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**MERIDIAN ACADEMY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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2012  
Audit  
043582

11/21/12

Board of Trustees  
Meridian Academy  
Boston, Massachusetts

We have audited the accompanying statement of financial position of Meridian Academy (the "Academy") as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Academy's management. 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 includes consideration of *internal controls over financial reporting as a basis for designing audit procedures* that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meridian Academy as of June 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended June 30, 2011, were reviewed by us and our report thereon, dated October 4, 2011, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Russell, Briar & Co. LLP

Certified Public Accountants

November 21, 2012

**MERIDIAN ACADEMY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2012 AND 2011**

	<b>ASSETS</b>	<b>Audited</b>	<b>Reviewed</b>
		<u>2012</u>	<u>2011</u>
<b>Current Assets</b>			
Cash and cash equivalents		\$ 200,535	\$ 184,240
Accounts receivable		<u>32,763</u>	<u>11,487</u>
Total current assets		<u>233,298</u>	<u>195,727</u>
Fixed Assets, (net)		<u>24,489</u>	<u>30,443</u>
<b>Other Assets</b>			
Investments - at market value		<u>32,682</u>	<u>32,824</u>
Total other assets		<u>32,682</u>	<u>32,824</u>
Total assets		<u>\$ 290,469</u>	<u>\$ 258,994</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accrued expenses and accounts payable		\$ 4,124	\$ 1,732
Deferred tuition		<u>176,508</u>	<u>111,472</u>
Total current liabilities		<u>180,632</u>	<u>113,204</u>
<b>Long-term Liabilities</b>			
Deferred tuition		<u>6,000</u>	<u>8,000</u>
Total long-term liabilities		<u>6,000</u>	<u>8,000</u>
Total liabilities		<u>186,632</u>	<u>121,204</u>
<b>NET ASSETS</b>			
<b>Net Assets</b>			
Unrestricted net assets		<u>103,837</u>	<u>137,790</u>
Total net assets		<u>103,837</u>	<u>137,790</u>
Total liabilities and net assets		<u>\$ 290,469</u>	<u>\$ 258,994</u>

See accompanying notes and accountant's report.

**MERIDIAN ACADEMY  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>Audited</u> 2012	<u>Reviewed</u> 2011
<b>Support and Revenue</b>		
Tuition income	\$ 727,112	\$ 712,096
Less: Financial aid	<u>(298,139)</u>	<u>(284,794)</u>
Net tuition	428,973	427,302
Contributions and grants	70,659	56,796
Admission application fees	1,775	1,290
Bank interest and investment income (loss)	(1,597)	109
Student material fees	1,229	3,461
Events	428	(253)
Miscellaneous revenue	<u>301</u>	<u>900</u>
Total operating revenue and support	<u>501,768</u>	<u>489,604</u>
<b>Expenses</b>		
Program expenses	388,987	466,202
Administration expenses	144,449	34,272
Fundraising expense	<u>4,000</u>	<u>-</u>
Total expenses	<u>537,436</u>	<u>500,474</u>
<b>Change in net assets from operating activities</b>	(35,668)	(10,870)
<b>Nonoperating activities</b>		
Unrealized gains	<u>1,715</u>	<u>538</u>
<b>Change in net assets</b>	(33,953)	(10,332)
Net assets, beginning of the year	<u>137,790</u>	<u>148,122</u>
Net assets, end of the year	<u>\$ 103,837</u>	<u>\$ 137,790</u>

See accompanying notes and accountant's report.

**MERIDIAN ACADEMY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>Audited</u> 2012	<u>Reviewed</u> 2011
Cash flows from operating activities:		
Tuition income	\$ 469,923	\$ 456,887
Contributions	70,659	56,796
Interest and dividend income	260	220
Miscellaneous revenue	3,733	5,397
Salaries and wages	(282,813)	(259,107)
Employee benefits	(74,454)	(64,469)
Payments to other suppliers and vendors	<u>(166,213)</u>	<u>(162,165)</u>
Net cash provided by operating activities	<u>21,095</u>	<u>33,559</u>
Cash flows from investing activities:		
Purchase of equipment and software	<u>(4,800)</u>	<u>(5,258)</u>
Net cash used in investing activities	<u>(4,800)</u>	<u>(5,258)</u>
Net increase in cash and cash equivalents	16,295	28,301
Beginning cash and cash equivalents	<u>184,240</u>	<u>155,939</u>
Ending cash and cash equivalents	<u>\$ 200,535</u>	<u>\$ 184,240</u>

See accompanying notes and accountant's report.

**MERIDIAN ACADEMY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>Audited</u> 2012	<u>Reviewed</u> 2011
Change in net assets	\$ (33,953)	\$ (10,332)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,755	12,970
Bad Debt Expense	810	-
Realized and unrealized (gains) losses	141	(427)
(Increase) decrease in operating assets:		
Gross accounts receivable before bad debt	(22,086)	304
Prepaid Salaries and Wages	-	1,763
Increase in operating liabilities:		
Accrued Expenses and Accounts Payable	2,392	-
Deferred tuition	<u>63,036</u>	<u>29,281</u>
Net cash provided by operating activities	<u>\$ 21,095</u>	<u>\$ 33,559</u>

See accompanying notes and accountant's report.

MERIDIAN ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

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

Meridian Academy (the "Academy"), a nonprofit, independent day school in Jamaica Plain, Massachusetts, was founded in 2004. The Academy offers education to grade six through grade twelve. The Academy is an urban, independent, college preparatory school that mentors students in a small, vibrant community to become creative, questioning, analytical learners and thoughtful, involved citizens. Our curriculum incorporates the best practices from both progressive and traditional schooling, encouraging students to embrace the joys and challenges of lifelong discovery. The Academy is for students who want to become experienced problem-solvers with leadership skills; who want to propose and carry out original projects; and who want to understand the connections between the different ideas that they study and the world in which we live.

The Academy is exempt from corporate taxes under IRC Section 501(c)(3) and has been classified by the Internal Revenue Service as other than a private foundation. Management believes the tax exempt status will be maintained in the future.

A summary of the significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**- Basis of Accounting**

The Academy prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.

**- Net Assets**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, *Financial Statements of Not-for-Profit Entities*. Under ASC No. 958, the Academy is required to report 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. As of June 30, 2012, all assets held were unrestricted.

Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations or regulatory restrictions that may or will be met by actions of the School and/or the passage of time. At year end, there were no temporarily restricted net assets.

**MERIDIAN ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**- Net Assets (continued)**

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Academy. At year end, there were no permanently restricted net assets.

**- Revenues and Expenses**

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.

**- Tuition, Financial Aid, and Advanced Tuition**

Tuition represents the Academy's primary source of revenues. Tuition Revenue is recognized under the accrual basis of accounting.

Gross tuition and fees reflect the Academy's normal tuition rates for all students. Scholarships given on the basis of financial need are netted against gross tuition and fees to the extent they exceed incremental costs incurred.

Advanced tuition results from the Academy recognizing registration and tuition revenue in the period in which the related educational instruction is performed. Accordingly, registration and tuition fees received for the next school term are deferred until the instruction commences.

**- Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

**- Investments and Investment Income**

Investments in marketable equity and debt securities with readily determinable fair values are carried at their fair values in the statements of financial position. Gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in temporarily restricted net assets. When the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished), they are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from temporary restrictions. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.



**MERIDIAN ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**- Donated Services**

No amounts have been reflected in the financial statements for donated services. The Academy generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Academy with specific activities. The amounts for volunteer services are not included in the financial statements because they do not meet the necessary criteria.

**- Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**- Functional Allocation of Expenses**

Expenses by function have been allocated among programs and supporting services classifications on the basis of estimates made by the Academy's management.

**- Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents include time deposits and certificates of deposit. The Academy maintains at financial institutions cash and cash equivalents which may exceed federally insured amounts at times.

**- Accounts Receivable**

Accounts receivable include student accounts receivable and other receivables. Student accounts receivable represent amounts due for tuition, fees, and other miscellaneous charges. The Academy extends unsecured credit to students and parents in connection with their studies. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Academy provides for losses on accounts receivable through a provision for bad debt expense and adjustment to a valuation allowance based on payment history. It is the Academy's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The Academy's Allowance for Doubtful Accounts is \$0 and \$0 for the fiscal years of 2012 and 2011, respectively.

**- Fixed Assets and Depreciation**

Assets of \$500 or more with a useful life of one year or more are capitalized. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis, with one-half taken in the first and last years. Depreciation lives range from 3 to 7 years.

**MERIDIAN ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies** *(continued)*

**- Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current financial statements.

**Note 2 - Operating Lease**

The Academy signed a lease to rent classroom space beginning June 21, 2011 through June 20, 2013. Details of scheduled base payments are as follows:

<u>Year Ending</u>	
6/30/2013	93,730
Thereafter	<u>          -</u>
Total	<u>\$      93,730</u>

**Note 3 - Fixed Assets**

Investment in fixed assets and accumulated depreciation expressed on the statements of financial position comprise the following categories:

<u>2012</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Leasehold Improvements	\$      6,574	\$      (6,420)	\$          154
Computers, peripherals, and software	46,190	(35,662)	10,528
Furniture and fixtures	<u>27,338</u>	<u>(13,531)</u>	<u>13,807</u>
Total	<u>\$      80,102</u>	<u>\$      (55,613)</u>	<u>\$      24,489</u>

Depreciation expense for the years 2012 and 2011 was \$10,755 and \$12,970 respectively.

<u>2011</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
Leasehold Improvements	\$      6,574	\$      (5,339)	\$          1,235
Computers, peripherals, and software	46,190	(29,993)	16,197
Furniture and fixtures	<u>22,538</u>	<u>(9,527)</u>	<u>13,011</u>
Total	<u>\$      75,302</u>	<u>\$      (44,859)</u>	<u>\$      30,443</u>

**MERIDIAN ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 4 - Fair Value Measurements**

The Academy adopted Accounting Standards Codification No. 820, Fair Value Measurements (formerly SFAS No. 157) as of July 1, 2009, which among other matters, requires enhanced disclosures about "instruments that are measured and reported at fair value.

ASC No. 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price used in measuring instruments at fair value. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available quoted prices or for which fair value can be measured for actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The implementation of ASC No. 820 had no impact on reported amounts.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date. The type of instruments included in Level 1 include listed equity and debt securities publicly traded on a Stock Exchange.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Instruments which are generally included in this category include less liquid and restricted equity securities and over-the-counter derivatives including corporate bonds and loans, public company equity securities with legal restrictions and interest rate swap contracts.

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Instruments that are included in this category generally include investments in privately held portfolio companies, promissory notes to privately held companies, and interests in other investment partnerships.

In some instances, the inputs to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The valuation of the Academy's investments by the above fair value hierarchy consisted of the following at June 30, 2012:

	Level 1	Level 2	Level 3	Total
Investments:				
June 30, 2012	\$ 32,682	\$ -	\$ -	\$ 32,682
June 30, 2011	\$ 32,834	\$ -	\$ -	\$ 32,834

**MERIDIAN ACADEMY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 4 - Fair Value Measurements** *(continued)*

Fair value of financial instruments for which the Academy did not elect the fair value option are listed below. The fair values of such instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows and estimated discount rates. Different assumptions could significantly affect these estimates presented below. In addition, the estimates are only indicative of the value of the individual financial instruments and should not be considered an indication of the fair value of the Academy.

Carrying amount approximates fair value for the following financial instruments:

- Cash and cash equivalents
- Accounts receivable
- Accrued expenses
- Deferred tuition

**Note 5 - Investments**

Investments at fair market value at June 30, 2012 are comprised of the following:

	<u>2012</u>	<u>2011</u>
Equities	\$ 1,715	\$ 1,780
Money market funds	<u>30,967</u>	<u>31,044</u>
Total	<u>\$ 32,682</u>	<u>\$ 32,824</u>

Investment returns for the year ended June 30, 2012 and 2011 are computed as follows:

Dividends	\$ 207	\$ 30
Realized gains/(losses)	(1,924)	-
Unrealized gains/(losses)	<u>1,715</u>	<u>538</u>
Total long-term investment return	(2)	568
Interest on short-term investments	<u>120</u>	<u>79</u>
Total investment return	118	647
Investment return designated for current operations	<u>\$ 1,597</u>	<u>\$ (109)</u>
Investment return in excess of amounts designated for current operations	<u>\$ 1,715</u>	<u>\$ 538</u>

MERIDIAN ACADEMY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**Note 6 - Employee Retirement Plan**

The Academy maintains a defined contribution retirement plan covering all employees after a specified period of service. Eligible employees may contribute a portion of their annual compensation. The Academy offers a matching contribution of up to 6% of an employee's annual compensation. The Academy's contribution amounted to \$11,535 and \$12,195 for the years ended June 30, 2012 and 2011, respectively.

**Note 7 - Tax Status**

Meridian Academy is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Unrelated business income, of which there was none for the year ended June 30, 2012 and 2011, would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

The Academy evaluates tax positions taken, or expected to be taken, in its tax returns to determine whether tax positions are more-likely-than-not of being sustained by the applicable federal or state authority. The Academy has evaluated the tax positions taken in its previously filed returns and those expected to be taken in 2012 returns and believe they are more-likely-than-not of being sustained if examined by federal or state authorities. The Academy's 2008 through 2011 tax years remain subject to examination by federal and state authorities.

**Note 8 - Subsequent Events**

There were no subsequent events that required adjustments to or disclosures in the financial statements as of June 30, 2011. Subsequent events were evaluated through November 21, 2012 with the Treasurer, which is the date the Academy issued the financial statements.

INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTAL STATEMENT

To the Board of Trustees of  
Meridian Academy  
Boston, Massachusetts

Our report on the audit of the financial statements of Meridian Academy for the year ended June 30, 2012 appears on Page 1 of this report. This audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information in the following schedule is presented for purposes of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the Academy. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The financial statements for the year ended June 30, 2011, were reviewed by us and our report thereon, dated October 4, 2011, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

*Russell, Briar & Co. LLP*

Certified Public Accountants

November 21, 2012

**MERIDIAN ACADEMY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**JUNE 30, 2012**

	Program Expenses	Administrative Expenses	Fundraising Expenses	Audited 2012	Reviewed 2011
Salaries and wages	\$ 234,946	\$ 46,134	\$ -	\$ 281,080	\$ 260,870
Benefits	-	41,332	-	41,332	34,914
Payroll taxes	-	27,925	-	27,925	27,079
Payroll expenses	-	477	-	477	172
Admission expenses	-	4,720	-	4,720	2,304
Bad debt expense	-	810	-	810	-
Bank fees & Credit Card Fees	-	179	-	179	245
Legal	-	5,298	-	5,298	-
Conferences and meetings	-	2,513	-	2,513	429
Depreciation	10,755	-	-	10,755	12,970
Development contracts	-	-	3,885	3,885	-
Dues and license fees	-	4,917	-	4,917	9,275
Field trips	-	2,433	-	2,433	7,414
Filing fees	-	78	-	78	-
Food and entertainment	1,520	-	-	1,520	912
Health Education Consultant	900	-	-	900	990
Hiring costs	-	967	-	967	172
Library Expense	75	-	-	75	247
Insurance	-	5,033	-	5,033	4,597
Miscellaneous	4,027	-	-	4,027	688
Rent	91,000	-	-	91,000	85,000
Shipping	-	310	-	310	632
Software	4,499	95	-	4,594	3,447
Student T Passes	180	-	-	180	400
Student text charges	-	-	-	-	1,675
Supplies	24,313	1,228	115	25,656	28,394
Small Equipment	1,477	-	-	1,477	-
Utilities	10,590	-	-	10,590	12,993
College Guidance	89	-	-	89	223
Telephone and internet	2,975	-	-	2,975	2,507
Events and Exhibitions	431	-	-	431	132
Photography	500	-	-	500	-
Graduation	710	-	-	710	1,793
<b>Total expenses</b>	<b>\$ 388,987</b>	<b>\$ 144,449</b>	<b>\$ 4,000</b>	<b>\$ 537,436</b>	<b>\$ 500,474</b>

See accompanying notes and accountant's report.

**MERIDIAN ACADEMY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**JUNE 30, 2011**

	Program Expenses	Administrative Expenses	Fundraising Expenses	Reviewed Total
Salaries and wages	\$ 258,596	\$ 2,274	\$ -	\$ 260,870
Benefits	34,914	-	-	34,914
Payroll taxes	27,063	16	-	27,079
Payroll expenses	-	172	-	172
Admission expenses	2,304	-	-	2,304
Bank fees & Credit Card Fees	-	245	-	245
Conferences and meetings	-	429	-	429
Depreciation	12,970	-	-	12,970
Dues and license fees	-	9,275	-	9,275
Field trips	7,414	-	-	7,414
Food and entertainment	912	-	-	912
Health Education Consultant	-	990	-	990
Hiring costs	-	172	-	172
Library Expense	247	-	-	247
Insurance	-	4,597	-	4,597
Miscellaneous	-	688	-	688
Rent	85,000	-	-	85,000
Shipping	-	632	-	632
Software	-	3,447	-	3,447
Student T Passes	400	-	-	400
Student text charges	1,675	-	-	1,675
Supplies	19,566	8,828	-	28,394
Utilities	12,993	-	-	12,993
College Guidance	223	-	-	223
Telephone and internet	-	2,507	-	2,507
Events and Exhibitions	132	-	-	132
Graduation	1,793	-	-	1,793
	<u>1,793</u>	<u>-</u>	<u>-</u>	<u>1,793</u>
Total expenses	<u>\$ 466,202</u>	<u>\$ 34,272</u>	<u>\$ -</u>	<u>\$ 500,474</u>

See accompanying notes and accountant's report.