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MORE THAN WORDS, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
June 30, 2012 and 2011

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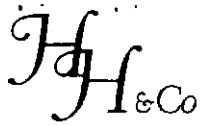
MORE THAN WORDS, INC.
Financial Statements and
Supplementary Information
June 30, 2012 and 2011

*2012
Audit*

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Heald Hoffmeister and Company, Inc.
Certified Public Accountants

*2012
AUDIT*

Kenneth J. Raffol, CPA, MST • Jill B. Treeful, CPA • Richard A. Petrie • Ryan M. Damaso, CPA, MST

Claude P. Boudwin, CPA - Audit Manager

017482

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
More Than Words, Inc.
Waltham, Massachusetts

We have audited the accompanying statements of financial position of More Than Words, Inc. (a non-profit corporation) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 More Than Words, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses on pages 12 and 13 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heald Hoffmeister and Company Inc.

October 31, 2012

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MORE THAN WORDS, INC.
Statements of Financial Position
June 30, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash	\$ 806,221	\$ 464,448
Accounts receivable	73,557	34,606
Grants receivable	-	126,600
Café inventory	854	845
Prepaid expenses	<u>8,861</u>	<u>15,063</u>
Total current assets	889,493	641,562
 PROPERTY AND EQUIPMENT:		
Equipment and furniture	110,561	60,359
Computer software	23,583	19,583
Computers and equipment	54,399	41,858
Leasehold improvements	90,939	65,580
Signage	5,317	3,727
Vehicles	<u>33,164</u>	<u>20,179</u>
	317,963	211,286
Less: accumulated depreciation	<u>129,613</u>	<u>96,573</u>
Net book value of property and equipment	188,350	114,713
 OTHER ASSETS:		
Investments	30,952	--
Security deposits and last months rent	<u>24,538</u>	<u>24,538</u>
Total other assets	<u>55,490</u>	<u>24,538</u>
 Total assets	 <u>\$ 1,133,333</u>	 <u>\$ 780,813</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 12,057	\$ 7,821
Accrued expenses	163,908	95,279
Deferred revenue	30,160	-
Sales tax payable	<u>447</u>	<u>317</u>
Total current liabilities	206,572	103,417
 NET ASSETS:		
Unrestricted net assets	<u>926,761</u>	<u>677,396</u>
Total net assets	<u>926,761</u>	<u>677,396</u>
 Total liabilities and net assets	 <u>\$ 1,133,333</u>	 <u>\$ 780,813</u>

See accompanying notes and independent auditors' report.

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MORE THAN WORDS, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
UNRESTRICTED REVENUE AND OTHER SUPPORT:		
Foundation and trust grants	\$ 926,300	\$ 834,287
Corporate and business grants	15,915	30,786
Individual donors	294,190	101,407
In-kind donations	—	5,984
Governmental contract revenue	254,337	97,187
Event donations	17	158
Net in store sales	58,964	52,183
Net café sales	6,300	8,211
Net internet sales	208,693	159,760
Interest income	1,855	117
Unrealized gain on investments	792	—
Total revenues	1,767,363	1,290,080
UNRESTRICTED EXPENSES:		
Personnel costs	850,923	445,353
Youth stipend costs	301,494	196,377
Store/training expenses	13,666	8,622
Program expenses	154,830	84,791
Occupancy expenses	138,381	73,322
Fundraising expenses	25,664	2,769
Total expenses before depreciation	1,484,958	811,234
Total change in unrestricted net assets before depreciation	282,405	478,846
Depreciation expense	33,040	24,514
Total change in unrestricted net assets	249,365	454,332
NET ASSETS AT BEGINNING OF YEAR	677,396	223,064
NET ASSETS AT END OF YEAR	\$ 926,761	\$ 677,396

See accompanying notes and independent auditors' report.

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MORE THAN WORDS, INC.
Statements of Cash Flows
For the Year Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 249,365	\$ 454,332
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	33,040	24,514
Non-cash donations	(30,159)	(5,984)
Non-cash expenditures	-	5,984
Unrealized gain on investments	(792)	-
Changes in:		
Accounts receivable	(38,951)	(7,498)
Grants receivable	126,600	(116,600)
Café inventory	(9)	382
Prepaid expenses	6,202	(11,588)
Security deposits and last month's rent	-	(16,882)
Accounts payable and accrued expenses	72,864	20,738
Deferred revenue	30,160	(30,000)
Sales taxes	<u>130</u>	<u>95</u>
Net cash provided by operating activities	448,450	317,493
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(106,677)</u>	<u>(48,055)</u>
Net cash used by investing activities	<u>(106,677)</u>	<u>(48,055)</u>
 NET INCREASE IN CASH	 341,773	 269,438
 CASH - Beginning of year	 <u>464,448</u>	 <u>195,010</u>
 CASH - End of year	 <u>\$ 806,221</u>	 <u>\$ 464,448</u>

See accompanying notes and independent auditors' report.

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MORE THAN WORDS, INC.
Notes to the Financial Statements
June 30, 2012 and 2011

NOTE 1 - Nature of Organization and Operations:

More Than Words, Inc. was organized for charitable and educational purposes in order to provide leadership and supportive employment opportunities for youths who are in the foster care system, court involved, homeless, or out of school. More Than Words, Inc. provides hands on real-world job training and youth development programming including an online, retail and café training program. Youth receive in-depth training and ongoing support to develop marketable skills including customer service, communication, technology, and professionalism critical for their successful transition into adulthood. More Than Words, Inc. provides intensive case management and programming to empower youth to address barriers in their lives including housing, court-issues, and to develop concrete education plans. The Organization supports youth in the state of Massachusetts, primarily in the greater Boston area.

NOTE 2 - Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Revenues are recognized when the services are performed and expenses are recorded as incurred.

Basis of Presentation

The Organization 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

Unrestricted net assets – are free from donor imposed restrictions and include all revenues, expenses, gains and losses that are not subject to donor restrictions. All of the Organization's net assets were unrestricted as of June 30, 2012 and 2011.

Temporarily restricted net assets – include gifts, grants, income, gains and pledges for which donor imposed restrictions have not been met.

Permanently restricted net assets – are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted and temporarily restricted purposes.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were assumed in preparing the financial statements.

See independent auditors' report.

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MORE THAN WORDS, INC.
Notes to the Financial Statements
June 30, 2012 and 2011
(Continued)

NOTE 2 - Summary of Significant Accounting Policies (continued):

Restricted and Unrestricted Revenue

Contributions of cash are recorded as income when received, and pledges are recorded as income when obtained. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(VI) and has been classified as an organization that is not a private foundation. The Organization believes that there are no uncertain tax positions that would require disclosures in these financial statements.

The Organization's information returns for the years ended June 30, 2009 through 2012 are subject to examination by the Internal Revenue Service.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalent.

Café Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out (FIFO) method.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decrease of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation expense is computed using the straight-line method over the estimated useful life of the asset.

See independent auditors' report.

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MORE THAN WORDS, INC.
Notes to the Financial Statements
June 30, 2012 and 2011
(Continued)

NOTE 2 - Summary of Significant Accounting Policies (continued):

Property and equipment consists of the following as of June 30, 2012:

	Cost	Accumulated Depreciation	Net Book Value
Equipment and furniture	\$ 110,561	\$ 45,595	\$ 64,966
Computer software	23,583	19,392	4,191
Computers and equipment	54,399	35,778	18,621
Leasehold improvements	90,939	13,286	77,653
Signage	5,317	2,951	2,366
Vehicles	33,164	12,611	20,553
	<u>\$ 317,963</u>	<u>\$ 129,613</u>	<u>\$ 188,350</u>

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Schedules of Functional Expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

Investments

The Organization reports investments in equity securities with readily determinable fair values in the statements of financial position at fair value (see Note 7). Investment income is included in the change in net assets as a change in unrestricted net assets.

Accounts and Grants Receivable

At June 30, 2012 and 2011, accounts receivable consist of \$34,628 and \$7,200, respectively, from government program contract revenue (DCF & DYS), \$36,357 and \$17,206, respectively, of funds to be received from the Organization's various online bookstore websites and the bookstore's credit card merchant processor, \$0 and \$125,800 from a grant, respectively, and \$800 and \$11,000, respectively, from individual donors. All accounts receivable are considered by management to be fully collectible. Accordingly, no allowance for doubtful accounts is required. Accounts determined to be uncollectible are charged to operations in the period that the determination is made.

Sales Taxes

The Organization records the amount of sales taxes charged to customers as a component of gross sales and is deducted as a cost of sales to arrive at net sales.

Shipping and Handling Costs

The Organization records shipping and handling cost as a direct cost of sales and is deducted from gross "internet" and "in store" book sales before arriving at net sales.

See independent auditors' report.

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MORE THAN WORDS, INC.
Notes to the Financial Statements
June 30, 2012 and 2011
(Continued)

NOTE 2 - Summary of Significant Accounting Policies (continued):

Advertising

The Organization expenses advertising costs as they are incurred in the amounts of \$5,476 in 2012 and \$3,829 in 2011 and are categorized as marketing expenses in the Schedule of Functional Expenses.

NOTE 3 - Donated Goods and Services:

The Organization generally pays for services requiring specific expertise. However, a few individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various assignments. The Organization receives donated books for youths to learn to sell as part of their employment training. At the time of donation, no amounts have been reflected in the financial statements. The value of the donated books is recorded at the time of sale when their values become determinable to the Organization and the revenue is reflected under the captions "in store" and "internet sales".

NOTE 4 - Concentration of Credit Risk:

The Organization maintains cash balances at local financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. The Organization's cash balance at times during the year may exceed the federally insured limits. At June 30, 2012 and 2011, the Organization had \$305,346 and \$0, respectively, of uninsured cash balances.

NOTE 5 - Contractual Agreement with Communities for People, Inc.:

The Organization collaborates with other non-profit organizations to support youth, including Communities for People, Inc. ("CFP"). CFP serves children, adolescents, and families by providing transitional and clinical services. More Than Words, Inc. received numerous referrals to train youths residing in CFP's residential programs. For the fiscal years ended June 30, 2012 and 2011, CFP received \$203,400 and \$76,800, respectively, of funds from the Department of Children and Families as their lead agency and was directed to pass this money to More Than Words, Inc. to support youth training. This amount is included as Governmental contract revenue in 2012 and 2011 and the expenditures are reported on the Schedule of Functional Expenses under the caption "Youth Stipends". Additionally, More Than Words, Inc. continued to purchase human resource and payroll processing services from CFP. The fee for such services, categorized as "management fees", for the fiscal years ended June 30, 2012 and 2011 totaled \$39,799 and \$20,864, respectively.

NOTE 6 - Investments and Deferred Revenue:

On June 28, 2012, the Organization received a donation of 53 shares of Apple Corporation in the amount of \$30,160. The Organization plans to sell the security and to use the cash for program expenses in the subsequent year. As of June 30, 2012, the investment's fair market value of \$30,952. The unrealized gain on this investment was \$792 as of June 30, 2012.

See independent auditors' report.

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MORE THAN WORDS, INC.
Notes to the Financial Statements

June 30, 2012 and 2011

(Continued)

NOTE 7 - Fair Value Measurements:

The Organization's investments recorded at fair value have been categorized based upon a fair value hierarchy. See Note 2 for a discussion of the Organization's policies.

The following table presents information about the Organization's investments measured at fair value as of June 30, 2012 and 2011:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	
	2012	2011
Assets (Level 1)		
Investments in securities, at fair value	\$ 30,952	\$ --

NOTE 8 - Leases:

The Organization's facilities are sub-leased under a non-cancelable operating lease from Communities for People, Inc. (CFP), see Note 5 which was renewed on June 30, 2010 for an additional three years commencing on July 1, 2010 and ending on June 30, 2013 with an option to extend. The lease contains usual clauses with respect to electric and utility charges. The Organization's operations are located at 376 Moody Street, Waltham, Massachusetts 02453. Total charges under the lease were \$43,596 in 2012 and \$43,596 in 2011.

Effective September 21, 2009, the Organization entered into a lease agreement for an additional office facility in Waltham, Massachusetts. Under the terms of the lease, the term is for one year, with three one-year term options. During 2012, the Organization elected to exercise the second of three one-year term options and expects to exercise the third option for 2013, which includes a 3% increase per month. Total charges under the lease were \$9,600 in 2012 and \$9,600 in 2011.

Effective May 1, 2011, the Organization entered into a lease agreement for an additional operating location in Boston, Massachusetts. The terms of the lease include a five year and five month initial lease, with a one five-year term option. The total charges under the lease were \$60,463 in 2012 and \$5,834 in 2011.

The future minimum rental commitments at June 30, 2012 are as follows:

<u>Year ended June 30,</u>	
2013	\$ 136,782
2014	97,264
2015	95,616
2016	95,616
Thereafter	<u>23,904</u>
Total	<u>\$ 449,182</u>

See independent auditors' report.

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MORE THAN WORDS, INC.
Notes to the Financial Statements

June 30, 2012 and 2011

(Continued)

NOTE 9 - Fundraising Expenses:

The Organization engages in an annual mass mailing and distribution of program materials for grant proposals to raise funds for the various services they offer. Total fundraising expenses for the years ending June 30, 2012 and 2011 were \$25,664 and \$2,769, respectively.

NOTE 10 - Program Activities Presentation:

The Organization presents its gross sales and direct cost of sales on a net sales basis for its internet and in store book sales training program as well as its café training program. The programs are comprised of the following revenues and expenses:

	<u>2012</u>	<u>2011</u>
<u>Internet book sales</u>		
Revenue:		
Sales	\$ 409,349	\$ 294,634
Expenses:		
Cost of goods sold	—	35
Shipping and postage	<u>200,656</u>	<u>134,839</u>
	<u>200,656</u>	<u>134,874</u>
Net Sales	<u>\$ 208,693</u>	<u>\$ 159,760</u>
 <u>In store book sales</u>		
Revenue:		
Sales	\$ 64,157	\$ 58,068
Expenses:		
Cost of goods sold	1,261	1,239
Sales tax	2,944	3,324
Processing fees	<u>988</u>	<u>1,322</u>
	<u>5,193</u>	<u>5,885</u>
Net Sales	<u>\$ 58,964</u>	<u>\$ 52,183</u>
 <u>Café sales</u>		
Revenue:		
Sales	\$ 18,746	\$ 21,020
Expenses:		
Cost of goods sold	11,292	11,225
Meals tax	<u>1,154</u>	<u>1,584</u>
	<u>12,446</u>	<u>12,809</u>
Net Sales	<u>\$ 6,300</u>	<u>\$ 8,211</u>

See independent auditors' report.

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MORE THAN WORDS, INC.
Notes to the Financial Statements
June 30, 2012 and 2011
(Continued)

NOTE 11 - Reclassification:

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

NOTE 12 - Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through October 31, 2012, the date which the financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.

See independent auditors' report.

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MORE THAN WORDS, INC.
Schedules of Functional Expenses
For the year ended June 30, 2012, with Comparative Totals for 2011

	<u>2012</u>			<u>2011</u>	
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
PERSONNEL COSTS:					
Adult staff wages and compensation	\$ 713,317	\$ 18,290	\$ --	\$ 731,607	\$ 379,438
Temporary help	13,737	--	--	13,737	6,587
Payroll taxes	65,251	529	--	65,780	38,464
Management fee	<u>39,426</u>	<u>373</u>	<u>--</u>	<u>39,799</u>	<u>20,864</u>
Total personnel and stipend costs	<u>\$ 831,731</u>	<u>\$ 19,192</u>	<u>\$ --</u>	<u>\$ 850,923</u>	<u>\$ 445,353</u>
YOUTH STIPENDS:					
Youth staff wages and compensation	\$ 268,058	\$ --	\$ --	\$ 268,058	\$ 172,365
Payroll taxes	30,069	--	--	30,069	20,802
Payroll processing fees	<u>3,367</u>	<u>--</u>	<u>--</u>	<u>3,367</u>	<u>3,210</u>
Total youth stipends	<u>\$ 301,494</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 301,494</u>	<u>\$ 196,377</u>
STORE/TRAINING EXPENSES:					
Internet service fees	\$ 8,190	\$ --	\$ --	\$ 8,190	\$ 4,793
Marketing expenses	<u>5,476</u>	<u>--</u>	<u>--</u>	<u>5,476</u>	<u>3,829</u>
Total online store/training expenses	<u>\$ 13,666</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 13,666</u>	<u>\$ 8,622</u>
PROGRAM EXPENSES:					
Merchant and bank processing fees	\$ 39	\$ --	\$ --	\$ 39	\$ 142
Insurance	10,737	1,193	--	11,930	8,167
Internet and telephone	13,626	1,514	--	15,140	6,360
Technology	11,956	1,328	--	13,284	5,909
Miscellaneous expense	181	--	--	181	924
Donations	--	--	--	--	100
Printing and postage	1,511	80	--	1,591	1,161
License, permits and filing fees	1,691	124	--	1,815	244
Supplies	49,592	5,510	--	55,102	25,324
Professional services	25,595	2,844	--	28,439	24,712
Professional development	12,018	--	--	12,018	7,442
Travel and meetings	1,103	2,240	--	3,343	139
Vehicle	<u>11,948</u>	<u>--</u>	<u>--</u>	<u>11,948</u>	<u>4,167</u>
Total program expenses	<u>\$ 139,997</u>	<u>\$ 14,833</u>	<u>\$ --</u>	<u>\$ 154,830</u>	<u>\$ 84,791</u>

See accompanying notes and independent auditors' report.

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MORE THAN WORDS, INC.

Schedules of Functional Expenses - Continued

For the year ended June 30, 2012, with Comparative Totals for 2011

	<u>2012</u>			<u>2011</u>	
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
OCCUPANCY EXPENSES:					
Facility repair and maintenance	\$ 8,014	\$ 422	\$ --	\$ 8,436	\$ 2,960
Rent, parking and other	109,328	5,754	--	115,082	60,780
Utilities	<u>14,120</u>	<u>743</u>	<u>--</u>	<u>14,863</u>	<u>9,582</u>
Total occupancy expense	<u>\$ 131,462</u>	<u>\$ 6,919</u>	<u>\$ --</u>	<u>\$ 138,381</u>	<u>\$ 73,322</u>
FUNDRAISING EXPENSES:					
Event supplies	\$ --	\$ --	\$ 9,404	\$ 9,404	\$ 1,889
Postage	--	--	1,408	1,408	880
Professional fundraisers	<u>--</u>	<u>--</u>	<u>14,852</u>	<u>14,852</u>	<u>--</u>
Total fundraising expenses	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 25,664</u>	<u>\$ 25,664</u>	<u>\$ 2,769</u>
TOTAL EXPENSES BEFORE DEPRECIATION	<u>\$ 1,418,350</u>	<u>\$ 40,944</u>	<u>\$ 25,664</u>	<u>\$ 1,484,958</u>	<u>\$ 811,234</u>
DEPRECIATION EXPENSE	<u>\$ 31,388</u>	<u>\$ 1,652</u>	<u>\$ --</u>	<u>\$ 33,040</u>	<u>\$ 24,514</u>
TOTAL EXPENSES	<u>\$ 1,449,738</u>	<u>\$ 42,596</u>	<u>\$ 25,664</u>	<u>\$ 1,517,998</u>	<u>\$ 835,748</u>

See accompanying notes and independent auditors' report.