

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2017**

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**INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
Spay Neuter Project of Los Angeles, Inc.  
Los Angeles, CA**

**REPORT ON THE FINANCIAL STATEMENTS:**

**We have audited the accompanying financial statements of Spay Neuter Project of Los Angeles, Inc., which comprise the statement of financial position as of December 31, 2017 and 2016 and the related statements of activities, cash flows and functional expenses 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.**

**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 Spay Neuter Project of Los Angeles, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.**



**Arndt Consulting, LLC  
November 2, 2018  
Brookfield, WI**

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 53,576	\$ 94,354
Accounts receivable - net	50,823	42,267
Grants receivable	135,000	404,000
Prepaid and other current assets	9,490	18,662
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	248,889	559,283
<b>PROPERTY AND EQUIPMENT:</b>		
Property and equipment	418,153	418,153
Accumulated depreciation	(411,301)	(404,281)
	<hr/>	<hr/>
NET PROPERTY AND EQUIPMENT	6,852	13,872
<b>OTHER ASSETS:</b>		
Security deposits	7,230	7,230
	<hr/>	<hr/>
TOTAL ASSETS \$	<u>262,971</u>	<u>\$ 580,385</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 285,979	\$ 476,015
Accrued expenses	2,952	5,448
Accrued salaries and taxes	120,200	111,340
Deferred income	96,963	23,747
Line of credit	18,809	17,197
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	524,903	633,747
<b>NET ASSETS:</b>		
Unrestricted	(261,932)	(419,087)
Temporarily restricted	-	365,725
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>(261,932)</u>	<u>(53,362)</u>
TOTAL LIABILITIES AND NET ASSETS \$	<u>262,971</u>	<u>\$ 580,385</u>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT:</b>			
Grants	\$ 581,379	\$ -	\$ 581,379
Contributions	83,295	-	83,295
In-kind contributions	50,000	-	50,000
Net assets released from restrictions	<u>365,725</u>	<u>(365,725)</u>	<u>-</u>
	1,080,399	(365,725)	714,674
<b>REVENUE:</b>			
Program service revenue	<u>2,483,600</u>	<u>-</u>	<u>2,483,600</u>
	<u>2,483,600</u>	<u>-</u>	<u>2,483,600</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>3,563,999</b>	<b>(365,725)</b>	<b>3,198,274</b>
<b>EXPENSES:</b>			
Program	2,899,664	-	2,899,664
Management and general	373,707	-	373,707
Fundraising	<u>133,473</u>	<u>-</u>	<u>133,473</u>
	<u>3,406,844</u>	<u>-</u>	<u>3,406,844</u>
<b>CHANGE IN NET ASSETS</b>	<b>157,155</b>	<b>(365,725)</b>	<b>(208,570)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>(419,087)</u>	<u>365,725</u>	<u>(53,362)</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ (261,932)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (261,932)</u></u>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT:			
Grants	\$ 661,190	\$ 365,725	\$ 1,026,915
Contributions	68,216	-	68,216
Net assets released from restrictions	-	-	-
	<u>729,406</u>	<u>365,725</u>	<u>1,095,131</u>
REVENUE:			
Program service revenue	<u>2,263,464</u>	<u>-</u>	<u>2,263,464</u>
	<u>2,263,464</u>	<u>-</u>	<u>2,263,464</u>
 TOTAL SUPPORT AND REVENUE	 2,992,870	 365,725	 3,358,595
EXPENSES:			
Program	2,680,763	-	2,680,763
Management and general	257,810	-	257,810
Fundraising	97,546	-	97,546
	<u>3,036,119</u>	<u>-</u>	<u>3,036,119</u>
 CHANGE IN NET ASSETS	 (43,249)	 365,725	 322,476
 NET ASSETS - BEGINNING OF YEAR	 <u>(375,838)</u>	 <u>-</u>	 <u>(375,838)</u>
NET ASSETS - END OF YEAR	<u>\$ (419,087)</u>	<u>\$ 365,725</u>	<u>\$ (53,362)</u>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**
**STATEMENT OF CASH FLOWS**
**YEARS ENDED DECEMBER 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (208,570)	\$ 322,476
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	7,020	9,300
Change in accounts receivable	(8,556)	32,731
Change in grants receivable	269,000	(264,000)
Change in prepaid and other current assets	9,172	1,932
Change in security deposits	-	3,000
Change in accounts payable	(190,036)	22,203
Change in accrued expenses	6,364	18,763
Change in deferred revenue	<u>73,216</u>	<u>(115,873)</u>
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	(42,390)	30,532
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
No activity to report	<u>-</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds/(repayment) on line of credit	<u>1,612</u>	<u>(168)</u>
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	<u>1,612</u>	<u>(168)</u>
NET CHANGE IN CASH	(40,778)	30,364
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	<u>94,354</u>	<u>63,990</u>
End of year	<u>\$ 53,576</u>	<u>\$ 94,354</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 2,907</u>	<u>\$ 4,669</u>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2017**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,476,007	\$ 173,648	\$ 86,824	\$ 1,736,479
Payroll taxes	133,768	15,737	7,869	157,374
Employee benefits	107,212	12,613	6,307	126,132
Worker compensation	58,577	6,891	3,446	68,914
Outside services	224,310	-	-	224,310
Legal and professional	-	9,135	-	9,135
Medical and surgical supplies	514,534	-	-	514,534
Animal care supplies	90,595	-	-	90,595
Minor equipment purchases	8,014	-	-	8,014
Telephone	16,459	1,936	969	19,364
Auto expense	19,971	-	-	19,971
Repairs and maintenance	18,755	-	-	18,755
Recruitment and training	2,888	-	-	2,888
Other staff expense	15,484	-	-	15,484
Development expense	-	-	14,803	14,803
Insurance	9,907	1,166	582	11,655
Depreciation	7,020	-	-	7,020
Payroll processing	7,858	925	462	9,245
Janitorial supplies	5,058	-	-	5,058
Office supplies	17,118	2,014	1,007	20,139
Software expense	5,827	-	-	5,827
Rent	112,788	13,269	6,635	132,692
Utilities and telecommunications	6,219	732	365	7,316
Permits and licenses	-	2,647	-	2,647
Equipment leases	30,006	-	-	30,006
Travel	899	106	53	1,058
Web development	3,761	-	3,760	7,521
Bank and credit card charges	-	59,544	-	59,544
Interest and finance fees	-	12,564	-	12,564
Alarm system	592	70	35	697
Printing and postage	5,535	651	326	6,512
Messengers and delivery	502	59	30	591
Settlement expense	-	10,000	-	10,000
In-kind expense	-	50,000	-	50,000
<b>TOTAL EXPENSES</b>	<b>\$ 2,899,664</b>	<b>\$ 373,707</b>	<b>\$ 133,473</b>	<b>\$ 3,406,844</b>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**
**STATEMENT OF FUNCTIONAL EXPENSES**
**YEAR ENDED DECEMBER 31, 2016**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,180,466	\$ 138,878	\$ 69,440	\$ 1,388,784
Payroll taxes	105,084	12,363	6,181	123,628
Employee benefits	132,817	15,626	7,812	156,255
Worker compensation	48,236	5,675	2,837	56,748
Outside services	415,790	-	-	415,790
Legal and professional	-	8,700	-	8,700
Medical and surgical supplies	531,354	-	-	531,354
Animal care supplies	45,040	-	-	45,040
Minor equipment purchases	1,717	-	-	1,717
Telephone	15,298	1,800	900	17,998
Auto expense	15,358	-	-	15,358
Repairs and maintenance	15,352	-	-	15,352
Recruitment and training	1,619	-	-	1,619
Other staff expense	7,271	-	-	7,271
Development expense	-	-	1,884	1,884
Insurance	6,616	778	390	7,784
Depreciation	9,300	-	-	9,300
Payroll processing	5,446	641	320	6,407
Janitorial supplies	4,485	-	-	4,485
Office supplies	19,377	2,280	1,139	22,796
Software expense	6,639	-	-	6,639
Rent	69,395	8,164	4,082	81,641
Utilities and telecommunications	10,487	1,234	617	12,338
Permits and licenses	-	1,862	-	1,862
Equipment leases	27,161	-	-	27,161
Travel	-	-	-	-
Web development	1,663	-	1,662	3,325
Bank and credit card charges	-	54,576	-	54,576
Interest expense	-	4,669	-	4,669
Alarm system	116	14	7	137
Printing and postage	4,389	516	258	5,163
Messengers and delivery	287	34	17	338
<b>TOTAL EXPENSES</b>	<b><u>\$ 2,680,763</u></b>	<b><u>\$ 257,810</u></b>	<b><u>\$ 97,546</u></b>	<b><u>\$ 3,036,119</u></b>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.****NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2017 and 2016****NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:****DESCRIPTION OF ORGANIZATION:**

Spay Neuter Project of Los Angeles, Inc. (the Organization) began operations in August 2007. The Organization is a not-for-profit, tax exempt 501 (c) (3) public benefit organization dedicated to substantially reducing animal shelter intake. Program revenue is predominately received from the general public.

**NATURE OF PROGRAMS:**

Spay and Neuter Clinics – The Organization operates three spay and neuter clinics that provide high-quality, low-cost spay and neuter services to underserved communities in the Los Angeles area.

**TAX-EXEMPT STATUS:**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Additionally, the Organization qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as a publicly supported entity under Section 509(a)(1). Generally, the Organization's tax exempt income tax returns are subject to examination for three years after they are filed.

**FAIR VALUE OF FINANCIAL INSTRUMENTS:**

The Organization's financial instruments include cash and cash equivalents, accounts receivable, grants receivable and accounts payable. The recorded values of these financial instruments approximate their fair value based on their short-term nature.

**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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS:**

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

**ACCOUNTS AND GRANTS RECEIVABLE:**

The Organization grants trade credit to its customers. Accounts receivable are valued at management's estimate of amounts that will ultimately be collected based on historical collectability data. Accounts and grants receivable are charged off as uncollectible when management determines they have exhausted all reasonable collection efforts. No allowance for doubtful accounts has been provided in the accompanying financial statements because management believes the balances are fully collectible.

**INVENTORY:**

The Organization expenses purchases of medical and surgical supplies in the year of acquisition. No amounts are recorded on the statement of financial position as inventory on a recurring basis.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.****NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2017 and 2016****NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):****FINANCIAL STATEMENT PRESENTATION:**

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

Unrestricted net assets – Unrestricted net assets generally result from revenues from providing services, producing and delivering goods, receiving unrestricted contributions, and receiving dividends or interest from investing in income producing assets, less expenses incurred in providing services, producing and delivering goods, raising contributions, and performing administrative functions. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors, and others entered into by the Organization in the course of its business.

Temporarily restricted net assets – The part of the net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – The part of the net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor imposed stipulations.

**PROPERTY AND EQUIPMENT:**

Property and equipment is stated at cost if purchased or fair market value at the date of the gift if donated. Acquisitions of property and equipment and expenditures for improvements and betterments that prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in the statement of activities. Property and equipment is depreciated using the straight-line method over the shorter of the estimated useful lives or lease term if a leasehold improvement. Depreciation expense was \$7,020 and \$9,300 for the years ended December 31, 2017 and 2016, respectively.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2017 and 2016**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**REVENUE RECOGNITION:**

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

**IN-KIND CONTRIBUTIONS:**

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

**DONATED SERVICES:**

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**NOTE B – CONCENTRATION OF CREDIT RISK:**

The Organization maintains its cash balances in a financial institution. Cash balances may exceed federally insured limits. The Organization monitors the financial condition of its financial institution and believes it is not exposed to any significant credit risk on cash.

**NOTE C – PROPERTY AND EQUIPMENT:**

The major categories of property and equipment as of December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 249,830	\$ 249,830
Furniture, fixtures and equipment	<u>168,323</u>	<u>168,323</u>
	418,153	418,153
Less accumulated depreciation	<u>411,301</u>	<u>404,281</u>
	<u>\$ 6,852</u>	<u>\$ 13,872</u>

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2017 and 2016**

**NOTE D – LINE OF CREDIT:**

The Organization has a \$20,000 revolving line of credit with a bank. The principal balance on the line of credit as of December 31, 2017 and 2016 was \$18,809 and \$17,197. The underlying note bears interest at 11.25%, is due January 2018, automatically renewable in one year increments and unsecured.

**NOTE E – TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets were available for the following purposes as of December 31, 2016:

	<u>2016</u>
Best Friends grant for 2017 operations	\$ 342,000
Best Friends grant for 2017 NKLA	<u>23,725</u>
	<u>\$ 365,725</u>

**NOTE F – CONCENTRATION OF REVENUE:**

The Organization receives a substantial portion of its support and revenue from a limited number of sources. For the years ended December 31, 2017 and 2016, one source accounted for 11.87% and 18.13% respectively of total revenue and support. Grants receivable from this source at December 31, 2017 and 2016 were \$35,000 and \$294,000, respectively.

**NOTE G – LEASE COMMITMENT:**

The Organization leased its Pico facility under a long-term non-cancelable operating lease agreement that expired in June 2018 and required payment of common area maintenance costs in addition to rent. Rent expense including common area maintenance costs for the years ended December 31, 2017 and 2016 was \$79,581 and \$77,652 respectively.

The Organization also leases separate storage and program space on a month-to-month basis. Included in rent expense for these spaces is \$14,964 and \$3,989 respectively for the years ended December 31, 2017 and 2016.

The Organization leases equipment through two separate operating leases which run through December 2020. Aggregate monthly payments are \$2,177 through March 2019 and \$1,950 thereafter through December 2020. Included in equipment lease expense for this equipment is \$30,006 and \$27,161 respectively for the years ended December 31, 2017 and 2016.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2017 and 2016**

**NOTE G – LEASE COMMITMENT (CONTINUED):**

Future minimum lease payments under the above leases are as follows:

Year ending December 31:	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
2018	\$ 40,414	\$ 26,123	\$ 66,537
2019	-	24,081	24,081
2020	-	23,400	23,400
	<u>\$ 40,414</u>	<u>\$ 73,604</u>	<u>\$ 114,018</u>

Additionally, the Organization leases space that is owned by the City of Los Angeles for the operation of its Los Angeles and San Pedro facilities. The space is provided in exchange for discounted spay and neuter surgical services. No in-kind rent expense or contribution revenue has been recognized in the accompanying financial statements because of the discounted nature of the surgical services. The Los Angeles lease runs through March 2021 and the San Pedro lease ran through December 31, 2017 with automatic one-year extensions through December 31, 2020.

The Organization leases its Mission Hills facility on a month-to-month basis. The space is provided in exchange for diagnostics services. For the year ended December 31, 2017, rent expense related to these diagnostic services was \$38,147.

**NOTE H- CONTINGENCIES AND OTHER COMMITMENTS:**

Certain grant agreements may be subject to audit by funding sources. These audits may result in funding reimbursement requests if the grant agreement stipulations are not fulfilled. Management believes that it is in compliance with all such agreements. Accordingly, no amounts have been provided in the accompanying financial statements for these potential claims.

The Organization is party to a five-year agreement that obligates it to purchase at least \$60,000 in laboratory services annually from a specific service provider through May 2021. At the agreement's inception, the service provider provided certain equipment with an estimated value of \$76,000 without charge. Upon completion of this agreement, the Organization will own the equipment and upon default it will be required to purchase the equipment at an amount equal to the unamortized equipment value prorated over the length of the service agreement.

**NOTE I – SUBSEQUENT EVENTS:**

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, November 2, 2018. There were no subsequent events that required recognition or disclosure.