

Lutheran Partners in Global Ministry, Inc.
Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
December 31, 2018 and 2017



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

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Independent Auditor's Report

Board of Directors
Lutheran Partners in Global Ministry, Inc.
Minneapolis, Minnesota

We have audited the accompanying financial statements of Lutheran Partners in Global Ministry, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, 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 Lutheran Partners in Global Ministry, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carpenter Evert and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
April 23, 2019

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and Donations	\$ 295,398	\$ 573,013	\$ 868,411	\$ 260,336	\$ 566,482	\$ 826,818
Investment Income	(49,726)	-	(49,726)	137,913	-	137,913
Special Event						
Special Event Income	20,519	-	20,519	14,920	-	14,920
Costs of Direct Benefits to Donors	(11,410)	-	(11,410)	(1,169)	-	(1,169)
Special Event - Net	9,109	-	9,109	13,751	-	13,751
Loss on Disposal of Asset	(29)	-	(29)	(103)	-	(103)
Net Assets Released from Restrictions:						
Satisfaction of Program Restrictions	693,243	(693,243)	-	911,051	(911,051)	-
Total Support and Revenue	947,995	(120,230)	827,765	1,322,948	(344,569)	978,379
Expense:						
Program Services	876,642	-	876,642	1,012,995	-	1,012,995
Support Services:						
Management and General	89,350	-	89,350	93,139	-	93,139
Fundraising	129,885	-	129,885	115,153	-	115,153
Total Support Services	219,235	-	219,235	208,292	-	208,292
Total Expense	1,095,877	-	1,095,877	1,221,287	-	1,221,287
Change in Net Assets	(147,882)	(120,230)	(268,112)	101,661	(344,569)	(242,908)
Net Assets - Beginning of Year	837,360	272,885	1,110,245	735,699	617,454	1,353,153
Net Assets - End of Year	\$ 689,478	\$ 152,655	\$ 842,133	\$ 837,360	\$ 272,885	\$ 1,110,245

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

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017

EXHIBIT B

	2018			2017	
	Program Services	Support Services		Total All Services	Total All Services
	Management & General	Fund- raising	Total Support Services		
Salaries	\$ 120,333	\$ 54,081	\$ 89,000	\$ 143,081	\$ 233,958
Payroll Taxes	8,529	3,833	6,308	10,141	17,548
Employee Benefits	11,018	7,560	7,755	15,315	11,748
Total Personnel Expense	<u>139,880</u>	<u>65,474</u>	<u>103,063</u>	<u>168,537</u>	<u>263,254</u>
Project Expenses	679,275	-	-	-	694,733
Rent	25,050	8,350	8,350	16,700	41,700
Professional Services	8,435	5,899	3,215	9,114	17,549
Bank and Credit Card Fees	6,056	3,085	4,409	7,494	13,550
Printing, Copying and Newsletters	4,186	-	4,186	4,186	8,372
Postage	2,677	-	2,677	2,677	5,354
Travel	3,396	52	17	69	3,465
Telephone and Internet Access	2,004	668	668	1,336	3,340
Insurance	-	2,653	-	2,653	2,653
Conferences and Meetings	591	301	949	1,250	1,841
Supplies and Maintenance	845	356	521	877	1,722
Miscellaneous	-	1,207	195	1,402	1,402
Website	330	-	330	330	660
Covenant Expense	-	-	-	-	150,000
Depreciation	3,917	1,305	1,305	2,610	6,527
	<u>\$ 876,642</u>	<u>\$ 89,350</u>	<u>\$ 129,885</u>	<u>\$ 219,235</u>	<u>\$ 1,095,877</u>
					<u>\$ 1,221,287</u>

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

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT C

	<u>Support Services</u>			<u>Total Support Services</u>	<u>Total All Services</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fund- raising</u>		
Salaries	\$ 119,804	\$ 57,309	\$ 56,845	\$ 114,154	\$ 233,958
Payroll Taxes	8,986	4,299	4,263	8,562	17,548
Employee Benefits	5,377	4,017	2,354	6,371	11,748
Total Personnel Expense	<u>134,167</u>	<u>65,625</u>	<u>63,462</u>	<u>129,087</u>	<u>263,254</u>
Project Expenses	694,733	-	-	-	694,733
Rent	25,020	8,340	8,340	16,680	41,700
Professional Services	10,622	10,064	3,775	13,839	24,461
Bank and Credit Card Fees	3,433	1,335	-	1,335	4,768
Printing, Copying and Newsletters	4,362	-	4,362	4,362	8,724
Postage	3,983	-	3,983	3,983	7,966
Travel	3,641	-	593	593	4,234
Telephone and Internet Access	2,107	702	702	1,404	3,511
Insurance	-	2,970	-	2,970	2,970
Conferences and Meetings	352	376	706	1,082	1,434
Supplies and Maintenance	1,580	699	789	1,488	3,068
Miscellaneous	-	1,404	195	1,599	1,599
Website	372	-	372	372	744
Covenant Expense	123,750	-	26,250	26,250	150,000
Depreciation	4,873	1,624	1,624	3,248	8,121
	<u>\$ 1,012,995</u>	<u>\$ 93,139</u>	<u>\$ 115,153</u>	<u>\$ 208,292</u>	<u>\$ 1,221,287</u>

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

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

EXHIBIT D

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and Cash Equivalents	\$ 218,357	\$ 243,007
Grants and Contributions Receivable	12,000	-
Prepaid Expenses	5,860	7,787
Total Current Assets	236,217	250,794
Investments	679,545	980,248
Prepaid Expenses - Non-Current	-	500
Lease Deposit	3,000	3,000
Property and Equipment - Net	12,709	18,615
TOTAL ASSETS	\$ 931,471	\$ 1,253,157
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 11,638	\$ 10,683
Deferred Revenue	2,700	7,229
Covenant Liability	50,000	50,000
Total Current Liabilities	64,338	67,912
Covenant Liability - Non-Current	25,000	75,000
Total Liabilities	89,338	142,912
Net Assets:		
Without Donor Restrictions:		
Undesignated	-	-
Board Designated	689,478	837,360
Total Net Assets without Donor Restrictions	689,478	837,360
With Donor Restrictions	152,655	272,885
Total Net Assets	842,133	1,110,245
TOTAL LIABILITIES AND NET ASSETS	\$ 931,471	\$ 1,253,157

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

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

EXHIBIT E

	2018	2017
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (268,112)	\$ (242,908)
Total Adjustments	(17,713)	60,351
Net Cash (Used) by Operating Activities	(285,825)	(182,557)
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(650)	-
Purchase of Investments	(283,909)	(833,650)
Proceeds from Sale of Investments	545,734	1,081,368
Net Cash Provided by Investing Activities	261,175	247,718
Cash Flows from Financing Activities:		
None	-	-
Net Increase (Decrease) in Cash	(24,650)	65,161
Cash and Cash Equivalents - Beginning of Year	243,007	177,846
Cash and Cash Equivalents - End of Year	\$ 218,357	\$ 243,007

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

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies

Organizational Purpose

Lutheran Partners in Global Ministry, Inc. (The Organization) is organized as a Minnesota non-profit corporation to engage individuals and communities in transformational partnerships across the globe; to increase access to education for children in developing countries; to economically empower women and children; to raise the level of awareness of mission within congregations through education, travel and engagement; to raise funds, supply needs, encourage, stimulate and inspire stewardship for mission. The Organization currently supports programs in the Central African Republic, Guatemala and India.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, 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:

Net Assets without Donor Restrictions – Net assets which are not restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – The part of net assets of the Organization 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, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Organization carries its investments at fair market value.

Property and Equipment

All major expenditures for property and equipment over \$500 are capitalized at cost. Depreciation is provided through the use of the straight-line method.

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Doubtful Accounts

The Organization 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. The Organization reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. Accounts receivable are stated net of the allowance for doubtful accounts of \$-0- for both the periods ended December 31, 2018 and 2017.

Contributions

Contributions received are recorded as support with or without donor restrictions, depending upon the existence and/or nature of any donor restriction. All donor-restricted contributions are reported as increases to net assets with donor restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

When there are funds in a restricted programmatic account and the program has either ended or been fully funded, net assets with donor restrictions may be reclassified to another restricted account and/or net assets without donor restrictions, based upon consultation with the donor.

Grants 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.

Deferred Revenue

The Organization held \$2,700 and \$7,229 of deferred revenue at the years ended December 31, 2018 and 2017, respectively. Deferred revenue consists of trip fees that are paid for trips that will not take place until the next calendar year.

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.

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Income Tax

The Organization 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. The Organization'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. The Organization 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, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990).

Use of Estimates

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively for the periods ended December 31, 2018 and 2017, as required.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through April 23, 2019, which is the date financial statements were available to be issued.

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. Financial Instruments

Significant Concentrations of Credit Risk

The Organization receives grants and contributions primarily from Minnesota residents and institutions.

3. Investments

The Organization held the following investments as of:

	December 31,			
	2018		2017	
	Cost	Market Value	Cost	Market Value
Stocks	\$ 149,195	\$ 154,000	\$ 247,932	\$ 319,318
Exchange Traded Funds and Closed-End Funds	39,203	39,497	81,409	92,762
Mutual Funds	520,767	476,879	481,283	501,684
Money Market Funds	9,169	9,169	66,484	66,484
	<u>\$ 718,334</u>	<u>\$ 679,545</u>	<u>\$ 877,108</u>	<u>\$ 980,248</u>

4. Property and Equipment

The Organization owned the following as of:

	December 31,		Estimated Useful Lives
	2018	2017	
Equipment	\$ 52,904	\$ 53,135	3-7 years
Leasehold Improvements	14,219	14,219	Lease-term
	67,123	67,354	
Less Accumulated Depreciation	54,414	48,739	
	<u>\$ 12,709</u>	<u>\$ 18,615</u>	

Depreciation expense of \$6,527 and \$8,121 was recorded for the years ended December 31, 2018 and 2017, respectively.

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

5. Fair Value

The Organization 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:

- 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.

The following is a summary of the inputs used to determine the fair value of the investments at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 154,000	\$ -	\$ -	\$ 154,000
Exchange Traded Funds and Closed-End Funds	39,497	-	-	39,497
Mutual Funds	476,879	-	-	476,879
Money Market Funds	<u>9,169</u>	-	-	<u>9,169</u>
Total	<u>\$ 679,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 679,545</u>

The following is a summary of the inputs used to determine the fair value of the investments at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 319,318	\$ -	\$ -	\$ 319,318
Exchange Traded Funds and Closed-End Funds	92,762	-	-	92,762
Mutual Funds	501,684	-	-	501,684
Money Market Funds	<u>66,484</u>	-	-	<u>66,484</u>
Total	<u>\$ 980,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 980,248</u>

6. Line of Credit

The Organization maintains a liquidity access line-of-credit with Morgan Stanley. The interest rate at December 31, 2018 was 5.52%. The available credit was \$508,345 at December 31, 2018. Credit line availability is calculated based upon investments held on account with Morgan Stanley. These investments are pledged as collateral for the line of credit. There was no outstanding balance at December 31, 2018.

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

7. Related Party Transactions

The Organization entered into a covenant with the founders of the Organization. For the year ended December 31, 2017, \$150,000 was recognized as covenant expense. \$75,000 is outstanding as a covenant liability as of December 31, 2018. \$50,000 is due during the calendar years 2019, then the last \$25,000 is due during 2020.

The covenant requires the founders to refer any contact from donors or partners to the Executive Director of the Organization.

8. In-kind Contributions

The Organization values in-kind contributions at fair market value at date of donation. In-kind contributions were as follows as of:

	December 31,	
	2018	2017
Services	\$ 55,393	\$ 55,514

9. Leased Facilities

Rental commitments under a noncancelable lease for office space in effect at December 31, 2018, total \$44,554. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2019	\$ 20,175
2020	20,813
2021	3,566
Total	\$ 44,554

Rental expense was \$41,750 and \$41,700 for the years ended December 31, 2018 and 2017, respectively.

10. Retirement Plan

The Organization provides retirement benefits to its employees through a SIMPLE IRA plan covering all eligible employees. The Organization contributes matches up to three percent of gross wages. Contributions to the plan during the years ended December 31, 2018 and 2017, were \$18,881 and \$6,830, respectively.

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

11. Donor Restricted and Board Designated Net Assets

Board designated net assets consisted of amounts for the following as of:

	December 31,	
	2018	2017
Mission Development Fund	\$ 689,478	\$ 837,360

Net assets with donor restrictions consisted of amounts for the following as of:

	December 31,	
	2018	2017
India	\$ 118,787	\$ 136,314
Tanzania	21,839	10,373
Central African Republic	7,788	125,495
Travel Scholarships	3,250	-
Guatemala	991	703
	\$ 152,655	\$ 272,885

12. Liquidity and Availability

The following represents the Organization's financial assets at December 31, 2018:

Financial Assets:	
Cash and Cash Equivalents	\$ 218,357
Grants and Contributions Receivable	12,000
Total Financial Assets	\$ 230,357
Less assets not available to be used within one year:	
Net Assets with Donor Restrictions	152,655
Net Assets with Restrictions to be met within a year	(152,655)
Total assets not available to be used within one year	-
Financial assets available for general expenditures within one year	\$ 223,571

The organization does not consider their investments to be a financial asset available for use within one year because it is intended to be held for long-term purposes. If liquidity needs required, the organization could use the investment funds.

The amount recorded as net assets with donor restrictions are not subtracted from financial assets available for general expenditures within one year because they are restricted for purposes that are met during the normal operation of the Organization within one year.

LUTHERAN PARTNERS IN GLOBAL MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

12. Liquidity and Availability (continued)

As part of the Organization's liquidity policy, they invest excess cash into an interest bearing money market savings account. In addition to this, the Organization holds a \$508,345 line of credit to supplement liquidity needs.

13. Cash Flow Operating Adjustments

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

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Depreciation	\$ 6,527	\$ 8,121
Loss on Disposal of Assets	29	103
Realized (Gain) on Sale of Investments	(71,005)	(63,326)
Unrealized (Gain) on Investments	142,298	(74,069)
Donated Stock	(32,415)	(47,780)
Prepaid Expenses	500	(500)
Covenant Liability	(50,000)	75,000
Increases (Decreases) in Current Liabilities:		
Accounts Payable	955	(1,783)
Deferred Revenue	(4,529)	(771)
Covenant Liability	-	50,000
Decreases (Increases) in Current Assets:		
Grants and Contributions Receivable	(12,000)	120,000
Prepaid Expenses	1,927	(4,644)
Total Adjustments	<u>\$ (17,713)</u>	<u>\$ 60,351</u>