

Audited Financial Statements

ACT FOR ALEXANDRIA

December 31, 2018

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T A T E



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A Professional Corporation

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Accountants

and Consultants

Independent Auditor's Report

To the Board of Directors
ACT for Alexandria

We have audited the accompanying financial statements of ACT for Alexandria (ACT), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The financial statements as of and for the year ended December 31, 2017, were audited by other auditors whose report thereon, dated October 25, 2018, expressed an unmodified opinion on those 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 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 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 ACT'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 ACT'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 2018 financial statements referred to above present fairly, in all material respects, the financial position of ACT for Alexandria as of December 31, 2018, 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.

Washington, DC
September 6, 2019

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ACT for Alexandria

Statements of Financial Position

<i>December 31,</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 3,313,997	\$ 3,410,019
Prepaid expenses	23,841	9,132
Investments	13,044,566	12,609,407
Property and equipment, at cost - net	6,469	3,903
Total assets	\$ 16,388,873	\$ 16,032,461
 Liabilities and Net Assets		
Accounts payable	\$ 33,077	\$ 21,326
Salaries payable	-	6,150
Grants payable	305,600	85,700
Total liabilities	338,677	113,176
Net assets		
Without donor restrictions		
Operating funds	194,382	298,248
Community funds	1,715,691	1,630,798
Donor-advised funds	14,134,845	13,979,233
	16,044,918	15,908,279
With donor restrictions	5,278	11,006
Total net assets	16,050,196	15,919,285
Total liabilities and net assets	\$ 16,388,873	\$ 16,032,461

ACT for Alexandria

Statements of Activities

Year Ended December 31, 2018

(with summarized totals for the year ended December 31, 2017)

	2018		Total	2017 Total
	Without Donor Restrictions	With Donor Restrictions		
Revenue				
Contribution revenue	\$ 3,130,669	\$ -	\$ 3,130,669	\$ 2,904,840
Investment (loss) income	(651,982)	125	(651,857)	1,491,863
Special event revenue	65,729		65,729	92,544
Other income	225,737		225,737	1,943,694
Net assets released from restriction	5,853	(5,853)		
Total revenue	2,776,006	(5,728)	2,770,278	6,432,941
Expense				
Program services	1,907,899		1,907,899	2,149,540
Supporting services			-	
Management and general	412,738		412,738	197,664
Fundraising	318,730		318,730	267,258
Total supporting service	731,468	-	731,468	464,922
Total expense	2,639,367	-	2,639,367	2,614,462
Change in net assets	136,639	(5,728)	130,911	3,818,479
Net assets, beginning of year	15,908,279	11,006	15,919,285	12,100,806
Net assets, end of year	\$ 16,044,918	\$ 5,278	\$ 16,050,196	\$ 15,919,285

ACT for Alexandria

Statements of Functional Expenses Year Ended December 31, 2018 (with summarized totals for the year ended December 31, 2017)

	Program	Management and General	Fundraising	2018 Total	2017 Total
Salaries and benefits	\$ 186,863	\$ 207,298	\$ 136,024	\$ 530,185	\$ 434,812
Legal		125		125	550
Professional services	19,762	50,053	14,385	84,200	41,032
Consultants	69,751	77,379	50,774	197,904	186,744
Printing, postage and delivery	4,419	4,902	3,216	12,537	7,762
Telephone	2,422	2,687	1,763	6,872	7,857
Miscellaneous	4,641	5,149	3,377	13,167	41,224
Equipment and maintenance	1,568	1,740	1,142	4,450	10,716
Staff development and training	11,526	12,787	8,390	32,703	8,098
Rent	12,488	13,854	9,091	35,433	32,403
Insurance		4,125		4,125	2,908
Travel	7,304	8,103	5,317	20,724	15,828
Conferences and meetings	8,910	9,884	6,486	25,280	13,226
Events	91,604		69,105	160,709	210,209
Marketing	9,956	3,646	2,438	16,040	64,647
Subscriptions	4,787	5,310	3,484	13,581	7,407
Grants	1,466,763			1,466,763	1,525,631
Depreciation	1,036	1,149	754	2,939	3,354
Project expenditures	4,099	4,547	2,984	11,630	54
Total expenses	\$ 1,907,899	\$ 412,738	\$ 318,730	\$ 2,639,367	\$ 2,614,462

ACT for Alexandria

Statements of Cash Flows

<i>Year Ended December 31,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 130,911	\$ 3,818,479
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,939	3,355
Realized and unrealized loss (gain) on investments	940,141	(1,159,324)
Changes in assets and liabilities:		
Prepaid expenses	(14,709)	6,468
Accounts payable	11,751	14,241
Salaries payable	(6,150)	6,150
Accrued vacation	-	(6,905)
Grants payable	219,900	85,700
Total adjustments	1,153,872	(1,050,315)
Net cash flows provided by operating activities	1,284,783	2,768,164
Cash flows from investing activities		
Purchase of investments	(4,852,237)	(2,427,665)
Proceeds from sales of investments	3,476,937	481,694
Purchases of property and equipment	(5,505)	(2,533)
Net cash flows used in investing activities	(1,380,805)	(1,948,504)
Net (decrease) increase in cash and cash equivalents	(96,022)	819,660
Cash and cash equivalents, beginning of year	3,410,019	2,590,359
Cash and cash equivalents, end of year	\$ 3,313,997	\$ 3,410,019
Non-Cash Investing Activities		
Donated investments	\$ 1,162,972	\$ 730,933

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: ACT for Alexandria (ACT) is a nonprofit organization that began operations in 2004 and was incorporated in Virginia in January 2009. ACT seeks to raise the level and effectiveness of giving and engagement for the benefit of all in Alexandria. Any person, corporation or foundation may establish a donor-advised fund with ACT to engage in activities consistent with ACT's charitable purposes. Donors can make recommendations regarding grants from their donor-advised funds; however, ACT's Board of Directors is legally responsible for the donor-advised funds and for the grants made from these funds.

In addition to managing the donor-advised fund program, ACT also supports local nonprofits through its capacity-building grant program. An annual grant process allows local nonprofits to apply for funds from ACT to assist them in improving their capacity to better deliver their services. As such, ACT does not directly fund the programs of local nonprofits, but instead seeks to strengthen the nonprofits so they may provide more and better services in their areas of expertise. ACT distributed \$86,775 and \$174,059 in grants through its community investment fund in 2018 and 2017, respectively.

Income taxes: ACT is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) on any net income derived from activities related to exempt purpose. This code section enables ACT to accept donations that qualify as charitable contributions to the donor. ACT has been classified under Section 509(a)(1) of the IRC as not a private foundation. ACT is subject to tax on net income from unrelated business activities. For the years ended December 31, 2018 and 2017, ACT did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

Basis of accounting: ACT prepares its financial statements on the accrual basis of accounting. Accordingly, revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Cash and cash equivalents: Cash consists of checking accounts and funds held within a pooled money market account. ACT considers highly liquid investments with an original maturity of three months or less as cash equivalents. Excluded from this definition of cash equivalents are such amounts that represent funds that have been accounted for as investments.

Investments: Investments are reported at fair value. Realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by the donor or by law. ACT invests in a variety of investments that are exposed to various risks, such as fluctuations in fair value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements.

Investment in partnerships: ACT owns a minor interest in a number of investment partnerships which are accounted for at the lower of cost or fair value and are not subject to fair value measurement.

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and equipment: Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation. Donated property and equipment is reported at fair value at the date of donation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	3 - 5 years
Furniture and fixtures	5 years

ACT's policy is to capitalize major additions and improvements over \$500. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

Contributions: Contributions are recognized as revenue when promised unconditionally and are recorded net of any current year allowance or discount activity. ACT reports gifts of cash and other assets as net assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to ACT's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restriction. Contributions that are restricted by the donor are reported as net assets without donor restriction if the restriction expires in the same reporting period in which the contribution is recognized.

Special events revenue: Revenue relating to special events held by ACT are recognized in the period the event takes place. Amounts received relating to future periods are recorded as deferred revenue in the accompanying financial statements.

Donated goods and services: Donated goods and services are recorded at their estimated fair value on the date of receipt.

Net assets: Net assets are classified as without or with donor restrictions based on the existence or absence of donor-imposed restrictions. A description of each net asset group is as follows:

Net Assets Without Donor Restriction represent resources that are not subject to donor-imposed stipulations and are available for operations at management's discretion. Net assets without donor restriction consist of the following types of internally designated funds:

Operating funds - Funds available for the general operations of ACT. As of December 31, 2018 and 2017, there is \$194,382 and \$298,248 in funds available for operations, respectively.

ACT Community Fund - Funds to support and strengthen existing programs, as well as create new collaborative solutions to the City of Alexandria's pressing needs. As of December 31, 2018 and 2017, there is \$1,715,691 and \$1,630,798 in funds designated by the donor for the community, respectively.

Donor-advised funds - Funds established by donor contributions that enable donors to make recommendations from time to time about the distributions from the funds. The donors' advice in the grant-making process is considered by ACT in making grants from these resources. As of December 31, 2018 and 2017, there is \$14,134,845 and \$13,979,233 of donor-advised funds, respectively.

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net assets - continued:

Net Assets with donor restrictions represent resources restricted by donors as to purpose or by the passage of time or whose use by ACT is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of ACT. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. ACT had net assets with donor restrictions of \$5,278 and \$11,006 at December 31, 2018 and 2017, respectively.

U.S. GAAP provides that if the governing body of an organization has unilateral power to redirect the use of a donor's contribution to another beneficiary, such contribution must be classified as a net asset without donor restriction. ACT's Board of Directors has this ability (variance power). However, it would only exercise this authority if circumstances render the donor's restrictions inconsistent with the charitable needs of the community or incapable of fulfillment.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as salaries and benefits, consultants, printing, postage and delivery, telephone, consultants, miscellaneous expense, equipment and maintenance, staff development and training, rent, insurance, travel, conferences and meetings, events, subscriptions, depreciation, and project expenditures have been allocated among programs and supporting services benefited based on level of effort.

Summarized information: The accompanying financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2017. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassifications: Certain 2017 expenses have been reclassified to conform to the 2018 presentation, with no effect on the change in net assets.

Subsequent events: In preparing these financial statements, ACT has evaluated events and transactions for potential recognition or disclosure through September 6, 2019, the date the financial statements were available to be issued.

B. CONCENTRATIONS

Credit risk: ACT maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to ACT.

Notes to the Financial Statements

B. CONCENTRATIONS - CONTINUED

Market risk: ACT invests funds in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks could materially affect investment balances and the amounts reported in the financial statements. By policy, these investments are kept within limits intended to prevent risks caused by concentration.

Revenue concentration: For the year ended December 31, 2018, ACT received \$1,398,835 from seven donors which is approximately 50% of its total revenue and support. For the year ended December 31, 2017, ACT received \$1,325,992 from six donors which is approximately 21% of its total revenue and support. Any significant reduction in support from these donors may adversely impact ACT's financial position and ability to carry out its existing program activities.

C. CASH

Cash consisted of the following as of December 31,:

	2018	2017
Pooled money market account	\$ 2,674,225	\$ 2,961,295
Business checking accounts	<u>639,772</u>	<u>448,724</u>
	<u>\$ 3,313,997</u>	<u>\$ 3,410,019</u>

ACT has checking and money market funds in the amount of \$2,785,673 and \$2,956,509 as of December 31, 2018 and 2017, respectively, held in Greater Horizons bank accounts.

D. INVESTMENTS

ACT follows Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, for financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

Notes to the Financial Statements

D. INVESTMENTS - CONTINUED

In determining the appropriate levels, ACT performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Investments are reported at fair value on a recurring basis. Such investments consist of a diversified portfolio of individual and pooled securities in common stock, exchange-traded funds, corporate bonds, and mutual funds.

Pooled investment funds are valued at the Net Asset Value (NAV) provided by the underlying investment managers based on the shares held by ACT at year end. Valuations provided by investment managers including estimates, appraisals, assumptions, and methods are reviewed by management. When necessary, ACT adjusts NAV for contributions, distributions, or general market conditions subsequent to the latest NAV valuation date when calculating fair value. Because the Plan uses NAV as a practical expedient for fair value for its pooled funds, these investments are excluded from the fair value hierarchy.

The following table presents ACT's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31,:

2018		Level 1	Level 2	Level 3
Investments, at fair value				
Mutual funds - equity	\$ 3,890,742	\$ 3,890,742	\$ -	\$ -
Mutual funds - fixed income	2,857,988	2,857,988		
Mutual funds - balanced	598,846	598,846		
Equities	1,311,389	1,311,389		
Exchange traded funds	1,294,779	1,294,779		
Corporate bonds	35,342	-	35,342	
Commodity fund and other	81,599	81,599		
	10,070,685	\$ 10,035,343	\$ 35,342	\$ -
Limited partnership interests - at LCM	819,737			
Pooled investment funds - net asset value	1,373,961			
Money market funds - at cost	780,181			
	\$ 13,044,564			
2017		Level 1	Level 2	Level 3
Investments, at fair value				
Mutual funds - equity	\$ 3,293,882	\$ 3,293,882	\$ -	\$ -
Mutual funds - fixed income	1,399,749	1,399,749		
Mutual funds - balanced	1,814,322	1,814,322		
Equities	1,539,279	1,539,279		
Exchange traded funds	1,120,018	1,120,018		
Corporate bonds and fixed income	45,268	8,999	36,269	
Commodity fund and other	32,613	32,613		
	9,245,131	\$ 9,208,862	\$ 36,269	\$ -
Limited partnership interests - at LCM	831,035			
Pooled investment funds - net asset value	1,754,138			
Money market funds - at cost	779,103			
	\$ 12,609,407			

Notes to the Financial Statements

D. INVESTMENTS - CONTINUED

As of December 31, 2018, and 2017, ACT was invested in minor interests of five investment partnerships which are valued at lower of cost or market as permitted under the ASC. Each partnership operates in accordance with the terms of a limited partnership agreement. The partnerships' investment objectives vary, but generally seek to maximize risk adjusted returns over the long-term horizon by employing a strategy under which the partnerships invest in multiple asset classes, including traditional assets (such as marketable equity, fixed income and other securities) and alternative assets (such as real estate, commodities, private equity and venture capital investments).

Redemption of ACT's interests in the investment partnerships is generally permissible on a monthly or quarterly basis, with a 30-90 day notice. ACT had no unfunded commitments as of December 31, 2018 and 2017.

Investment income is comprised of the following for the years ended December 31,:

	2018	2017
Interest and dividends	\$ 329,271	\$ 363,067
Realized and unrealized (losses) gains on investments	(940,141)	1,159,324
Investment management fees	<u>(40,987)</u>	<u>(30,528)</u>
	<u>\$ (651,857)</u>	<u>\$ 1,491,863</u>

E. LIQUIDITY

ACT maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments. ACT reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of ACT's monthly financial reporting process. ACT's financial assets available within one year to meet cash needs for general expenditures through December 31, 2019 are as follows at December 31, 2018:

Financial assets	
Cash	\$ 3,313,997
Investments	<u>13,044,566</u>
Total financial assets	16,358,563
Less amounts not available within one year	
Community funds	(1,715,691)
Donor advised funds	(14,134,845)
Purpose restricted net assets	<u>(5,278)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 502,749</u>

Notes to the Financial Statements

F. PROPERTY AND EQUIPMENT

Property, equipment and depreciation consisted of the following at and for the year ended December 31,:

	2018		
	Cost	Depreciation Expense	Accumulated Depreciation
Computer and equipment	\$ 25,865	\$ 2,809	\$ 19,786
Furniture and fixtures	1,170	130	780
	\$ 27,035	\$ 2,939	\$ 20,566

	2017		
	Cost	Depreciation Expense	Accumulated Depreciation
Computer and equipment	\$ 20,360	\$ 3,225	\$ 16,977
Furniture and fixtures	1,170	130	650
	\$ 21,530	\$ 3,355	\$ 17,627

G. NET ASSETS WITHOUT DONOR RESTRICTIONS

Changes in net assets without donor restrictions were as follows at December 31,:

	2018			
	Balance 12/31/2017	Contributions to/Investment Income	Grants / Other Expenses From	Balance 12/31/2018
Operating funds	\$ 298,248	\$ 733,838	\$ 837,704	\$ 194,382
Community funds	1,630,798	394,018	309,125	1,715,691
Donor-advised funds	13,979,233	1,617,041	1,461,429	14,134,845
	\$ 15,908,279	\$ 2,744,897	\$ 2,608,258	\$ 16,044,918

	2017			
	Balance 12/31/2016	Contributions to/Investment Income	Grants / Other Expenses From	Balance 12/31/2017
Operating funds	\$ 264,079	\$ 867,781	\$ 833,612	\$ 298,248
Community funds	1,515,103	489,436	373,741	1,630,798
Donor-advised funds	10,310,654	5,013,434	1,344,855	13,979,233
	\$ 12,089,836	\$ 6,370,651	\$ 2,552,208	\$ 15,908,279

Notes to the Financial Statements

H. NET ASSETS WITH DONOR RESTRICTIONS

Research Grants

Net assets with donor restrictions were available for the following programs at December 31,:

	2018			
	Balance	Additions	Releases	Balance
	12/31/2017			12/31/2018
ACT ABLE Fund	\$ 5,207	\$ 59	\$ -	\$ 5,266
ACT Now Fund	5,799	66	5,853	12
	\$ 11,006	\$ 125	\$ 5,853	\$ 5,278

	2017			
	Balance	Additions	Releases	Balance
	12/31/2016			12/31/2017
ACT ABLE Fund	\$ 5,189	\$ 18	\$ -	\$ 5,207
ACT Now Fund	5,780	19	-	5,799
	\$ 10,969	\$ 37	\$ -	\$ 11,006

I. COMMITMENTS - OFFICE LEASE

In January 2017, ACT entered into a sub-lease agreement for office space which expires in December 2019. The base monthly rent is \$2,800 and increases annually by 3%. Rental expense for the years ended December 31, 2018 and 2017 was \$35,433 and \$32,403, respectively.

Minimum lease payments under this lease are \$34,620 for the year ending 2019.

J. DONATED GOODS AND SERVICES

ACT receives donated professional services for marketing and promotional designs, parking services, and various goods for events. These donated goods and services have been recorded in the financial statements at their estimated fair value in the statement of activities. For the years ended December 31, 2018 and 2017, donated goods and services totaled \$77,825 and \$130,266, respectively.

K. DEFINED CONTRIBUTION PLAN

ACT sponsors a retirement plan covering all eligible full-time employees. The plan provides for an automatic 3% employer contribution and up to an additional 2% employer matching contribution of annual salary. For years ended December 31, 2018 and 2017, retirement expense totaled \$22,556 and \$18,196, respectively.