

**RENEW INTERNATIONAL
(A nonprofit organization)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**



To the Board of Trustees of
RENEW International
1232 George Street
Plainfield, NJ 07062

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying statements of financial position of RENEW International (a non-profit organization) as of June 30, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Board of Trustees.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 organization'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 organization'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 RENEW International as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

A handwritten signature in black ink that reads "Max Bussel and Company". The signature is written in a cursive, flowing style.

Max Bussel and Company
South Plainfield, New Jersey

September 20, 2017

RENEW INTERNATIONAL
(A nonprofit organization)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 472,612	\$ 458,591
Accounts receivable, net	316,127	270,158
Inventory	279,607	284,442
Marketable securities - endowment	2,749,527	3,123,434
Prepaid expenses	20,154	5,650
Total current assets	3,838,027	4,142,275
Property, furniture and equipment		
Land	150,000	150,000
Building and improvements	395,427	395,427
Furniture and equipment	384,533	384,533
Automobiles	201,442	201,442
	1,131,402	1,131,402
Less: accumulated depreciation	768,432	715,873
Total property, furniture and equipment, net	362,970	415,529
Other assets		
Intangible assets, net	367,791	420,278
Total assets	\$ 4,568,788	\$ 4,978,082
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued expenses and accounts payable	\$ 103,261	\$ 148,139
Deferred revenue	491,753	486,841
Total liabilities	595,014	634,980
Net assets		
Unrestricted net assets	3,906,274	4,140,252
Temporarily restricted net assets	67,500	202,850
Total net assets	3,973,774	4,343,102
Total liabilities and net assets	\$ 4,568,788	\$ 4,978,082

See accompanying notes to financial statements.

RENEW INTERNATIONAL
(A nonprofit organization)

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Process fees	\$ 661,408	\$ -	\$ 661,408
Publications	819,340	-	819,340
Development	310,019	115,000	425,019
Investment and other income (excluding endowment accounts)	2,573	-	2,573
Net assets released from restrictions - satisfaction of purpose	250,350	(250,350)	-
Total support and revenues	2,043,690	(135,350)	1,908,340
Expenses			
Process costs	2,186,655	-	2,186,655
Development	202,586	-	202,586
General and administrative	150,520	-	150,520
Total expenses	2,539,761	-	2,539,761
Income (loss) from operations	(496,071)	(135,350)	(631,421)
Endowment income (schedule annexed)	262,093	-	262,093
Gain on foreign currency exchange	-	-	-
Changes in net assets	(233,978)	(135,350)	(369,328)
Net assets as of beginning of year	4,140,252	202,850	4,343,102
Net assets as of end of year	\$ 3,906,274	\$ 67,500	\$ 3,973,774

RENEW INTERNATIONAL
(A nonprofit organization)

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Process fees	\$ 586,057	\$ -	\$ 586,057
Publications	805,839	-	805,839
Development	258,603	207,850	466,453
Investment and other income (excluding endowment accounts)	2,634	-	2,634
Net assets released from restrictions - satisfaction of purpose	202,978	(202,978)	-
Total support and revenues	1,856,111	4,872	1,860,983
Expenses			
Process costs	2,129,798	-	2,129,798
Development	210,714	-	210,714
General and administrative	174,527	-	174,527
Total expenses	2,515,039	-	2,515,039
Income (loss) from operations	(658,928)	4,872	(654,056)
Endowment income (schedule annexed)	41,691	-	41,691
Gain on foreign currency exchange	1,621	-	1,621
Changes in net assets	(615,616)	4,872	(610,744)
Net assets as of beginning of year	4,755,868	197,978	4,953,846
Net assets as of end of year	\$ 4,140,252	\$ 202,850	\$ 4,343,102

See accompanying notes to financial statements.

RENEW INTERNATIONAL
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STATEMENTS OF CASH FLOWS FROM OPERATIONS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Net income from operations	\$ (631,421)	\$ (654,056)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	52,559	59,705
Amortization	74,283	58,360
Foreign currency exchange gain (loss)	-	1,621
(Increase) decrease in operating assets:		
Accounts receivable, net	(45,969)	18,229
Inventory	4,835	59,427
Prepaid expenses	(14,504)	7,898
(Decrease) increase in operating liabilities:		
Accrued expenses and accounts payable	(44,878)	(12,035)
Deferred revenue	4,912	27,735
Net cash used in operating activities	<u>(600,183)</u>	<u>(433,116)</u>
Cash flows from investing activities:		
Capital expenditures	-	(35,510)
Intangible asset expenditures	<u>(21,796)</u>	<u>(237,111)</u>
Net cash used in investing activities	<u>(21,796)</u>	<u>(272,621)</u>
Cash flows from financing activities:		
Transfers from endowment account	<u>636,000</u>	<u>515,000</u>
Net cash provided by financing activities	<u>636,000</u>	<u>515,000</u>
Increase (Decrease) in cash and cash equivalents	14,021	(190,737)
Cash and cash equivalents at July 1	<u>458,591</u>	<u>649,328</u>
Cash and cash equivalents at June 30	<u>\$ 472,612</u>	<u>\$ 458,591</u>
Supplementary information:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

RENEW INTERNATIONAL
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NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

RENEW International (“RENEW”) was organized as a Catholic nonprofit corporation to foster spiritual renewal through a variety of pastoral processes and publications offered to dioceses, parishes, campuses, as well as individuals around the world.

The RENEW pastoral processes provide training, printed and web-based materials, and consultation that promote evangelization and faith formation through the establishment of small faith-sharing groups within parishes and on campuses. These groups meet to deepen their faith and connect faith to action in their daily lives. RENEW’s major processes are delivered in English and Spanish, with resource materials offered in other languages (Portuguese, French, Haitian Creole, Vietnamese, Chinese, Lithuanian, Xhosa, Afrikaans, among others); these groups gather in the United States, Canada, and a variety of other international locales. RENEW develops and introduces new offerings each year to meet the pastoral needs of the Church.

RENEW International currently provides several major pastoral offerings: *ARISE Together in Christ*, *Be My Witness/Sean mis testigos*, *Why Catholic?*, *Renewing the Priestly Heart*, *Young Adult Ministries*, as well as a variety of parish-based offerings.

Be My Witness/Sean mis testigos is a process for the new evangelization inspired by Pope Francis’ landmark document, *The Joy of the Gospel*. *Be My Witness* incorporates online training videos, leader guides, and small-group resources to transform parishes into “centers of constant missionary outreach.” Three dioceses are implementing, one on a diocese-wide basis, and two others within a cluster of parishes. RENEW is also implementing a direct-to-parish approach that is engaging almost 30 individual parishes across the country in a web-based service model.

ARISE Together in Christ/LEVÁNTATE. Unámanos en Cristo is a parish-centered process of spiritual renewal and evangelization that enables people to develop a closer relationship with Christ, grow in faith in community, and reach out in service to others. This process, being implemented in parishes across North America, has a large presence in the multiethnic Diocese of Brooklyn along with multiple clusters.

Why Catholic?/¿Por qué ser católico? fosters greater levels of understanding of and commitment to the Catholic faith. Over the past twelve years, *Why Catholic?* has expanded into almost 60 dioceses, more than 2,000 parishes, and involved nearly 400,000 individuals in the United States, Canada, Venezuela, and South Africa.

Renewing the Priestly Heart is a process of clergy renewal that encourages small-group discussions among priests to strengthen the zeal of their vocation through spiritual reflections on priestly life. Eight dioceses in the North America have offered *Renewing the Priestly Heart* to their diocesan priests.

RENEW’s Young Adult Ministries include *Campus RENEW* and *RENEW Theology on Tap*. These ministries reach out to Catholics in their 20s and 30s with faith discussions in casual settings and involve young adults in peer outreach.

RENEW Africa comprises RENEW’s efforts in African dioceses, most notably in South Africa. RENEW has local adjunct staff to support pastoral services and operations in these areas.

RENEW Publications and Resources develops and publishes high-quality materials on a wide range of faith topics that are designed to foster people’s spiritual journey either during or after their participation in one of RENEW’s processes or independently. New publications include *Live Lent!*, by RENEW’s own Sr. Terry Rickard, OP, *Matthew: Come Follow Me*, the next in our Scripture Series, and *Sean mis testigos*, a Spanish-language book/DVD combination on missionary discipleship. Other pastoral offerings feature diverse spiritual themes or relate to liturgical seasons such as Lent and Advent.

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NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. RENEW 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.

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and the related disclosures of contingent assets and contingent liabilities at the date of the financial statements. RENEW evaluates these estimates and judgments on an ongoing basis and bases their estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results may differ materially from these estimates under different assumptions or conditions.

Property, Furniture and Equipment

Property, equipment, furniture and fixtures are recorded at original cost, less any impairment. Costs associated with major additions are capitalized and depreciated. Upon disposal, the cost of properties and related accumulated depreciation are removed from the accounts with gains and losses reflected in earnings.

Depreciation is provided over the estimated useful lives of the depreciable assets. Assets are generally depreciated using the straight line method with the following useful lives:

Building and improvements	25 - 30 years
Office equipment, furniture and fixtures	5 - 7 years
Automobiles	5 years

Depreciation expense for the years ended June 30, 2017 and 2016 was \$52,559 and \$59,705, respectively.

Reclassifications

Certain amounts from prior year's financial statements have been reclassified to conform to current year's presentation. The reclassifications had an immaterial impact on operations as previously reported.

Advertising

RENEW expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2017 and June 30, 2016 were \$103,054 and \$116,935 respectively.

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NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets

RENEW has adopted ASC 350 which requires that intangible assets no longer be amortized to earnings, but instead be tested for impairment on an annual basis and between annual tests, if events occur or circumstances change, that would more likely than not reduce the fair value below its carrying amount. In addition, ASC 350 requires that the impairment test be performed through the application of a fair value test, as opposed to the undiscounted cash flow approach previously used by RENEW to evaluate impairment under the previous guidance. Intangible assets with finite lives will continue to be amortized over their useful lives and reviewed for impairment.

Intangible assets consist of software licensing, website development, database systems and online video development. The cost of the acquisition of these assets through June 30, 2017 was \$542,057. Amortization expense for the years ended June 30, 2017 and 2016 was \$59,488 and \$49,729 respectively.

On July 1, 2015, RENEW's management adopted a policy in which an employee who performed a significant amount of time on a particular process, a pro-rata share of their salary would be capitalized as an intangible asset and amortized over the useful life. Management has adopted a policy that 60% or greater of an employee's time would be considered significant. Accordingly, salaries relating to the launch of Be My Witness in the amount of \$147,955 were recorded as an intangible asset for the year ended June 30, 2016. Amortization expense on these salaries was \$14,795 and \$8,631 for the years ended June 30, 2017 and June 30, 2016 respectively.

Total amortization expense for the years ended June 30, 2017 and 2016 was \$74,283 and \$58,360 respectively.

Inventory

RENEW's inventory is valued at the lower of cost or market value.

Donations and Grants

Donations and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted donations and grants are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

RENEW receives a nominal amount of donated services to assist in providing the programs to Catholic parishes and dioceses.

No amounts have been recognized in the statement of activities because the criteria for recognition under the guidelines of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards have not been satisfied.

**RENEW INTERNATIONAL
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NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

RENEW is included in the United States Conference of Catholic Bishops Group Ruling and in the Official Catholic Directory and is therefore exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than one year.

Fair Value of Financial Instruments

RENEW's financial instruments consist of cash and cash equivalents, trade accounts receivable, marketable securities, investments, accounts payable and accrued expenses. The carrying values of these financial instruments approximate their fair values. RENEW establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Marketable Securities

RENEW records investments in marketable securities with readily determinable market value and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included as supplementary information in the Schedules of Endowment Income.

Deferred Revenue

Deferred revenue is comprised of amounts billed by RENEW to its dioceses and parishes as it pertains to its Why Catholic, ARISE and Be My Witness processes. RENEW bills each diocese and parish annually (or in installments) for its services and then prorates the revenue earned on a monthly basis.

Functional Allocation of Expenses

The costs of providing the various processes and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the processes benefited. General and administrative expenses are those not directly identifiable with any specific function, but which provide for the overall support and direction of RENEW.

NOTE B – CONCENTRATION OF CREDIT RISK

The total cash held by RENEW at any time may exceed amounts that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

RENEW INTERNATIONAL
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NOTES TO FINANCIAL STATEMENTS

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 326,602	\$ 280,598
Less: allowance for doubtful accounts	<u>10,475</u>	<u>10,440</u>
Total	<u>\$ 316,127</u>	<u>\$ 270,158</u>

NOTE D - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
<i>LaJustica</i>	\$ 25,000	\$ 25,000
Ignatian Business Chapters	-	115,000
Online Video Testimonials	-	40,850
Large Print Resources	-	10,000
<i>Why Catholic?</i> - for the military	30,000	12,000
Baptismal Program	<u>12,500</u>	<u>-</u>
Total	<u>\$ 67,500</u>	<u>\$ 202,850</u>

NOTE E – RETIREMENT ARRANGEMENT WITH STAFF EMPLOYEES

RENEW offers its lay employees participation in the Roman Catholic Archdiocese of Newark Pension Plan, which is a defined benefit plan sponsored by the Roman Catholic Archdiocese of Newark. The plan is designed to provide retirement income to supplement the benefits payable from the Social Security Administration and personal investments. The full cost of the plan is assumed by RENEW. Contributions from employees are neither required nor permitted. Full time lay employees who customarily work 35 hours per week or more are eligible to participate in the pension plan on the first day of the month that coincides with or immediately follows the date they complete five years of service. Employees do not have to enroll to become a participant; they are automatically covered and are 100% vested when the eligibility requirements are met. The total expense under the plan was \$39,233 and \$50,000 for the years ended June 30, 2017 and 2016, respectively.

RENEW also offers its lay employees' participation in a 403(b) retirement fund. Employee contributions are voluntary. RENEW offers a 25% matching of the employees' annual contribution up to a maximum \$500 per year, per employee. RENEW's expense for the 403(b) plan for the years ended June 30, 2017 and 2016 were \$3,464 and \$4,458 respectively.

RENEW INTERNATIONAL
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NOTES TO FINANCIAL STATEMENTS

NOTE F – COMMITMENTS

In December, 2015 RENEW entered into a lease agreement for \$3,077 per month. This lease covered multiple copiers, scanners and other office equipment.

Lease expense for the years ended June 30, 2017 and 2016 was \$36,924 and \$31,991 respectively.

As of June 30, 2017, the total remaining operating lease payments under noncancelable operating leases are as follows:

<u>Year</u>	<u>Total Payments</u>
June 30, 2018	\$ 36,924
June 30, 2019	36,924
June 30, 2020	15,385

NOTE G - MARKETABLE SECURITIES

Marketable securities available for sale at June 30, 2017 and 2016 are summarized as follows:

	2017			2016		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Marketable Securities - Endowment	\$ 2,474,617	\$ 2,749,527	\$ 274,910	\$ 2,931,361	\$ 3,123,434	\$ 192,073

Assets measured at fair value on a recurring basis for each major category are summarized as follows:

	2017	2016
	<u>Endowment</u>	<u>Endowment</u>
Quoted Prices in Active Markets for Identical Assets (Level 1)	\$ 2,749,527	\$ 3,123,434
Significant Other Observable Inputs (Level 2)	-	-
Significant Unobservable Inputs (Level 3)	-	-
Total Marketable Securities Available for Sale	\$ 2,749,527	\$ 3,123,434

RENEW INTERNATIONAL
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NOTES TO FINANCIAL STATEMENTS

NOTE H - FUNDRAISING REVENUE

For the years ended June 30, 2017 and 2016, total net fundraising revenue is listed below. RENEW's primary source of net fundraising is the annual dinner gala.

	<u>2017</u>	<u>2016</u>
Direct fundraising revenue	\$ 269,523	\$ 193,660
Direct fundraising expenses	<u>54,914</u>	<u>40,964</u>
Net fundraising revenue	<u>\$ 214,609</u>	<u>\$ 152,696</u>

NOTE I - FOREIGN CURRENCY EXCHANGE

RENEW has assets held in Venezuela, which is classified as a *hyperinflationary economy*. A *hyperinflationary economy* is defined as an economy where the government has established multiple foreign exchange rate systems and strict exchange controls are in place. These systems have different exchange rates and are available for a limited amount of currency.

RENEW's foreign currency denominated transactions and balances of operations in Venezuela are converted into the local functional currency at the rate they are expected to be settled, using the most appropriate official rate available.

As a result, RENEW reported a foreign currency exchange gain of \$-0- and \$1,621 for the years ended June 30, 2017 and 2016 respectively.

As of June 30, 2017, RENEW had no assets held in Venezuela reported on its balance sheet.

NOTE J - SUBSEQUENT EVENTS

RENEW has evaluated subsequent events through the time of issuing these financial statements on September 20, 2017. No additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

To the Board of Trustees of
RENEW INTERNATIONAL
1232 George Street
Plainfield, NJ 07062

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Our report on our audit of the basic financial statements of RENEW International for June 30, 2017 and 2016 appears on pages one and two. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, contained in the following pages, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



MAX BUSSEL AND COMPANY

South Plainfield, New Jersey
September 20, 2017

RENEW INTERNATIONAL
(A nonprofit organization)

SCHEDULES OF ENDOWMENT INCOME

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Interest income	\$ 30,390	\$ 35,095
Dividend income	36,451	47,230
Net gain (loss) on investments	<u>219,182</u>	<u>(19,009)</u>
Subtotal	286,023	63,316
Less: brokerage fees	<u>23,930</u>	<u>21,625</u>
Net endowment income	262,093	41,691
Beginning balance	<u>3,123,434</u>	<u>3,596,743</u>
Balance before transfers to operating accounts	3,385,527	3,638,434
Less: transfers to operating accounts	<u>(636,000)</u>	<u>(515,000)</u>
Ending balance	<u>\$ 2,749,527</u>	<u>\$ 3,123,434</u>