

**CAPI USA**  
Minneapolis, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
December 31, 2016 and 2015



**CERTIFIED PUBLIC ACCOUNTANTS**

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Carpenter Evert & Associates  
Independent Auditor's Report

Certified Public Accountants  
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435  
952.831.0085 [carpenterevert.com](http://carpenterevert.com)

Board of Directors  
CAPI USA  
Minneapolis, Minnesota

We have audited the accompanying financial statements of CAPI USA, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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 audits 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 CAPI USA as of December 31, 2016 and 2015, and the statements of activities and 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.

*Carpenter Evert and Associates, LTD.*

Certified Public Accountants

Minneapolis, Minnesota  
May 12, 2017

## CAPI USA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016		2015		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
Support and Revenue:					
Contributions	\$ 542,248	\$ 274,500	\$ 816,748	\$ 210,500	\$ 470,523
United Way	87,721	-	87,721	-	75,160
Government Grants and Contracts	1,047,638	-	1,047,638	-	955,873
Program Service Fees	24,797	-	24,797	-	15,228
Investment Income	263	-	263	-	222
Miscellaneous Income	22,568	-	22,568	-	4,855
Net Assets Released from Restrictions:					
Satisfaction of Program and Time Restrictions	224,500	(224,500)	-	(220,456)	-
Total Support and Revenue	1,949,735	50,000	1,999,735	(9,956)	1,521,861
Expense:					
Program Services	1,662,673	-	1,662,673	-	1,331,829
Support Services:					
Management and General	196,397	-	196,397	-	181,963
Fundraising	44,796	-	44,796	-	44,742
Total Support Services	241,193	-	241,193	-	226,705
Total Expense	1,903,866	-	1,903,866	-	1,558,534
Change in Net Assets	45,869	50,000	95,869	(9,956)	(36,673)
Net Assets - Beginning of Year	1,995,502	229,500	2,225,002	239,456	2,261,675
Net Assets - End of Year	\$ 2,041,371	\$ 279,500	\$ 2,320,871	\$ 229,500	\$ 2,225,002

The accompanying Notes to Financial Statements  
are an integral part of these statements.

EXHIBIT B

CAPI USA  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH COMPARATIVE TOTALS FOR 2015

	2016				2015	
	Total Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 680,213	\$ 57,165	\$ 2,172	\$ 59,337	\$ 739,550	\$ 606,787
Employee Benefits	83,930	6,142	482	6,624	90,554	56,445
Payroll Taxes	57,313	5,096	336	5,432	62,745	63,864
Total Personnel Costs	821,456	68,403	2,990	71,393	892,849	727,096
Participant Expense	544,777	-	-	-	544,777	355,717
Professional Fees	98,363	109,350	39,998	149,348	247,711	262,098
Occupancy	43,853	1,561	896	2,457	46,310	53,307
Travel	22,782	1,267	-	1,267	24,049	19,906
Miscellaneous	21,396	2,432	27	2,459	23,855	3,641
Office Expense	17,228	3,160	61	3,221	20,449	27,805
Staff and Volunteer Development	12,062	5,287	-	5,287	17,349	25,098
Telecommunications	9,040	3,638	12	3,650	12,690	9,670
Depreciation	71,716	1,299	812	2,111	73,827	74,196
Total Expense	\$ 1,662,673	\$ 196,397	\$ 44,796	\$ 241,193	\$ 1,903,866	\$ 1,558,534

The accompanying Notes to Financial Statements are an integral part of this statement.

CAPI USA  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Support Services				Total All Services
	Total Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 560,640	\$ 43,193	\$ 2,954	\$ 46,147	\$ 606,787
Employee Benefits	52,152	4,018	275	4,293	56,445
Payroll Taxes	59,007	4,546	311	4,857	63,864
Total Personnel Costs	671,799	51,757	3,540	55,297	727,096
Participant Expense	355,717	-	-	-	355,717
Professional Fees	115,278	107,020	39,800	146,820	262,098
Occupancy	50,180	2,898	229	3,127	53,307
Travel	19,613	278	15	293	19,906
Miscellaneous	2,622	1,003	16	1,019	3,641
Office Expense	23,394	4,395	16	4,411	27,805
Staff and Volunteer Development	22,067	3,031	-	3,031	25,098
Telecommunications	7,012	2,648	10	2,658	9,670
Depreciation	64,147	8,933	1,116	10,049	74,196
Total Expense	\$ 1,331,829	\$ 181,963	\$ 44,742	\$ 226,705	\$ 1,558,534

The accompanying Notes to Financial Statements  
are an integral part of this statement.

CAPI USA  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and Cash Equivalents	\$ 603,737	\$ 485,200
Accounts Receivable	320,975	273,548
Pledges and Grants Receivable	35,058	60,000
Prepaid Expenses	59,504	47,590
Total Current Assets	<u>1,019,274</u>	<u>866,338</u>
Noncurrent Assets:		
Investments	11,726	11,829
Property and Equipment - Net	<u>1,400,331</u>	<u>1,457,808</u>
 TOTAL ASSETS	 <u>\$ 2,431,331</u>	 <u>\$ 2,335,975</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 49,324	\$ 57,125
Accrued Salaries and Payroll Withholding	50,469	51,979
Funds Held for Others	9,422	869
Security Deposit	1,245	1,000
Total Liabilities	<u>110,460</u>	<u>110,973</u>
Net Assets:		
Unrestricted	2,041,371	1,995,502
Temporarily Restricted	279,500	229,500
Total Net Assets	<u>2,320,871</u>	<u>2,225,002</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,431,331</u>	 <u>\$ 2,335,975</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

CAPI USA  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 95,869	\$ (36,673)
Total Adjustments	<u>39,018</u>	<u>(11,443)</u>
Net Cash Provided (Used) by Operating Activities	134,887	(48,116)
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(16,350)	(1,500)
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	118,537	(49,616)
Cash and Cash Equivalents - Beginning of Year	<u>485,200</u>	<u>534,816</u>
Cash and Cash Equivalents - End of Year	<u>\$ 603,737</u>	<u>\$ 485,200</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.



CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies

Organizational Purpose

CAPI USA (CAPI) , founded in 1982 as the Center for Asian Pacific Islanders, implements anti-poverty programs such as jobs, housing, food, health, and social services, to promote the leadership, economic independence, and self-determination of refugees and immigrants. CAPI's vision is that all refugees and immigrants lead successful lives and exercise fully their civic rights and responsibilities.

CAPI's programs are as follows:

Workforce Development

CAPI's Workforce programs help individuals secure sustainable career pathways via educational and vocational training programs, job placement, and other support services. In 2016, CAPI's MFIP, Refugee Employment, and Immigrant Career Pathways programs served 649 individuals and facilitated 375 job placements during the year with an average wage of \$12.65. Additionally, 43 individuals earned industry recognized credentials in Soldering (IPC-A-610 and IPC-J-STD), Healthcare (Certified Nursing Assistant and Home Health Aid), and Truck Driving (CDL Class A). During the year, a new Volunteer Income Tax Assistance (VITA) program was launched and served 184 households, receiving \$323,558 in refunds. 20 volunteers speaking over 5 different languages served over 360 hours to make our first year successful. Also, starting fall of last year 75 clients participated in Work Readiness and 27 participated in financial literacy training. CAPI's workforce development capacity was enhance by four full-time AmeriCorps/VISTA.

Food and Nutrition Services

An average of 424 insecure Asian households received nutritious food each month from CAPI's Asian-specific food shelf. In 2016, an average total of 43,987 (527,844.15 annual) pounds of foods were distributed each month to these households. A total of 362 heads of households were screened for federal programs and provided information and referrals for economic support services including Minnesota Food Help Line and employment services. Out of the 362 households 119 of the screening and referrals were made to CAPI internal services such as voter education and financial literacy. Between the months of July and September 2016, CAPI worked closely with The Church of St. Anne-St. Joseph Hien and Kashia Adult Day Services to distribute fresh produce and bakery goods to 1,032 households in North Minneapolis and Brooklyn Center combined. CAPI distributed a total of 83,523 pounds of produce between these two sites In 2016 CAPI continued to expand its community garden pilot project through partnering with religious base organizations and public/private partners. Out of the 11 garden sites, CAPI managed and oversees 6 of them and the rest of sites were referrals to community churches. Out of the 6 sites CAPI managed 42 gardening plots were assigned and referrals of clients to churches are estimated to be 175+.

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Health and Human Services

Health and Human Services included 3 distinct programs:

Hmong Seniors Program – this program provided comprehensive support to 60 Hmong seniors and 75 adult caregivers a well-developed system of cultural and linguistically appropriate community support services in North Minneapolis and Brooklyn Center low-income Hmong seniors (ages 65+) to sustain independent community living. CAPI currently have 9 strong volunteers matched with seniors with a total of 18 seniors per one volunteer. The program established a partnership with The Family Partnership for mental health referrals and connections for mental health-related needs and services for the seniors. Overall, the program connected caregivers to culturally appropriate services and provided 171 access assistance, and 54 individual counseling.

Immigrant Youth Wellness Project – in collaboration with Wellstone International High School, assisted 122 immigrants and refugees, as well as a total of 97 students become fully immunized or up to date with their immunizations, and also assisted clients secure medical homes for ongoing preventative care. The program established a promising partnership with the Minneapolis Public Schools to place two of its Immunization Navigators in their New Family/Enrollment Centers.

In collaboration with Portico Healthnet, CAPI's 4 certified Navigators provided personal assistance to immigrants, resulting in a total of 325 enrollments in a health plan (i.e., MA, MN Care or QHP) and screened 1642 with applications and enrollments.

Refugee Settlement Services – assisted 26 unduplicated enrollments new arrivals achieve outcomes associated with housing, naturalization and securing supportive resources than enhance independent functioning.

Civic and Community Engagement:

In 2016, CAPI ran an experiential learning course called the Youth Democracy School, in which there were 10 active participants ages 18-25. In, 2016 voter participation organizing activities led 593 voter registrations, 1061 voter pledges, 760 doors knock, 4722 phone bank calls, 76 voter education events involving 535 people, 61 recruited volunteers and extensive social media, provided rides to 55 voters. CAPI partnered with Blue Line partners in engaged Nexus Community Partners- Mobilized dozens of people to attend municipal consent hearings supporting the line. 5 immigrant women who participated in CAPI's Immigrant Women's Network educated and engaged over 100 first-time voters. We were able to recruit women from IWN into our Democracy School.

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to CAPI, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of CAPI resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CAPI considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

CAPI carries its investments at market value.

Accounts Receivable and Doubtful Accounts

CAPI extends credit to its customers based on standardized terms. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent receivables. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. CAPI reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. CAPI provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. No allowance for doubtful accounts has been provided as receivables are considered collectable.

Property and Equipment

Land, building and equipment in excess of \$1,500 are recorded at cost if purchased, or an estimated market value if donated. Depreciation is provided using the straight-line method, over an estimated useful life.

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions except when the receipt and expiration occur in the same period in which case the contribution is shown as unrestricted.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, CAPI will record such disallowance at the time the final assessment is made.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on the best estimates of management.

Income Tax

CAPI has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. CAPI's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. CAPI continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, CAPI annually files an Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending December 31, 2013 and later remain subject to examination by the Internal Revenue Service.

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Risks and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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 differ from those estimates.

Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

Subsequent Events

CAPI has evaluated the effect that subsequent events would have on the financial statements through May 12, 2017, which is the date financial statements were available to be issued.

2. Financial Instruments

Significant Concentrations of Credit Risk

CAPI provides services within the Twin Cities area. Accounts, grants and pledges receivable are from governments or institutions within the Twin Cities area.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2016 and 2015, CAPI held funds at a local financial institution in excess of federally insured limits.

3. Fair Value

CAPI adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures ("ASC 820"). In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

3. Fair Value (continued)

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

Below is a summary of the inputs used to determine the fair value of the investments at:

December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Funds Held at Minneapolis Foundation	<u>\$ 11,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,726</u>

December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Funds Held at Minneapolis Foundation	<u>\$ 11,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,829</u>

4. Major Sources of Support and Revenue

Major sources of support and revenue were as follows as of:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Hennepin County	\$ 522,338	\$ 534,658
State of Minnesota	490,557	403,573

5. Property and Equipment

CAPI owned the following as of:

	<u>December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Land	\$ 73,641	\$ 73,641	
Building	224,421	224,421	20-39 years
Building Improvements	1,668,513	1,668,513	20-39 years
Furniture and Equipment	248,951	244,701	5-10 years
Computers	45,642	33,542	3-5 years
Vehicles	<u>26,209</u>	<u>26,209</u>	3-5 years
	2,287,377	2,271,027	
Less Accumulated Depreciation	<u>887,046</u>	<u>813,219</u>	
	<u>\$ 1,400,331</u>	<u>\$ 1,457,808</u>	

Depreciation expense of \$73,827 and \$74,196 was recorded for the years ended December 31, 2016 and 2015, respectively.

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

6. Funds Held at the Minneapolis Foundation

CAPI has funds held at the Minneapolis Foundation. The assets are stated at fair value, which was determined based on quoted market prices. The fund was transferred from CAPI to the Minneapolis Foundation to enhance investment return opportunity. Under the agreement with the Minneapolis Foundation, the fund will remain at the Minneapolis Foundation designated as the CAPI Opportunity Fund.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts from the following as of:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Good Job Initiative	\$ 200,000	\$ -
Economic Support Initiative	25,000	-
Others	19,500	2,000
Hmong Senior Program	15,000	5,000
Future Operations	10,000	-
Immigrant Career Pathways	10,000	125,000
Food and Nutrition	-	30,000
Workforce Development	-	30,000
Nutrition Services	-	27,000
Electric Pallet Jack and Loading Carts	-	5,500
Food Shelf	-	5,000
	<u>\$ 279,500</u>	<u>\$ 229,500</u>

8. In-kind Contributions

CAPI records in-kind contributions at fair market value at date of donation. In-kind contributions include the following as of:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Food	<u>\$ 306,880</u>	<u>\$ 214,509</u>

9. Pension Plan

CAPI participates in a section 401(k) retirement plan that covers those employees who meet eligibility requirements. Contributions of \$12,766 and \$7,605 were made in the years ended December 31, 2016 and 2015, respectively.

CAPI USA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

10. Leased Facilities

Rental commitments under noncancelable leases for office equipment in effect at December 31, 2016, total \$4,226. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	<u>Office</u>
2017	<u>Equipment</u>
	<u>\$ 4,226</u>

Rental expense was \$10,495 and \$10,220 for the years ended December 31, 2016 and 2015, respectively.

11. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Depreciation	\$ 73,827	\$ 74,196
Unrealized Loss on Investment	103	113
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(7,801)	30,186
Accrued Salaries and Payroll Withholding	(1,510)	3,632
Funds Held for Others	8,553	869
Security Deposit	245	(560)
Decreases (Increases) in Current Assets:		
Accounts Receivable	(47,427)	(110,570)
Grants Receivable	24,942	(11,000)
Prepaid Expense	(11,914)	1,691
Total Adjustments	<u>\$ 39,018</u>	<u>\$ (11,443)</u>