

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER  
(A Not-for-Profit Corporation)**

**Financial Statements and  
Independent Auditor's Report**

**For the Years Ended December 31, 2017 and 2016**

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
**(A Not-for-Profit Corporation)**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Bradbury-Sullivan LGBT Community Center  
Allentown, PA

We have audited the accompanying financial statements of Bradbury-Sullivan LGBT Community Center (a not-for-profit corporation), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2017 and 2016, and the related statements of revenue, support, and expenses and changes in net assets – modified cash basis, cash flows – modified cash basis, and functional expenses – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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 assets, liabilities, and net assets of Bradbury-Sullivan LGBT Community Center as of December 31, 2017 and 2016, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

## Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Congell, Rappold & Yasuta LLP*

March 30, 2018

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS**  
**December 31, 2017 and 2016**

<b>ASSETS</b>		December 31,	
		2017	2016
<b>CURRENT ASSETS:</b>			
Cash and Cash Equivalents	\$	186,268	\$ 95,873
Total Current Assets		186,268	95,873
PROPERTY AND EQUIPMENT, NET (NOTE 2)		358,855	346,867
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>545,123</b>	<b>\$ 442,740</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Current Portion of Long-Term Debt (Note 3)	\$	10,540	\$ 7,372
Payroll Liabilities		8,521	6,406
Total Current Liabilities		19,061	13,778
LONG-TERM DEBT, NET OF CURRENT PORTION (NOTE 3)		162,506	226,900
COMMITMENTS (NOTE 6)			
Total Liabilities		181,567	240,678
<b>NET ASSETS:</b>			
Unrestricted Net Assets		287,385	199,737
Temporarily Restricted Net Assets (Note 4)		76,171	2,325
Total Net Assets		363,556	202,062
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>545,123</b>	<b>\$ 442,740</b>

See independent auditor's report and notes to financial statements.

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF REVENUE, SUPPORT, AND EXPENSES**  
**AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS**  
**Years Ended December 31, 2017 and 2016**

	Year Ended December 31,	
	2017	2016
<u>Changes in Unrestricted Net Assets:</u>		
<b>Support and Revenue:</b>		
Contributions:		
Individual	\$ 74,005	\$ 125,167
Corporate	25,229	28,251
Grants:		
Foundation	98,104	37,199
Government	162,403	99,188
Sponsorship Income	15,780	8,900
Training and Presentation Income	28,530	17,032
Event Income	11,625	11,796
Rental Income	21,250	11,710
Interest Income	3	2
Net Assets Released from Restriction	119,409	5,000
	<u>556,338</u>	<u>344,245</u>
Total Support and Revenue		
	<u>556,338</u>	<u>344,245</u>
<b>Expenses:</b>		
Program Services	325,151	253,922
Management and General	88,075	57,954
Fundraising	63,532	16,797
	<u>476,758</u>	<u>328,673</u>
Total Expenses		
	<u>476,758</u>	<u>328,673</u>
Change in Net Assets Before Acquisition Income	79,580	15,572
Excess of Fair Value of Net Assets Acquired Over Consideration Paid in Acquisition of Pride of the Greater Lehigh Valley	8,068	-
	<u>87,648</u>	<u>15,572</u>
Increase in Unrestricted Net Assets	87,648	15,572
<u>Changes in Temporarily Restricted Net Assets:</u>		
Contributions:		
Individual	44,141	-
Grants:		
Foundation	66,920	2,325
Government	82,194	-
Net Assets Released from Restriction	(119,409)	(5,000)
	<u>73,846</u>	<u>(2,675)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	73,846	(2,675)
Increase in Net Assets	161,494	12,897
Net Assets at Beginning of Year	202,062	189,165
Net Assets at End of Year	<u>\$ 363,556</u>	<u>\$ 202,062</u>

See independent auditor's report and notes to financial statements.

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF CASH FLOWS – MODIFIED CASH BASIS**  
**Years Ended December 31, 2017 and 2016**

	Year Ended December 31,	
	2017	2016
<u><i>Cash Flows from Operating Activities:</i></u>		
Change in Net Assets	\$ 161,494	\$ 12,897
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Excess of Fair Value of Net Assets Acquired Over Over Consideration Paid in Acquisition	(8,068)	-
Depreciation	9,108	8,061
Interest from Deferred Financing Fees	680	626
Increase in Payroll Withholdings	2,115	6,406
Net Cash Provided by Operating Activities	165,329	27,990
<u><i>Cash Flows from Investing Activities:</i></u>		
Cash Acquired in Acquisition of Pride of the Greater Lehigh Valley	8,068	-
Purchase of Property and Equipment	(21,096)	(10,528)
Net Cash Used by Investing Activities	(13,028)	(10,528)
<u><i>Cash Flows from Financing Activities:</i></u>		
Payments on Long-term Debt	(61,906)	(31,542)
Net Cash Used by Financing Activities	(61,906)	(31,542)
Net Increase (Decrease) in Cash and Cash Equivalents	90,395	(14,080)
Cash and Cash Equivalents at Beginning of Year	95,873	109,953
Cash and Cash Equivalents at End of Year	<u>\$ 186,268</u>	<u>\$ 95,873</u>
<u><i>Supplemental Data:</i></u>		
Interest Paid	<u>\$ 10,799</u>	<u>\$ 12,708</u>
Stocks Donations Received	<u>\$ -</u>	<u>\$ 27,749</u>

See independent auditor's report and notes to financial statements.

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS**  
**Years Ended December 31, 2017 and 2016**

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	Program Services	Management and General	Fundraising	2017
Salaries and Wages	\$ 158,131	\$ 35,052	\$ 41,616	\$ 234,799
Employee Benefits	24,051	5,332	6,330	35,713
Payroll Taxes	13,010	2,884	3,424	19,318
Direct Program Expenses	59,166	-	-	59,166
Advertising and Promotion	1,390	497	99	1,986
Office Expenses	4,967	2,702	1,046	8,715
Printing and Copying	2,363	1,285	498	4,146
Dues and Subscriptions	1,375	748	290	2,413
Insurance	11,611	4,147	829	16,587
Facility Repairs and Maintenance	12,532	4,476	895	17,903
Utilities	12,377	4,420	884	17,681
Professional Development	5,294	1,135	1,135	7,564
Board Development	-	3,155	-	3,155
Professional Fees	-	14,940	-	14,940
Travel	3,963	2,155	834	6,952
Volunteers	510	-	-	510
Fundraising	-	-	4,623	4,623
Interest Expense	8,035	2,870	574	11,479
Depreciation Expense	6,376	2,277	455	9,108
Total Expenses	<u>\$ 325,151</u>	<u>\$ 88,075</u>	<u>\$ 63,532</u>	<u>\$ 476,758</u>

See independent auditor's report and notes to financial statements.

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
**(A Not-for-Profit Corporation)**  
**STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS**  
**Years Ended December 31, 2017 and 2016**

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	Program Services	Management and General	Fundraising	2016
Salaries and Wages	\$ 76,886	\$ 22,745	\$ 6,252	\$ 105,883
Employee Benefits	5,083	1,504	413	7,000
Payroll Taxes	7,260	2,148	590	9,998
Direct Program Expenses	99,053	-	-	99,053
Advertising and Promotion	1,748	624	125	2,497
Office Expenses	2,279	1,240	480	3,999
Printing and Copying	1,594	867	336	2,797
Dues and Subscriptions	465	253	98	816
Insurance	8,732	3,118	624	12,474
Facility Repairs and Maintenance	14,832	5,297	1,059	21,188
Utilities	12,006	4,288	858	17,152
Professional Development	7,577	1,623	1,623	10,823
Board Development	-	1,723	-	1,723
Professional Fees	-	6,648	-	6,648
Travel	970	528	204	1,702
Volunteers	460	-	-	460
Fundraising	-	-	3,065	3,065
Interest Expense	9,334	3,333	667	13,334
Depreciation Expense	5,643	2,015	403	8,061
	<u>\$ 253,922</u>	<u>\$ 57,954</u>	<u>\$ 16,797</u>	<u>\$ 328,673</u>
Total Expenses	<u>\$ 253,922</u>	<u>\$ 57,954</u>	<u>\$ 16,797</u>	<u>\$ 328,673</u>

See independent auditor's report and notes to financial statements.

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
**(A Not-for-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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**1. Summary of Significant Accounting Policies**

*Nature of Business*

The Bradbury-Sullivan LGBT Community Center (the "Center") is a not-for-profit corporation incorporated under the laws of the Commonwealth of Pennsylvania in 2004 as the Pennsylvania Diversity Network. In 2014, the corporation amended its articles of incorporation and its state registration to change its name to the current one. The Center provides programming, outreach, and other services to strengthen and support the LGBT community of the greater Lehigh Valley. The Center receives its support primarily through community contributions.

*Basis of Accounting*

The financial statements of the Center have been prepared on the modified cash basis of accounting. Accordingly, revenue is recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred. Modifications include the recognition of land, building, and equipment assets and related depreciation expense and the recording of related mortgage debt. The modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles.

*Basis of Presentation*

The Center is required to report information regarding its financial position and activities according to three classes of net assets. A description of the three net asset categories follows:

**Unrestricted Net Assets** – Unrestricted net assets include funds not subject to donor-imposed stipulations. In general, the revenues received and expenses incurred in conducting the Center's charitable mission are included in this category.

**Temporarily Restricted Net Assets** – Temporarily restricted net assets include gifts and grants whose use by the Center has been limited by donors to later periods of time or after specified dates, or for a specified purpose. Contributions paid in advance are carried in this category until the subsequent year when the support is reclassified to the unrestricted category.

**Permanently Restricted Net Assets** – Permanently restricted net assets include gifts which are required by donor-imposed restrictions to be invested in perpetuity and only income be made available for operations in accordance with donor restrictions. The Center currently does not have any assets that meet this definition.

*Income Taxes*

The Center is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and none of its present or anticipated future activities are subject to taxation as unrelated business income. Therefore, no provision for income taxes has been made in the accompanying financial statements.

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
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**1. Summary of Significant Accounting Policies (Continued)**

*Income Taxes (Continued)*

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Center may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Center and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for the years ended December 31, 2017 and 2016.

The Center files Federal Form 990, *Return of Organization Exempt from Tax*, with the United States Internal Revenue Service and with the Bureau of Charitable Organizations in Pennsylvania.

*Use of Estimates*

The preparation of financial statements in conformity with the modified cash basis of accounting in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Revenue and Expense Recognition*

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on disposal of assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purposes or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets. Contributions with donor restrictions which are satisfied in the year the contribution is made are treated as unrestricted support for purposes of the financial statements.

*Contributed Services*

The Center receives a substantial amount of volunteer services donated by its members in carrying out its mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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**1. Summary of Significant Accounting Policies (Continued)**

*Allocation of Expenses by Function*

As reported in the Statements of Functional Expenses – Modified Cash Basis, expenses of the Center have been allocated to the following functional reporting classifications:

**Program Services** – Program service expenses include costs incurred for activities that ultimately result in the delivery of services that fulfill the Center's charitable purposes.

**Management and General** – Management and general expenses include costs incurred for the overall direction of the Center, general record keeping, business management, budgeting, general board activities, and related purposes.

**Fundraising** – Fundraising expenses include costs incurred for activities that ultimately result in inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. Fundraising activities include publicizing and conducting fund raising campaigns, maintaining donor mailing lists, conducting special fund raising events, and conducting other activities involved with soliciting contributions from individuals, foundations, governments, and others.

The Center's methods for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

*Cash and Cash Equivalents*

For purposes of reporting cash and cash equivalents, cash is defined as cash on hand and checking and savings accounts at financial institutions. Investments with an original maturity of three months or less are considered cash and cash equivalents for these purposes.

*Property and Equipment*

Property and equipment is stated at cost. Depreciation is computed by use of the straight-line method based on estimated useful lives. The Center capitalizes all items with a value greater than \$500 and an estimated useful life greater than one year. Routine repairs and maintenance are expensed as incurred.

	<u>Years</u>
Building and Building Improvements	39
Furniture and Equipment	7

*Reclassification*

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

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**1. Summary of Significant Accounting Policies (Continued)**

*Debt Issuance Costs*

Debt issuance costs incurred in connection with obtaining financing through a bank have been capitalized and are being amortized using the straight-line method over the life of the related financing agreement which approximates the value based on the effective interest method. Amortization of the debt issuance cost is reported as interest expense in the statement of revenue, support and expenses and change in net assets – modified cash basis.

**2. Property and Equipment**

Property and equipment consist of the following at December 31, 2017 and 2016:

	December 31,	
	2017	2016
Land	\$ 34,000	\$ 34,000
Building and Building Improvements	340,410	321,087
Furniture and Equipment	4,852	3,079
	<u>379,262</u>	<u>358,166</u>
Less: Accumulated Depreciation	<u>(20,407)</u>	<u>(11,299)</u>
	<u>\$ 358,855</u>	<u>\$ 346,867</u>

Depreciation charged to expense was \$9,108 and \$8,061 for the years ended December 31, 2017 and 2016, respectively.

**3. Long-Term Debt**

	December 31,	
	2017	2016
5.00% Mortgage Note Payable to a Bank, Collateralized by Real Estate, Due in 83 Monthly Installments of \$1,591, Including Interest Through September, 2022. The Remaining Balance is Due October, 2022.	\$ 175,766	\$ 237,672
Less: Unamortized Deferred Financing Fees	<u>(2,720)</u>	<u>(3,400)</u>
	173,046	234,272
Less: Current Portion	<u>(10,540)</u>	<u>(7,372)</u>
	<u>\$ 162,506</u>	<u>\$ 226,900</u>

Interest expense was \$11,479 and \$13,334 for the years ended December 31, 2017 and 2016, respectively.

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**3. Long-Term Debt (Continued)**

Long-term debt maturities are as follows:

Years ended December 31,

2018	\$	10,540
2019		11,079
2020		11,645
2021		12,241
2022		<u>130,261</u>
	\$	<u>175,766</u>

**4. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

	December 31,	
	2017	2016
Health Programs to be Held in 2017	\$ -	\$ 2,325
Health Programs to be Held in 2018	16,700	-
Education Programs	21,000	-
Film Programs	985	-
Spirituality Programs	1,100	-
Capital Projects and Debt Services	5,166	-
Building Improvement Projects	15,000	-
Salary Subsidy	<u>16,220</u>	<u>-</u>
	<u>\$ 76,171</u>	<u>\$ 2,325</u>

The source of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donor were as follows:

	Year Ended December 31,	
	2017	2016
Health Programs to be Held in 2016	\$ -	\$ 5,000
Health Programs to be Held in 2017	2,325	-
Tobacco-Free Programs	75,646	-
Film Programs	2,464	-
Capital Projects and Debt Services	<u>38,974</u>	<u>-</u>
	<u>\$ 119,409</u>	<u>\$ 5,000</u>

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
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**5. Retirement Plan**

During 2017, the Center begin participation in a discretionary SEP IRA Plan for all employees who are at least twenty-one years of age with at least one year of service for the Center and earnings of \$450 or more during the Plan year. Under the Plan, the Center contributes 3% of the employee's base compensation. Employer contributions to the Plan were \$9,275 and \$-0- for the years ended December 31, 2017 and 2016, respectively.

**6. Commitments**

The Center leases office equipment under a non-cancellable operating lease which calls for total monthly payments of \$193 through December, 2021. The expense related to the lease was \$2,316 and \$-0- for the years ended December 31, 2017 and 2016, respectively.

The following is a schedule of future minimum rental payments required under the above non-cancellable operating lease:

Years ended December 31,

2018	\$	2,316
2019		2,316
2020		2,316
2021		2,316

**7. Combination of Services**

Effective November 8, 2017, by action of each of the Boards of Directors of Bradbury-Sullivan LGBT Community Center and Pride of the Greater Lehigh Valley, the organizations agreed to combine services. The combination was accounted for as an acquisition under accounting principles generally accepted in the United States of America whereby Pride of the Greater Lehigh Valley was acquired by Bradbury-Sullivan LGBT Community Center. Pride of the Greater Lehigh Valley was dedicated to building safe and inclusive environments which permit the expression of diverse perspectives with an emphasis on acceptance and valuing individuals of all sexual orientations or gender identities. The primary reason for the combination was to provide efficiency and increase effectiveness of the annual festival organized by Pride of the Greater Lehigh Valley.

**BRADBURY-SULLIVAN LGBT COMMUNITY CENTER**  
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**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017 and 2016**

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**7. Combination of Services (Continued)**

The following table summarizes the amounts of the assets acquired and liabilities assumed, recognized at the November 8, 2017 acquisition date:

Recognized amounts of identifiable assets acquired and liabilities assumed:

Financial Assets Acquired	\$ 8,068
Less: Financial Liabilities Acquired	<u>-</u>
Total Identifiable Net Assets	8,068
Consideration Paid	<u>-</u>
Inherent Contribution Received	<u><u>\$ 8,068</u></u>

On the Statement of Revenue, Support, and Expenses and Changes in Net Assets – Modified Cash Basis the inherent contribution received is recorded as the “Excess of Fair Value of Net Assets Acquired Over Consideration Paid in Acquisition of Pride of the Greater Lehigh Valley”.

Acquisition-related costs included in Management and General in the accompanying Statement of Revenue, Support, and Expenses and Changes in Net Assets – Modified Cash Basis for the years ended December 31, 2017 and 2016, totaled \$2,500 and \$-0-, respectively. All acquisition related costs were recognized as an expense.

**8. Subsequent Events**

Management has evaluated subsequent events through March 30, 2018, the date on which the financial statements were available to be issued, and has determined that no material subsequent events exist that require disclosure.