The Virginia Foundation for Architecture, Incorporated D/B/A The Virginia Center for Architecture Foundation and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

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PILC & MOSELEY, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Virginia Foundation for Architecture, Incorporated
d/b/a The Virginia Center for Architecture Foundation
and Subsidiaries
Richmond, Virginia

We have audited the accompanying consolidated financial statements of The Virginia Foundation for Architecture, Incorporated d/b/a The Virginia Center for Architecture Foundation and Subsidiaries (collectively, the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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

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of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Virginia Foundation for Architecture, Incorporated d/b/a The Virginia Center for Architecture Foundation and Subsidiaries as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial information listed as supplemental information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Pike & Mosley, LLC

Richmond, Virginia
August 10, 2017

FINANCIAL STATEMENTS

THE VIRGINIA FOUNDATION FOR ARCHITECTURE, INC.
D/B/A THE VIRGINIA CENTER FOR ARCHITECTURE FOUNDATION
AND SUBSIDIARIES

Consolidated Statement of Financial Position

December 31, 2016

ASSETS

Current assets	
Cash and cash equivalents	$ 115,017
Accounts receivable	31
Pledges receivable, net	24,276
Inventory	8,725
Prepaid expenses	12,554
Total current assets	160,603
Property and equipment, net	3,476,654
Other assets	
Pledges receivable - long-term, net	49,382
Investments	226,180
Total other assets	275,562
Total assets	$ 3,912,819

See accompanying notes to consolidated financial statements.

THE VIRGINIA FOUNDATION FOR ARCHITECTURE, INC.
D/B/A THE VIRGINIA CENTER FOR ARCHITECTURE FOUNDATION
AND SUBSIDIARIES

Consolidated Statement of Financial Position

December 31, 2016

LIABILITIES AND NET ASSETS

Current liabilities	
Current portion of long-term debt	$ 72,286
Accounts payable	
Trade	38,000
Related party	529
Accrued expenses	8,634
Deferred revenue	16,750
Total current liabilities	136,199
Other liabilities	
Long-term debt, net of current portion	1,686,555
Total liabilities	1,822,754
Net assets	
Undesignated	1,060,473
Board designated	94,805
Total unrestricted net assets	1,155,278
Temporarily restricted	934,787
Total net assets	2,090,065
Total liabilities and net assets	$ 3,912,819

See accompanying notes to consolidated financial statements.

THE VIRGINIA FOUNDATION FOR ARCHITECTURE, INC.
D/B/A THE VIRGINIA CENTER FOR ARCHITECTURE FOUNDATION
AND SUBSIDIARIES

Consolidated Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Grants and contributions	$ 344,216	$ 562,246	$ 906,462
Contributed services	132,755	-	132,755
Program revenue	18,828	-	18,828
Retail income	3,163	-	3,163
Rental income	236,012	-	236,012
Investment income	4,868	-	4,868
Net unrealized gain on investments	14,768	-	14,768
Total revenue	754,610	562,246	1,316,856
NET ASSETS RELEASED FROM RESTRICTIONS	113,562	(113,562)	-
EXPENSES			
Program services			
Preservation	395,859	-	395,859
Education	52,977	-	52,977
Management and general	533,196	-	533,196
Fund raising	65,395	-	65,395
Total expenses	1,047,427	-	1,047,427
Net realized loss on investments	63	-	63
Total expenses and losses	1,047,490	-	1,047,490
CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM	(179,318)	448,684	269,366
Extraordinary item - forgiveness of debt	41,739	-	41,739
CHANGE IN NET ASSETS	(137,579)	448,684	311,105
NET ASSETS			
Beginning of year	1,292,857	486,103	1,778,960
Ending	$ 1,155,278	$ 934,787	$ 2,090,065

See accompanying notes to consolidated financial statements.

THE VIRGINIA FOUNDATION FOR ARCHITECTURE, INC.
D/B/A THE VIRGINIA CENTER FOR ARCHITECTURE FOUNDATION
AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year Ended December 31, 2016

Cash flows from operating activities	
Change in net assets	$ 311,105
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	131,875
Bad debt expense	4,054
Net realized loss on investments	63
Net unrealized gain on investments	(14,768)
Forgiveness of debt	(41,739)
Changes in operating assets and liabilities	
Accounts receivable	193
Pledges reveivable	(77,712)
Inventory	755
Prepaid expenses	(5,315)
Accounts payable	(105,598)
Accrued expenses	(42,551)
Deferred revenue	(1,250)
Net cash provided by operating activities	159,112
Cash flows from investing activities	
Proceeds from sale of investments	21,181
Purchase of investments	(23,018)
Net cash used in investing activities	(1,837)
Cash flows from financing activities	
Principal payments on long-term debt	(66,874)
Net cash used in financing activities	(66,874)
Net increase in cash and cash equivalents	90,401
Cash and cash equivalents	
Beginning of year	24,616
End of year	$ 115,017
Supplemental disclosure of cash flow information	
Cash paid for interest	$ 91,077

See accompanying notes to consolidated financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: The Virginia Foundation for Architecture, Incorporated d/b/a The Virginia Center for Architecture Foundation and Subsidiaries (collectively, the "Foundation") was organized as a nonprofit organization to enlarge the public understanding of architecture by supporting education, research, preservation, exhibition, and publication relating to architecture and its allied arts and sciences; to support architectural studies; and to restore and preserve historic landmarks. The Foundation's support comes primarily from grants, contributions, rental, and investment activities.

Financial Resources: The Foundation has experienced a decline in grants and contributions and program revenue over the past several years partially caused by the downturn in the construction industry. In past years, in order to continue to meet its debt payments, the Foundation has had to borrow from its temporarily restricted net assets.

Management of the Foundation is continuing to address the financial resources by actively looking for new donations from existing or new donors and closely monitoring expenses. Management has also continued to increase its rental income as another financial resource. This strategy has allowed the repayment of some of these inter-fund borrowings.

Principles of Consolidation: The consolidated financial statements include the accounts of The Virginia Foundation of Architecture, Incorporated, and its wholly owned subsidiary, Branch House, Inc. Branch House, Inc. is the sole member in Branch House, LLC, a disregarded entity. All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting: The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates: The preparation of consolidated financial statement in conformity with the accrual basis of accounting 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Foundation considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents. The cash balances are non-interest bearing and fully insured by the Federal Deposit Insurance Corporation through December 31, 2016.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Pledges Receivable: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recorded once an unconditional promise to give has been received by the Foundation. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support, which increases that net asset class. When a donor 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. Amounts received that are restricted for perpetuity are reported as permanently restricted support, which increases that net asset class. The donor can permanently restrict endowment contributions. Investment earnings on endowment contributions available for distribution are recorded in temporarily restricted net assets until appropriated for expenditure.

Inventory: Museum shop inventory is stated at the lower of average cost or market value.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value with gains and losses included in operations. Fair value is based on quoted market prices or the fair value is determined by external investment managers. Unrealized gains and losses are included in the consolidated statement of activities.

Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the consolidated financial statements.

Property and Equipment: During 2003, Branch House Associates, LLC, purchased a registered national and state historic landmark to house The Branch Museum of Architecture and Design (the "Museum"). The amount capitalized includes the cost to acquire the Museum, as well as amounts expended in connection with the renovation of the property, including in-kind contributions of professional services.

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the respective assets on a straight-line basis. Depreciable lives are as follows: building and improvements - 39 years and furniture and equipment - 3 to 20 years. The costs of major improvements are capitalized, while the costs of maintenance and repairs that do not extend the original estimated economic life are charged to expense as incurred.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Loan Costs: Loan costs incurred in connection with the acquisition and renovation of the property are amortized over the period the obligation is outstanding using the straight-line method.

Deferred Revenue: The Foundation requires facility usage fees to be partially paid in advance for special events held at the Museum. The portion of the facility usage fees paid in advance are recorded as deferred revenue when received and recognized as program revenue in the year that the special event occurs.

Income Taxes: The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. It is subject to income tax on any unrelated business income that it may generate.

Branch House, Inc. is subject to both federal and state income taxes and has over $2,400,000 in net operating losses available to be carried forward to offset against future income. Branch House Associates, LLC is a single member LLC (Branch House, Inc.), and is therefore a disregarded entity for federal and state income tax purposes. Its activity is reported in total on the Branch House, Inc. federal and state income tax returns.

Income Tax Uncertainties: The Foundation follows the Financial Accounting Standards Board ("FASB") guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Foundation's tax position and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The Foundation's income tax returns for years since 2013 remain open for examination by tax authorities. The Foundation is not currently under audit by any tax jurisdiction.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Net Assets: The Foundation 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. The net asset classes are summarized as follows:

Unrestricted net assets include the Unrestricted and The Branch Museum of Architecture and Design (the "Museum") funds. The Unrestricted fund accounts for the revenue and expenses of the Foundation's daily and program operations and the Museum fund accounts for costs incurred in connection with the acquisition, restoration and operation of the Museum.

Temporarily restricted net assets include contributions restricted by donor designation and payments on contributions receivable expected in future years, as well as income earned on permanently restricted net assets. They are reported as increases in temporarily restricted net assets. When a restriction expires either by the passage of time or by actions of the Foundation, temporarily restricted net assets are released and reclassified to unrestricted net assets.

Permanently restricted net assets include contributions subject to donor-imposed stipulations that they be maintained permanently by the Foundation. The Foundation's permanently restricted net assets as of December 31, 2015 were $0.

Subsequent Events: Management has evaluated subsequent events through August 10, 2017, the date the consolidated financial statements were available to be issued, and has determined that no disclosures are necessary.

NOTE 2. INVESTMENTS:

At December 31, 2016, investments by major category consisted of:

	Cost	Market
Common stocks	$ 74,648	$ 99,643
Mutual funds	75,970	126,537
	$ 150,618	$ 226,180

Investments are recorded in the consolidated financial statements at fair value, which is determined based on the investments' trading values at December 31, 2016.

NOTE 3. FAIR VALUE MEASUREMENTS:

The Foundation has adopted FASB guidance related to financial assets and liabilities and any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. The guidance provides a framework for measuring fair value under accounting principles generally accepted in the United States ("GAAP") and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

Level 1 - Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 - Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

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

Mutual funds: Valued at the closing price of the net asset value ("NAV") on the active market on which the individual funds are traded.

The valuation techniques used for both the common stocks and the mutual funds are considered to be Level 1 measurements.

NOTE 4. PLEDGES RECEIVABLE:

Unconditional promises to give	$ 81,080
Less uncollectible allowance	4,054
Less unamortized discount	3,368
Net pledges receivable	$ 73,658

Pledges receivable at December 31, 2016 are expected to be collected as follows:

Receivable in less than one year	$ 24,276
Receivable in one to five years	49,382
Net pledges receivable	$ 73,658

Bad debt expense for 2016 was $4,054.

NOTE 5. PROPERTY AND EQUIPMENT:

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

Land	$ 418,000
Buildings and improvements	4,430,414
Furniture and equipment	364,037
	5,212,451
Less accumulated depreciation	1,735,797
	$ 3,476,654

Depreciation expense amounted to $131,875 for 2016.

NOTE 6. RETIREMENT PLAN:

The Foundation's retirement plan, effective April 1, 1987, is a voluntary plan for any employees who meet the eligibility requirements. The employer contribution was $17,080 for 2016.

NOTE 7. LONG-TERM DEBT:

Branch House Associates, LLC has an outstanding note that was used to purchase the Museum. On May 15, 2013, the organization renegotiated the outstanding amounts and extended the note. Monthly payments of principal and interest were reduced to $13,162 with a final payment of the remaining principal and interest due on May 8, 2018. The organization also negotiated a favorable fixed rate for the term of the note at 4.99%.

At December 31, 2016, the outstanding balance on the note was $1,758,841.

The note is secured by a deed of trust on the property, as well as property, equipment, and investments, and an assignment of pledges and rents.

As of December 31, 2016, the aggregate maturities of the long-term debt for the next two years and in total are as follows:

Year	Amount
2017	$ 72,286
2018	1,686,555
	$ 1,758,841

Total interest expense was $91,077 for 2016.

NOTE 8. RENTAL ACTIVITIES:

The Foundation's subsidiary, Branch House Associates, LLC, leases facilities to an affiliated organization, AIA Virginia. The current lease, covering the period from May 1, 2014 to April 30, 2019, calls for current monthly lease payments of $6,877 by AIA Virginia. The lease provides for future increases in rent. During 2016, Branch House Associates, LLC also leased facilities to multiple unaffiliated organizations, on a month-to-month basis. Branch House Associates, LLC, has recognized rental income of $236,012 for the current year.

The following is a schedule by year of future minimum lease payments to be received under an operating lease with AIA Virginia that has initial or remaining noncancelable lease terms in excess of one year as of December 31, 2016:

Year	Amount
2017	$ 83,630
2018	85,302
2019	28,621
	$ 197,553

NOTE 9. RELATED PARTY TRANSACTION:

As described above, Branch House Associates, LLC leases facilities to AIA Virginia, an affiliated organization. The Foundation also shares the facilities with AIA Virginia and utilizes the AIA Virginia's staff.

In connection with the renovation of the property, the Foundation advanced amounts to Branch House Associates, LLC. Interest on these advances is calculated at the prime rate (3.75% at December 31, 2016) and principal and interest will be repaid as cash flow allows. The total amount of unpaid advances, including accrued interest, at December 31, 2016, was $2,536,673. These amounts, along with the related interest, have been eliminated in consolidation.

At December 31, 2016, the Foundation and Branch House Associates, LLC owed $530 to AIA Virginia for reimbursable program expenses.

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS:

At December 31, 2016, temporarily restricted net assets are available for the following:

Purpose	Amount
Scholarships	$ 415,250
Restoration	445,879
Time restricted	73,658
	$ 934,787

During 2016, temporarily restricted net assets were released for the following:

Purpose	Amount
Scholarships	$ 7,000
Restoration	106,562
	$ 113,562

NOTE 11. CONTRIBUTED SERVICES RECEIVED FROM PERSONNEL OF AN AFFILIATE:

AIA Virginia, an affiliate of the Foundation, provided personnel to the Foundation without charge for use in its administrative operations. During the year ended December 31, 2016, the Foundation recognized revenue and related expense of $132,755 for contributed services received from AIA Virginia based on the fair value of comparable services provided by third parties.

NOTE 12. EXTRAORDINARY ITEM

Forgiveness of debt by AIA Virginia, an affiliated organization, resulted in an extraordinary gain of $41,739 for the year ended December 31, 2016.

THE VIRGINIA FOUNDATION FOR ARCHITECTURE, INC.
D/B/A THE VIRGINIA CENTER FOR ARCHITECTURE FOUNDATION
AND SUBSIDIARIES

Consolidating Statement of Financial Position
December 31, 2016

ASSETS	The Virginia Foundation for Architecture, Inc.	Branch House, Inc.	Total	Eliminations	Consolidated
Current assets					
Cash and cash equivalents	$ 112,137	$ 2,880	$ 115,017	$ -	$ 115,017
Accounts receivable	2,781,410	-	2,781,410	(2,781,379)	31
Pledges receivable, net	24,276	-	24,276	-	24,276
Inventory	8,725	-	8,725	-	8,725
Prepaid expenses	11,822	732	12,554	-	12,554
Total current assets	2,938,370	3,612	2,941,982	(2,781,379)	160,603
Pledges receivable - long-term, net	$ 49,382	-	49,382	-	49,382
Investments	200,497	(72,147)	128,350	97,830	226,180
Property and equipment, net	12,498	3,464,156	3,476,654	-	3,476,654
Total assets	3,200,747	3,395,621	6,596,368	(2,683,549)	3,912,819

See report of independent auditor.

THE VIRGINIA FOUNDATION FOR ARCHITECTURE, INC.
D/B/A THE VIRGINIA CENTER FOR ARCHITECTURE FOUNDATION
AND SUBSIDIARIES

Consolidating Statement of Financial Position
December 31, 2016

LIABILITIES AND NET ASSETS	The Virginia Foundation for Architecture, Inc.	Branch House, Inc.	Total	Eliminations	Consolidated
Current liabilities					
Current portion of long-term debt	$ -	$ 72,286	$ 72,286	$ -	$ 72,286
Accounts payable					
Trade	9,435	28,565	38,000	-	38,000
Related party	245,235	2,536,673	2,781,908	(2,781,379)	529
Accrued expenses	2,467	6,167	8,634	-	8,634
Deferred revenue	-	16,750	16,750	-	16,750
Total current liabilities	257,137	2,660,441	2,917,578	(2,781,379)	136,199
Other liabilities					
Long-term debt, net of current portion	-	1,686,555	1,686,555	-	1,686,555
Total liabilities	257,137	4,346,996	4,604,133	(2,781,379)	1,822,754
Net assets					
Unrestricted	2,008,823	(951,375)	1,057,448	97,830	1,155,278
Temporarily restricted	934,787	-	934,787	-	934,787
Total net assets	2,943,610	(951,375)	1,992,235	97,830	2,090,065
Total liabilities and net assets	$ 3,200,747	$ 3,395,621	$ 6,596,368	$ (2,683,549)	$ 3,912,819

See report of independent auditor.

THE VIRGINIA FOUNDATION FOR ARCHITECTURE, INC.
D/B/A THE VIRGINIA CENTER FOR ARCHITECTURE FOUNDATION
AND SUBSIDIARIES

Consolidating Statement of Activities

December 31, 2016

	The Virginia Foundation for Architecture, Inc.	Branch House, Inc.	Consolidated
Revenue			
Grants and contributions	$ 906,462	$ -	$ 906,462
Contributed services	132,755	-	132,755
Program revenue	18,828	-	18,828
Retail income	3,163	-	3,163
Rental income	-	236,012	236,012
Investment income	4,868	-	4,868
Net unrealized gain on investments	14,768	-	14,768
Total revenue	1,080,844	236,012	1,316,856
Expenses			
Program services			
Preservation	-	395,859	395,859
Education	52,977	-	52,977
Management and general	522,653	10,543	533,196
Fund raising	65,395	-	65,395
Total expenses	641,025	406,402	1,047,427
Net realized loss on investments	63	-	63
Total expenses and losses	641,088	406,402	1,047,490
Change in net assets before extraordinary item	439,819	(170,390)	269,429
Extraordinary item - forgiveness of debt	41,739	-	41,739
Total changes in net assets	481,558	(170,390)	311,168
Net assets (deficit), beginning of year	2,416,249	(637,289)	1,778,960
Net assets (deficit), end of year	$ 2,897,807	$ (807,679)	$ 2,090,128

See report of independent auditor.