

**Emerald Coast Association  
of Realtors, Inc.**

**Financial Statements**

**December 31, 2016**



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Emerald Coast Association of Realtors, Inc.  
Fort Walton Beach, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Emerald Coast Association of Realtors, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2016, and the related Statements of Activities and Cash Flows for the year 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.

### **Auditors' 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 Emerald Coast Association of Realtors, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited Emerald Coast Association of Realtors, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Other Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

August 8, 2017

**Emerald Coast Association of Realtors, Inc.**  
**Statement of Financial Position**

<i>December 31,</i>	<b>2016</b>	<b>2015</b>
		<b>(For Comparative Purposes)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 807,130	\$ 1,638,501
Investments	1,561,641	1,503,309
Accounts receivable, net	283,546	527,079
Inventory	7,114	5,689
Prepaid expenses	15,273	1,994
Property and equipment, net	1,661,542	1,481,014
Other assets	6,067	687
<b>Total assets</b>	<b>\$ 4,342,313</b>	<b>\$ 5,158,273</b>
<b>Liabilities</b>		
Accounts payable	\$ 114,552	\$ 32,199
Accrued liabilities	37,453	18,175
Capital lease obligation	24,466	-
Other liabilities	200,528	858,952
Deferred revenue	393,488	701,462
<b>Total liabilities</b>	<b>770,487</b>	<b>1,610,788</b>
<b>Net assets:</b>		
Unrestricted	3,568,965	3,546,524
Temporarily restricted	2,861	961
<b>Total net assets</b>	<b>3,571,826</b>	<b>3,547,485</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,342,313</b>	<b>\$ 5,158,273</b>

*The accompanying notes are an integral part of these financial statements.*

**Emerald Coast Association of Realtors, Inc.**  
**Statement of Activities**

<i>Year ended December 31,</i>	<b>2016</b>			<b>2015</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total (for Comparative Purposes)</b>
<b>Support and revenue:</b>				
Member dues	\$ 942,937	\$ -	\$ 942,937	\$ 904,471
Less: membership renewal discounts	(47,794)	-	(47,794)	(61,676)
Member dues, net	895,143	-	895,143	842,795
Member service fees	1,110,560	-	1,110,560	1,068,284
Committees	82,288	-	82,288	92,728
Merchandise sales	106,707	-	106,707	121,499
Gain (loss) on investments	25,443	-	25,443	(13,786)
Other income	33,602	1,900	35,502	55,648
Information systems	18,233	-	18,233	18,035
Interest	31,002	-	31,002	24,499
<b>Total support and revenue</b>	<b>2,302,978</b>	<b>1,900</b>	<b>2,304,878</b>	<b>2,209,702</b>
<b>Expenses:</b>				
Salaries, wages and related costs	940,884	-	940,884	717,432
Multiple listing service (MLS) expense	254,387	-	254,387	237,286
Cost of merchandise sold	28,363	-	28,363	43,831
Committees	213,095	-	213,095	184,103
Utilities	50,654	-	50,654	44,987
Travel	96,626	-	96,626	98,000
Insurance	16,981	-	16,981	23,954
Rent	66,920	-	66,920	-
Repairs and maintenance	60,295	-	60,295	50,664
Office supplies and expense	140,184	-	140,184	82,070
Professional development	82,572	-	82,572	67,298
Other expenses	225,472	-	225,472	320,577
Depreciation expense	104,104	-	104,104	62,198
<b>Total expenses</b>	<b>2,280,537</b>	<b>-</b>	<b>2,280,537</b>	<b>1,932,400</b>
<b>Change in net assets</b>	<b>22,441</b>	<b>1,900</b>	<b>24,341</b>	<b>277,302</b>
<b>Net assets - beginning of year</b>	<b>3,546,524</b>	<b>961</b>	<b>3,547,485</b>	<b>3,270,183</b>
<b>Net assets - end of year</b>	<b>\$ 3,568,965</b>	<b>\$ 2,861</b>	<b>\$ 3,571,826</b>	<b>\$ 3,547,485</b>

*The accompanying notes are an integral part of these financial statements.*

**Emerald Coast Association of Realtors, Inc.**  
**Statement of Cash Flows**

<i>Year ended December 31,</i>	<b>2016</b>	<b>2015</b>
		<b>(For Comparative Purposes)</b>
<b>Operating activities</b>		
Change in net assets	\$ 24,341	\$ 277,302
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	104,104	62,198
(Gain) loss on investments	(25,443)	13,786
Change in operating assets and liabilities:		
Accounts receivable	243,533	(187,903)
Inventory	(1,425)	1,023
Prepaid expenses	(13,279)	8,579
Other assets	(5,380)	400
Accounts payable	82,353	(88,616)
Accrued liabilities	19,278	1,881
Other liabilities	(658,424)	589,385
Deferred revenue	(307,974)	50,052
<b>Net cash provided by operating activities</b>	<b>(538,316)</b>	<b>728,087</b>
<b>Investing activities</b>		
Purchase of investments	(32,889)	(270,605)
Purchase of property and equipment	(257,049)	-
<b>Net cash (used) by investing activities</b>	<b>(289,938)</b>	<b>(270,605)</b>
<b>Financing activities</b>		
Payments on capital lease	(3,117)	-
<b>Net cash (used) by financing activities</b>	<b>(3,117)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>(831,371)</b>	<b>457,482</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,638,501</b>	<b>1,181,019</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 807,130</b>	<b>\$ 1,638,501</b>

*The accompanying notes are an integral part of these financial statements.*

## Emerald Coast Association of Realtors, Inc. Notes to Financial Statements

### NOTE 1: NATURE OF ORGANIZATION

The Emerald Coast Association of Realtors, Inc. ("ECAR") is a not-for-profit corporation organized under the laws of the State of Florida on October 22, 1964. Its mission is to unify those engaged in the recognized branches of the real estate business for the purpose of exerting a beneficial influence upon matters affecting the real estate business, and to unite those engaged in the real estate business with the Florida Association of Realtors and the National Association of Realtors. This purpose is accomplished through the establishment of a uniform code of ethics, annual meetings, continuing professional education, and publications provided to disseminate information to the profession and the public. ECAR services a geographical area encompassing all of Okaloosa and Walton counties in Florida.

ECAR is a not-for-profit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. Under these provisions, no tax is paid on income received from its members. Accordingly, no provision for income taxes is provided in the accompanying financial statements. ECAR annually files Form 990 as required for not-for-profit organizations.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Financial Statement Presentation***

The accompanying financial statements are presented on the accrual basis of accounting. ECAR reports 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. Currently, ECAR has no permanently restricted net assets. The financial statements include certain prior year summarized comparative information in total but not by class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ECAR's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

#### ***Cash and Cash Equivalents***

For purposes of the statement of cash flows, ECAR considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### ***Investments***

Investments are recorded in the statement of financial position at fair value at December 31, 2016. ECAR elected to account for unrealized gains and losses in its investment securities by including those unrealized gains and losses in operations each year and reflecting the changes in the statement of activities.



**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenue Recognition***

Member dues are billed annually and are deferred and recognized over the period to which the dues relate.

Member service revenue primarily relates to member usage of the Multiple Listing Service (MLS). Members are billed a flat rate per month for this service. Revenues are recognized when billed.

Committees revenue includes fees for continuing professional education courses and are included in revenue when earned.

Merchandise sales consist of sales aids, maps and other tools of the real estate profession. Merchandise sale revenue is recognized as income when it is billed to the member.

***Accounts Receivable***

Except for committee services, accounts receivable are recorded for all current services provided by ECAR. Dues are billed in advance in September for the upcoming year and are recorded as deferred revenue. As required, management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the individual accounts. At December 31, 2016, the estimated amount of uncollectible accounts was not significant.

***Inventory***

Inventory consists primarily of signs and lockboxes and is stated at the lower of cost or net realizable value, determined by the first-in, first-out method.

***Restricted and Unrestricted Revenue***

Revenues received from members that are restricted by the member are reported as increases in temporarily restricted net assets. 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. All other member revenues are reported as increases in unrestricted net assets.

***Use of Estimates***

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Advertising***

Advertising costs are expensed as incurred and for 2016 and 2015 totaled \$66,565 and \$38,675, respectively. Advertising expense is included in office supplies and expense in the Statement of Activities.

***Property and Equipment***

Property and equipment acquired by ECAR is capitalized at cost. Additions and betterments of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Parking lot	15 years
Furniture and equipment	3 to 7 years

***Date of Management's Review***

In preparing the financial statements, ECAR has evaluated subsequent events and transactions for potential recognition or disclosure through August 8, 2017, which is the date the financial statements were available to be issued.

**NOTE 3: INVESTMENTS**

Investments consist of the following:

<i>December 31,</i>	<b>2016</b>	<b>2015</b>
Annuity contract	\$ 78,775	\$ 76,480
Certificates of deposit	456,526	452,010
Common stocks	378,576	333,590
Corporate bonds	174,745	202,655
Mutual funds	145,276	141,339
U.S government and agency securities	327,743	297,235
<b>Total</b>	<b>\$ 1,561,641</b>	<b>\$ 1,503,309</b>

The annuity contract is considered a cash investment and its amortized cost approximates fair value. The annuity contract is scheduled to mature on July 21, 2052 and has a stated interest rate of 3%. At December 31, 2016 this contract had a fair value of \$78,775. Any withdrawal on this contract in excess of 10% of the fair value prior to maturity is subject to a surrender charge.

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 3: INVESTMENTS (Continued)**

The certificates of deposit are considered cash investments and their amortized cost basis approximates fair value. Terms for these investments are for 12 and 30 months, maturing February 2017 and November 2017, with interest earned at rates of 0.25% and 1.5%, respectively.

The investments in corporate bonds, common stocks, U.S. government and agency securities, and mutual funds are all valued at fair value as of the end of the year.

**NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

<i>December 31,</i>	<b>2016</b>	<b>2015</b>
Land	\$ 257,928	\$ 257,928
Buildings	1,674,042	1,674,042
Furniture and equipment	735,502	622,190
Leasehold improvements	142,857	-
Parking lot	31,303	31,303
Signs	28,836	28,836
<b>Total</b>	<b>2,870,468</b>	<b>2,614,299</b>
Less: accumulated depreciation	<b>(1,208,926)</b>	<b>(1,133,285)</b>
<b>Property and equipment, net</b>	<b>\$ 1,661,542</b>	<b>\$ 1,481,014</b>

**NOTE 5: OTHER LIABILITIES**

State and national realtor association dues are billed in advance with the member's local dues billing. Dues are billed in September each year for the following calendar year and are due by January 10. Dues collected prior to December 31 for other organizations are not included in revenues but are included as other liabilities as follows:

<i>December 31,</i>	<b>2016</b>	<b>2015</b>
State and national association dues	\$ 131,324	\$ 773,630
MLS deposits	63,046	58,396
Florida Association of Realtor advocacy fees	-	26,608
Miscellaneous liabilities	6,158	318
<b>Total</b>	<b>\$ 200,528</b>	<b>\$ 858,952</b>

## Emerald Coast Association of Realtors, Inc. Notes to Financial Statements

### NOTE 6: RETIREMENT PLAN

ECAR supports a 408(p) Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) that covers all employees of ECAR. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Participants may contribute a percentage of their annual compensation to the plan not to exceed the limits allowable by the Internal Revenue Service. ECAR makes contributions to the plan on behalf of the participant equal to 100% of the participant's contribution, limited to 3% of the participant's annual compensation. Matching contributions to the plan during 2016 and 2015 reflected in the accompanying Statement of Activities totaled \$15,798 and \$11,225, respectively.

### NOTE 7: CONCENTRATION OF CASH CREDIT RISK

ECAR maintains its cash accounts at federally insured financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per financial institution. Balances at one financial institution exceeded the FDIC insurance coverage by approximately \$29,000 at December 31, 2016.

### NOTE 8: FAIR VALUE MEASUREMENTS

Generally accepted accounting principles (GAAP) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets.
- Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2016.

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 8: FAIR VALUE MEASUREMENTS (Continued)**

*Common Stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate Bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by ECAR are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by ECAR are deemed to be actively traded.

*U.S. Government and Agency Securities:* Valued using pricing models maximizing the use of observable inputs for similar securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ECAR believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, ECAR's investment assets at fair value as of December 31, 2016 and 2015:

<i>December 31, 2016</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Common stocks	\$ 378,575	\$ -	\$ -	\$ 378,575
Corporate bonds	-	174,745	-	174,745
Mutual funds	145,276	-	-	145,276
U.S. Government and agencies	-	327,743	-	327,743
<b>Total investments measured at fair value</b>	<b>\$ 523,851</b>	<b>\$ 502,488</b>	<b>\$ -</b>	<b>\$ 1,026,339</b>

<i>December 31, 2015</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Common stocks	\$ 333,590	\$ -	\$ -	\$ 333,590
Corporate bonds	-	202,655	-	202,655
Mutual funds	141,339	-	-	141,339
U.S. Government and agencies	-	297,235	-	297,235
<b>Total investments measured at fair value</b>	<b>\$ 474,929</b>	<b>\$ 499,890</b>	<b>\$ -</b>	<b>\$ 974,819</b>

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 9: COMMITMENTS**

During 2011, ECAR entered into a five year agreement with a company to provide ECAR users with tax assessor data, sales data, trust data and maps for Santa Rosa, Bay, Okaloosa and Walton counties. For this service, ECAR is required to pay \$2.54 per member per month along with a \$2,500 one-time non-refundable set up fee. The contract expired in April 2016; however, the services continue to be provided on a month-to-month basis in accordance with terms of the expired contract.

ECAR is under a three year contract with a company to provide an internet-accessible MLS program which allows members to enter, search and retrieve data related to real estate sales listings. For this service, ECAR is required to pay \$7 per member per month. The contract expired in March 2017 and was renewed for additional five years. Under the renewed contract, ECAR is required to pay \$6.60 per member per month if less than 4,000 members and \$6.20 per member per month if 4,000 or more members.

On February 2016, ECAR entered into a commercial office lease agreement. The 60-month lease began on April 1, 2016 and provides for the lease of 2,690 square feet of space in Santa Rosa Beach, Florida. Base rent is \$5,380 per month. Total base rent payable over the lease period is \$335,978. ECAR is also assessed \$7.00 per square foot per year for common area maintenance and utilities. In addition, in accordance with the lease agreement, ECAR incurred \$142,858 for leasehold construction and improvements to the office space in 2016. Rent expense totaled \$66,920 at December 31, 2016, as reported on the accompanying Statement of Activities. At the end of the lease term, ECAR has the option to extend the term of the lease for an additional five year period.

Minimum base future lease payments are as follows:

<i>Year ending December 31,</i>	
2017	\$ 65,851
2018	67,169
2019	68,513
2020	74,960
2021	11,065
<b>Total</b>	<b>\$ 287,558</b>

**NOTE 10: CAPITAL LEASE AGREEMENT**

In 2016, ECAR entered into a five-year lease agreement for financing the acquisition of office equipment. This non-cash financing transaction qualifies as a capital lease for accounting purposes as a result of the ownership of the asset being transferred from the lessor to ECAR at the end of the lease term. The equipment has been capitalized and is included in property and equipment at a cost of \$27,583 on the accompanying Balance Sheet. Depreciation expense was \$5,517 for this leased asset for 2016.

**Emerald Coast Association of Realtors, Inc.**  
**Notes to Financial Statements**

**NOTE 10: CAPITAL LEASE AGREEMENT (CONTINUED)**

At December 31, 2016, the future minimum lease obligations and net present value of those payments are as follows:

<i>Year ending December 31,</i>		
2017	\$	5,927
2018		5,927
2019		5,927
2020		5,927
2021		1,976
Total minimum lease payments		25,684
Less amount representing interest		(1,218)
Present value of net minimum lease payments		\$ 24,466



## **Supplementary Information**



**Emerald Coast Association of Realtors, Inc.**  
**Schedule of Other Expenses**

<i>Year ended December 31,</i>	<b>2016</b>	<b>2015</b>
		<b>(For Comparative Purposes)</b>
Accounting	\$ 11,658	\$ 14,852
Credit card merchant fees	42,480	18,556
Internet	12,262	9,892
Interest	1,130	-
Legal	13,304	17,960
Miscellaneous expenses	18,446	2,232
Network consulting	7,540	5,450
Other organization dues	11,390	8,126
Property taxes	17,367	18,483
Relator association influence support	23,039	11,500
Charitable donations	-	30,886
Software maintenance fees	53,001	53,915
Software purchase/licensing	10,835	32,547
Staff training	3,020	1,498
Transition expenses	-	94,680
<b>Total</b>	<b>\$ 225,472</b>	<b>\$ 320,577</b>