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Undesignated	\$ 138,220	\$ 95,157
Board designated		
Scholarship & operations reserve	2,984,508	2,751,721
Investments - Believe Fund	<u>103,575</u>	<u>89,870</u>
	3,088,083	2,841,591
TOTAL UNRESTRICTED NET ASSETS	<u>\$ 3,226,303</u>	<u>\$ 2,936,748</u>

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS

The Crusade received funding from a GEAR UP (Gaining Early Awareness & Readiness for Undergraduate Programs) grant during the fiscal years ended June 30, 2017 and 2016. GEAR UP Grant funds were mainly received by the Crusade on a reimbursement basis for program costs; however, funding in the amount of \$100,000 and \$261,000 was received during the fiscal years ended June 30, 2017 and 2016, respectively, to pay for current and future scholarship costs. During the fiscal year ended June 30, 2017, the Crusade paid \$848,481 in eligible GEAR UP scholarships, all of which was provided from the GEAR UP Grant. During the fiscal year ended June 30, 2016, the Crusade paid \$873,534 in eligible GEAR UP scholarships, all of which was provided from the GEAR UP Grant.

For fiscal years ended June 30, 2017 and 2016, the total amount of the investment portfolio temporarily restricted for GEAR UP Scholarship Grants was \$1,427,924 and \$1,941,753, respectively.

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

NOTE 15 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are endowment funds restricted in perpetuity, the income from which is expendable. During 2014, the Crusade transferred undesignated net assets to establish the Legacy Fund with the Rhode Island Foundation. The Legacy Fund is board-designated to fund future scholarship costs. During fiscal year ended June 30, 2016, the Crusade received a restricted contribution of \$100 for the Fund. Total amount of permanently restricted net assets was \$25,100 at June 30, 2017 and 2016, respectively.

NOTE 16 – BOARD-DESIGNATED AND PERMANENT NET ASSETS

During 2014, the Board of Directors of the Crusade voted to establish two funds to diversify its revenue stream and better position the organization to receive bequests and planned gifts. The Crusade's funds include a board-designated fund for future scholarship costs and operating income for the Crusade (Believe Fund) and an endowment fund where potential future donors can preserve their donations in perpetuity (Legacy Fund). As required by GAAP, net assets associated with endowment funds, including funds designated or restricted by the Board of Directors to function as endowments, are classified and reported based on the existence of donor-imposed restrictions. These funds are held in trust by The Rhode Island Foundation.

Interpretation of Relevant Law

The Board of Directors has interpreted State of Rhode Island Uniform Prudent Management of Institutional Funds Act (R.I. UPMIFA) to mean that the Board of Directors is to exercise prudence when appropriating for expenditure or accumulation of endowment funds and consider the uses, benefits, purposes and duration for which the endowment funds are established. As a result of this interpretation, the Crusade classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in the permanently restricted net assets is classified according to the wishes of the donor or as established by the Board of Directors. When the donor has directed a specified use for investment earnings, the remaining portion of the endowment fund is classified as temporarily restricted net assets until funds are appropriated for expenditure by a manner consistent with the standard of prudence prescribed by R.I. UPMIFA. In accordance with R.I. UPMIFA, the Crusade, in making a determination to appropriate or accumulate, shall act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances and consider, if relevant, the following factors:

1. The duration and preservation of the endowment fund;
2. The purposes of the Crusade and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Crusade; and
7. The investment policy of the Crusade.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or R.I. UPMIFA requires the Crusade to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

net assets were \$1,108 as of June 30, 2016. This deficiency resulted from unfavorable market fluctuations and administration fees charged to the fund.

Return Objectives and Risk Parameters

The Crusade has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Crusade must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results over time.

Strategies Employed for Objectives

To satisfy its long-term rate-of-return objectives, the Crusade relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Crusade's investment strategy for these funds is to invest them with an independent financial trustee.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Crusade has a policy of only appropriating for distribution the amount the independent financial trustee distributes to them annually. In establishing this policy, the Crusade considered the long-term expected return on its endowment. Accordingly, over the long term, the Crusade expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the Crusade's objective to maintain prudence when appropriating for expenditures and to provide additional real growth through new gifts and investment return.

Endowment net assets by type of fund as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>		
	<u>Unrestricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board - Restricted endowment funds	\$ -	\$ 25,100	\$ 25,100
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 25,100</u>	<u>\$ 25,100</u>

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board - Restricted endowment funds	\$ -	\$ 25,100	\$ 25,100
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 25,100</u>	<u>\$ 25,100</u>

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017 and 2016

Changes in endowment net assets for the fiscal years ended June 30, 2017 and 2016 is as follows:

	2017		
	Unrestricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 25,100	\$ 25,100
Investment return:			
Investment income	-	-	-
Net appreciation (realized and unrealized)	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 25,100</u>	<u>\$ 25,100</u>
	2016		
	Unrestricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 25,000	\$ 25,000
Contributions	-	100	100
Investment return:			
Investment income	-	-	-
Net appreciation (realized and unrealized)	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 25,100</u>	<u>\$ 25,100</u>

THE COLLEGE CRUSADE OF RHODE ISLAND, INC.
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNCTIONAL EXPENSES

Fiscal Year Ended June 30, 2017

With Comparative Totals for the Fiscal Year Ended June 30, 2016

	Program Services	Management and General	Development	2017 Total	2016 Total
Salaries	\$ 2,078,982	\$ 257,602	\$ 215,520	\$ 2,552,104	\$ 2,422,006
Payroll taxes	184,644	22,879	19,141	226,664	225,353
Employee benefits	258,125	31,984	26,759	316,868	284,007
Crusade Club expense	922,112	-	-	922,112	956,855
Cost of scholarships	816,775	-	-	816,775	833,288
Training	3,342	-	-	3,342	8,821
Consultants	182,008	29,824	19,630	231,462	178,748
Printing	34,908	5,944	6,070	46,922	39,565
Advertising	1,158	-	5,827	6,985	9,319
Occupancy	109,293	46,840	-	156,133	147,956
Postage	16,760	3,594	1,230	21,584	21,250
Office expense	30,326	12,997	-	43,323	37,527
Travel	49,866	7,136	538	57,540	64,786
Professional fees	18,011	18,568	610	37,189	48,468
Telephone	4,289	10,713	-	15,002	14,998
Insurance	6,776	20,327	-	27,103	42,587
Dues and subscriptions	5,685	1,421	1,415	8,521	7,368
Interest expense	11,103	-	-	11,103	13,551
Other expenses	9,797	4,198	-	13,995	12,949
Depreciation	30,857	13,224	-	44,081	43,637
Total Expenses	\$ 4,774,817	\$ 487,251	\$ 296,740	\$ 5,558,808	\$ 5,413,039

See Independent Auditors' Report.