

**Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)**

Financial Statements

December 31, 2018

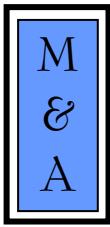


**VAIL VETERANS
PROGRAM**

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2018

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MCMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Vail Veterans Foundation, Inc.
Vail, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of Vail Veterans Foundation, Inc. (the "Foundation"), a Colorado non-profit corporation, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vail Veterans Foundation, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Vail Veterans Foundation, Inc.
Vail, Colorado

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Foundation implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), issued by the Financial Accounting Standards Board in 2018. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental budgetary comparison schedule on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Foundation's 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, except for that portion marked "unaudited", on which we express no opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
September 25, 2019

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Statement of Financial Position
December 31, 2018
(With Comparative Totals at December 31, 2017)

	2018	2017
Assets:		
Current assets:		
Cash and cash equivalents	193,514	299,695
Investments	4,090,410	1,738,839
Accounts receivable - Other	24,417	97,673
Prepaid expenses	53,768	53,268
Total current assets	4,362,109	2,189,475
Fixed assets, net	17,436	23,551
Total Assets	4,379,545	2,213,026
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	21,293	88,855
Accrued compensation and payroll taxes	33,466	36,383
Total Liabilities	54,759	125,238
Net Assets:		
Without donor restrictions	4,201,036	1,906,195
With donor restrictions	123,750	181,593
Total Net Assets	4,324,786	2,087,788
Total Liabilities and Net Assets	4,379,545	2,213,026

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

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Statement of Activities
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	<u>2018</u>			<u>2017</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues and Support:				
Contributions and grants	1,171,414	123,750	1,295,164	1,305,548
Investment income (loss)	(118,962)	-	(118,962)	117,845
In-kind contributions	2,871,005	-	2,871,005	300,818
Gain on sale of donated condominium unit	336,690	-	336,690	-
Net assets released from restrictions:				
Satisfaction of program restrictions	181,593	(181,593)	-	-
Total Revenues and Support	<u>4,441,740</u>	<u>(57,843)</u>	<u>4,383,897</u>	<u>1,724,211</u>
Expenses:				
Program services	1,733,001	-	1,733,001	1,475,553
Management and general	213,738	-	213,738	261,231
Fundraising	200,160	-	200,160	118,786
Total Expenses	<u>2,146,899</u>	<u>-</u>	<u>2,146,899</u>	<u>1,855,570</u>
Change in Net Assets	2,294,841	(57,843)	2,236,998	(131,359)
Net Assets - Beginning of Year	<u>1,906,195</u>	<u>181,593</u>	<u>2,087,788</u>	<u>2,219,147</u>
Net Assets - End of Year	<u><u>4,201,036</u></u>	<u><u>123,750</u></u>	<u><u>4,324,786</u></u>	<u><u>2,087,788</u></u>

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

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	<u>2018</u>			<u>2017</u>	
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>		
Administrative	-	8,069	-	8,069	6,512
Donated goods and services	620,747	13,709	36,549	671,005	300,818
Salaries and wages	134,065	102,849	77,559	314,473	252,282
Employee benefits and payroll taxes	11,312	9,353	6,501	27,166	27,246
Depreciation	3,427	2,689	-	6,116	5,692
Operating supplies	50,015	11,053	-	61,068	50,788
Rent and occupancy	14,000	24,437	-	38,437	35,189
Insurance	-	2,311	-	2,311	2,280
Travel and transportation	643,821	13,332	1,103	658,256	580,664
Professional fees	-	5,230	-	5,230	35,000
Activities, programs and instruction	255,614	-	-	255,614	488,759
Technology	-	5,893	-	5,893	2,478
Advertising and promotion	-	14,813	78,448	93,261	67,862
Total	1,733,001	213,738	200,160	2,146,899	1,855,570

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

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
Cash Flows from Operating Activities:		
Contributions and grants received	1,365,900	1,263,772
Interest and dividends received	113,685	69,653
Wages and benefits paid to employees	(344,556)	(263,420)
Cash paid for goods and services	<u>(1,220,384)</u>	<u>(1,240,722)</u>
Net Cash Provided (Used) by Operating Activities	<u>(85,355)</u>	<u>(170,717)</u>
Cash Flows from Investing Activities:		
Cash paid to purchase investments	(3,271,077)	(665,716)
Cash received on sale / redemption of investments	710,837	200,795
Cash paid to purchase fixed assets	-	(6,455)
Cash received on sale of donated condominium unit	<u>2,539,414</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(20,826)</u>	<u>(471,376)</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(106,181)	(642,093)
Cash and Cash Equivalents - Beginning of Year	<u>299,695</u>	<u>941,788</u>
Cash and Cash Equivalents - End of Year	<u><u>193,514</u></u>	<u><u>299,695</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in net assets	<u>2,236,998</u>	<u>(131,359)</u>
Adjustments to reconcile:		
Depreciation	6,116	5,692
Net realized (gain) loss on investments	31,382	1,188
Net unrealized (gain) loss on investments	179,807	(63,311)
Gain on sale of donated condominium unit	(339,415)	-
Donated securities	(2,520)	(3,503)
Donated condominium unit	(2,200,000)	-
(Increase) decrease in accounts receivable	73,256	(38,273)
(Increase) decrease in prepaid expenses	(500)	(46,114)
Increase (decrease) in accounts payable and accrued liabilities	(67,562)	88,855
Increase (decrease) in accrued compensation and payroll taxes	<u>(2,917)</u>	<u>16,108</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(85,355)</u></u>	<u><u>(170,717)</u></u>

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

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018

1. Organization

Vail Veterans Foundation, Inc. (the "Foundation") was incorporated in the State of Colorado as a non-profit corporation, pursuant to Articles of Incorporation filed July 24, 2006. The mission of the Foundation is to provide military injured and their families with innovative and transformational programs that build confidence and improve lives. The Foundation, which is governed by a nine-member volunteer Board of Directors (the "Board"), is located in Vail, Colorado.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

B. Basis of Presentation and Net Assets

The Foundation reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions – Net assets subject to restrictions imposed by donors or grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has lapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

C. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Foundation considers cash and cash equivalents to include all cash and highly liquid financial instruments with original maturities of three months or less.

D. Investments

The Foundation invests in marketable equity and fixed income securities which are reported on the financial statements at fair value. Net investment gain / (loss) reported in the Statement of Activities consists of interest and dividend income received, as well as both realized and unrealized gains and losses. Investment income considered to be without restrictions unless the earnings are restricted, either as to purpose or time period, by the donor of the original contribution.

E. Fair Value Measurements

The carrying amounts reported in the Statement of Financial Position for cash and cash equivalents, prepaid expenses, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)

2. Summary of Significant Accounting Policies (continued)

E. Fair Value Measurements (continued)

Generally accepted accounting principles require that financial assets be valued at “fair value”, determined through application of a three-tiered hierarchy of input levels. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based on the best information available in circumstances where markets are non-existent or illiquid.

F. Receivables

Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. At December 31, 2018, no such allowance was considered necessary by the Foundation’s management.

G. Fixed Assets

Fixed assets are stated at cost or fair value on the date of donation, if donated. Fixed assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Furniture, equipment and software	5 - 10 years
Website	10 years

H. Support and Revenue

Contributions of cash and other assets are reported as with donor or grantor restriction if they are received with donor or grantor stipulations that limit or specify the use of the donated assets, whether by time, period, or purpose. When a donor or grantor restriction expires – that is, when a stipulated time restriction ends or the stated purpose restriction is accomplished – donor / grantor restricted net assets are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions. Contributions with donor restriction received and released from restrictions within the same fiscal year are reported as contributions without donor restriction.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Unconditional promises to give expected to be collected within one year are reflected as current contributions and are recorded at their net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the Statement of Activities. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)

2. Summary of Significant Accounting Policies (continued)

H. Support and Revenue (continued)

Non-monetary contributions of goods and services are recorded at their fair values in the period received. Donated services are recorded at their fair values in the period received, provided that such services either create or enhance non-financial assets or the services are considered “professional” services which the Foundation would otherwise be required to purchase. Donated fixed assets are recorded at fair value when received and reflected in these financial statements as contribution revenue and an addition to fixed assets. Nonmonetary donations are recognized as revenue and offsetting expense or asset, depending on the nature of such support received.

Program services fees received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred.

I. Advertising

Advertising costs are expensed as incurred. Advertising expense for 2018 totaled \$93,261.

J. Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the Foundation’s programs and supporting services.

The financial statements report certain categories of expenses that are attributable to one or more of the Foundation’s program or supporting functions. Those expenses include salaries and benefits, depreciation, operating supplies, and occupancy costs. Salaries and benefits are allocated based on position and time spent on each function. Depreciation is allocated based on the use of specific assets. Operating supplies are allocated based on estimates of time and effort and reflect the allocation of salaries and benefits. Occupancy costs are allocated on the basis of the office space utilized in each Foundation function or program.

K. Income Taxes

The Foundation is a non-profit organization as described in section 501(c)(3) of the Internal Revenue Code and is thus exempt from federal and state income taxes on income which is directly related to its organizational purpose.

The federal information returns of the Foundation are subject to examination by the Internal Revenue Service. The Foundation’s information returns are no longer subject to examination for tax years prior to 2015.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)

2. Summary of Significant Accounting Policies (continued)

M. Comparative Information

The financial statements include certain prior year comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements as of and for the year ended December 31, 2017, from which the comparative totals were derived.

N. Subsequent Events

Management has evaluated subsequent events through September 25, 2019; the date these financial statements were available to be issued.

3. Investments

Investments are stated at their estimated fair values. The Foundation's investment assets are dedicated to providing the financial resources needed to meet the Foundation's charitable objectives. The Foundation's investments are managed by an independent professional investment management firm and are held in various investment structures such as mutual funds and unit investment trusts. Investments in equity securities fluctuate in value in response to many factors; such as the activities and financial condition of individual companies, business and industry market conditions and the general economic environment. The value of fixed income securities fluctuates in response to changing interest rates, credit worthiness of issuers and overall economic policies that impact market conditions.

The fair values of the Foundation's investments measured on a recurring basis at December 31, 2018 were as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 34,607	34,607	-	-
Mutual funds and exchange-traded funds	3,615,494	1,667,140	1,948,354	-
Unit investment trusts	440,309	-	440,309	-
Total	\$ 4,090,410	1,701,747	2,388,663	-

Investment income for 2018 was as follows:

Interest and dividend income	\$ 113,685
Net realized gains (losses)	(31,382)
Net unrealized gains (losses)	(179,807)
	<u>(97,504)</u>
Less: Investment management and advisory fees	<u>(21,458)</u>
Net investment return	<u>\$ (118,962)</u>

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)

4. Fixed Assets

Fixed assets consisted of the following at December 31, 2018:

Furniture, equipment and software	\$ 29,233
Website	10,050
At cost	39,283
Less: Accumulated depreciation	(21,847)
Fixed assets, net	\$ 17,436

5. Liquidity and Availability of Resources

The Foundation's net assets consist of donor-restricted amounts and amounts without donor restrictions. The Foundation's investment policy and liquidity management is structured around retaining an investment portfolio with moderate growth income. The objectives of the policy are to preserve capital so that capital losses are minimized, maintain rates of return comparable to other similar investment markets, and invest in instruments that are mostly short term in nature, to ensure the Foundation's financial obligations can be met when due.

The Foundation's financial assets available within one year from December 31, 2018 for general expenditures are as follows:

Cash and cash equivalents	\$ 193,514
Accounts receivable	24,417
Short-term investments	1,701,747
	\$ 1,919,678

6. Classification of Net Assets and Net Assets Released from Restriction

During the year ended December 31, 2018, the following assets were released from restriction:

Purpose restrictions accomplished:	
Veterans Path to Success	\$ 31,404
Summer program	65,000
Administrative	40,189
General Foundation programs and operations	45,000
Total restrictions released	\$ 181,593

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)

6. Classification of Net Assets and Net Assets Released from Restriction (continued)

At December 31, 2018, the Foundation had the following net assets both without donor restrictions and with donor restrictions.

Without donor restrictions:	
Undesignated	\$ 4,183,600
Invested in property and equipment, net of debt	<u>17,436</u>
Total net assets without donor restrictions	<u>\$ 4,201,036</u>
With donor restrictions:	
<i>Purpose restrictions:</i>	
Winter program	\$ 30,000
Red Box Legacy	10,750
General Foundation programs and operations	<u>83,000</u>
Total net assets with donor restrictions	<u>\$ 123,750</u>
Total Net Assets	<u>\$ 4,324,786</u>

7. Operating Lease

Effective in August 2017, the Foundation entered into an operating lease agreement for office space in Vail, Colorado. The lease had an initial term through July 2019, at which time the arrangement could continue as a month-to-month tenancy under the same conditions as the lease, except that the arrangement may be terminated by either party by 30-days written notice. Effective in September 2018, the agreement was amended to increase the amount of leased space and extend the lease term through July 2021. Total rent expense incurred by the Foundation in 2018 under this arrangement was \$34,400.

8. Concentrations of Credit Risk

The Federal Deposit Insurance Corporation ("FDIC") insures up to \$250,000 per depositor at each separately chartered FDIC-member financial institution, without regard to the nature of the accounts. At December 31, 2018, all of the Foundation's cash subject to FDIC deposit coverage was insured.

The Securities Investor Protection Corporation ("SIPC") protects against the loss of cash and securities held by a customer at SIPC-member brokerage firms up to \$500,000; including up to \$250,000 in cash. At December 31, 2018, \$3,630,103 of the Foundation's cash and investments was not covered by SIPC insurance.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)

9. Change in Accounting Principle

In 2018, the Foundation implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”), issued by the Financial Accounting Standards Board. This standard replaced the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets: those with donor restrictions and those without donor restrictions. Additionally, ASU 2016-14 enhanced financial disclosures with respect to Board designations, cash needs, cost allocations and “underwater” investments, if any. Certain comparative amounts as of and for the year ended December 31, 2017 have been reclassified – with no effect on net assets, total assets or total liabilities – to conform to the 2018 presentation.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Revenues, Expenses and Change in Net Assets - Budget and Actual
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	<u>2018</u>		Variance: Favorable (Unfavorable)	<u>2017</u>
	Budget (Unaudited)	Actual		Actual
Revenues and Support:				
Contributions and grants	1,597,000	1,295,164	(301,836)	1,305,548
Investment income (loss)	300	(118,962)	(119,262)	117,845
In-kind contributions	270,000	2,871,005	2,601,005	300,818
Gain on sale of donated condominium unit	-	336,690	336,690	-
Total Revenues and Support	<u>1,867,300</u>	<u>4,383,897</u>	<u>2,516,597</u>	<u>1,724,211</u>
Expenses:				
Administrative	8,500	8,069	431	6,512
Donated goods and services	-	671,005	(671,005)	300,818
Salaries and wages	288,000	314,473	(26,473)	252,282
Employee benefits and payroll taxes	24,756	27,166	(2,410)	27,246
Depreciation	-	6,116	(6,116)	5,692
Operating supplies	61,400	61,068	332	50,788
Rent and occupancy	35,700	38,437	(2,737)	35,189
Insurance	2,500	2,311	189	2,280
Travel and transportation	746,100	658,256	87,844	580,664
Professional fees	22,000	5,230	16,770	35,000
Activities, programs and instruction	611,300	255,614	355,686	488,759
Technology	4,500	5,893	(1,393)	2,478
Advertising and promotion	60,000	93,261	(33,261)	67,862
Total Expenses	<u>1,864,756</u>	<u>2,146,899</u>	<u>(282,143)</u>	<u>1,855,570</u>
Change in Net Assets	<u>2,544</u>	<u>2,236,998</u>	<u>2,234,454</u>	<u>(131,359)</u>

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