

ALZHEIMER SOCIETY OF DURHAM REGION

FINANCIAL STATEMENTS

MARCH 31, 2023



Smith
Chappell
Marsh
Vilander LLP

H. Howard Smith, FCPA (Retired)
Richard A. Chappell, CPA, CA (Retired)
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
ALZHEIMER SOCIETY OF DURHAM REGION
WHITBY, ONTARIO

Qualified Opinion

We have audited the financial statements of Alzheimer Society of Durham Region (the Society), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Oshawa, Ontario
June 26, 2023



Chartered Professional Accountants
Licensed Public Accountants

ALZHEIMER SOCIETY OF DURHAM REGION
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31,	2023	2022
ASSETS		
Current		
Cash	\$ 101,528	\$ 197,711
Accounts receivable	61,715	81,029
Prepaid expenses	80,092	39,644
Investments (Note 3)	<u>2,549,466</u>	<u>2,839,571</u>
	2,792,801	3,157,955
Tangible Capital Assets - at net book value (Notes 2 and 6)	<u>85,786</u>	<u>99,409</u>
	<u>\$ 2,878,587</u>	<u>\$ 3,257,364</u>
LIABILITIES		
Current		
Accounts payable	\$ 51,831	\$ 126,879
Deferred revenue (Note 2)	<u>40,185</u>	<u>58,064</u>
	<u>92,016</u>	<u>184,943</u>
Deferred Capital Contributions (Note 7)	<u>28,732</u>	<u>46,640</u>
NET ASSETS		
Invested in Tangible Capital Assets (Note 8)	57,054	52,769
Internally Restricted Funds (Note 4)	2,298,334	2,298,334
Unrestricted Funds	<u>402,451</u>	<u>674,678</u>
	<u>2,757,839</u>	<u>3,025,781</u>
	<u>\$ 2,878,587</u>	<u>\$ 3,257,364</u>

Approved On Behalf Of The Board Of Directors:

DocuSigned by:

Carolyn Wilson

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Director

DocuSigned by:

Brian McInley

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Director

ALZHEIMER SOCIETY OF DURHAM REGION**STATEMENT OF CHANGES IN NET ASSETS****FOR THE YEAR ENDED MARCH 31,****2023****2022****Invested in Tangible Capital Assets**

Opening balance	\$ 52,769	\$ 76,317
Transfers to/from operations		
Amortization of Tangible Capital Assets	(35,817)	(43,523)
Tangible Capital Asset acquisitions	22,194	2,067
Amortization of deferred capital contributions (Note 7)	<u>17,908</u>	<u>17,908</u>
Closing balance	\$ <u>57,054</u>	\$ <u>52,769</u>

Internally Restricted Funds (Note 4) (Schedule)

Opening balance	\$ 2,298,334	\$ 2,308,334
Transfers from operations	<u>-</u>	<u>(10,000)</u>
Closing balance	\$ <u>2,298,334</u>	\$ <u>2,298,334</u>

Unrestricted Funds

Opening balance	\$ 674,678	\$ 585,621
Excess (Deficiency) of Revenue over Expenditures	<u>(267,942)</u>	<u>55,509</u>
	406,736	641,130
Transfers to Internally Restricted Funds	-	10,000
Transfers to (from) Invested in Tangible Capital Assets - net	<u>(4,285)</u>	<u>23,548</u>
Closing balance	\$ <u>402,451</u>	\$ <u>674,678</u>

ALZHEIMER SOCIETY OF DURHAM REGION**STATEMENT OF OPERATIONS****FOR THE YEAR ENDED MARCH 31,****2023****2022****Revenue**

Ontario Health East grants (Note 5)	\$ 1,789,673	\$ 1,772,301
Alzheimer Society of Ontario	151,884	75,692
Government of Canada - Canada Summer Jobs	8,899	9,835
Grants	-	89,338
Memorial gifts	64,722	72,748
General donations	166,832	127,492
Sinai Health System	109,422	135,896
General fundraising	158,475	138,186
Investment income	54,090	52,459
Client fees	50,210	54,284
Realized gain (loss) on investments	(40,918)	123,704
Unrealized (loss) on investments	(89,502)	(93,255)
Amortization of deferred capital contributions (Note 7)	17,908	17,908
Sponsorships and other	58,034	38,210
	<u>2,499,729</u>	<u>2,614,798</u>

Expenditures

Wages and benefits	1,941,221	1,844,987
Occupancy	195,189	182,981
Research donations	-	10,000
Contracted out services	238,863	234,180
Office and general	123,124	103,775
Professional fees	67,221	121,186
Public relations	24,164	20,324
Professional development	40,398	25,979
Telephone	16,385	17,417
Seminars and workshops	15,806	5,670
Board and staff travel	9,330	1,608
Insurance	11,134	9,399
Equipment maintenance	3,524	3,948
Bank charges	10,012	8,377
Investment fees	14,755	17,617
Program supplies	20,728	32,335
Amortization	35,817	43,523
	<u>2,767,671</u>	<u>2,683,306</u>

(Deficit) before Government of Canada - COVID subsidy	(267,942)	(68,508)
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Government of Canada - COVID subsidy	-	124,017
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Excess (Deficiency) of Revenue Over Expenditures	\$ <u>(267,942)</u>	\$ <u>55,509</u>
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ALZHEIMER SOCIETY OF DURHAM REGION**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED MARCH 31,****2023****2022****Operating Activities**

Excess (deficiency) of revenue over expenditures	\$ (267,942)	\$ 55,509
Charges (credits) to income not involving cash		
Amortization	35,817	43,523
Unrealized loss on investments	89,502	93,255
Amortization of deferred capital contributions	(17,908)	(17,908)
Provided from (used for) working capital (Note 9)	<u>(114,062)</u>	<u>(146,943)</u>
	<u>(274,593)</u>	<u>27,436</u>

Investing Activities

Additions to tangible capital assets	(22,194)	(2,067)
Acquisition (disposition) of investments	<u>200,604</u>	<u>(111,320)</u>
	<u>178,410</u>	<u>(113,387)</u>

(Decrease) In Cash**(96,183)** (85,951)**Cash, beginning of year**197,711 283,662**Cash, end of year**\$ 101,528 \$ 197,711

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

1. Purpose of the Society

The operations of the Alzheimer Society of Durham Region shall be carried on without purpose of gain for its members and any profits or other accretions to the Society shall be used in promoting its objectives. The Society was incorporated under the Ontario Corporations Act on November 16, 1986 as a corporation without share capital and is a registered charity, which is exempt from tax under the provisions of the Income Tax Act.

The primary objectives are:

- a) To provide family support through regular meetings, written information and referrals to the most appropriate sources of help in the community.
- b) To aid education through provision of educational information and programs to the general public, medical care staff, and members of the professional and scientific community.
- c) To promote research into the cause, control and cure of Alzheimer Disease through the raising of funds to assist in the funding of such research.

2. Significant Accounting Policies

The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and include the following significant accounting policies:

Revenue Recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donations and bequests are recorded in the financial statements only as funds are received. Government funding is recognized according to the contract. Fundraising revenue is recorded when the event is held. Seminar and workshop revenue is recorded when the event is held.

Deferred Revenue

Certain revenues are received during the year for events to be held or programs to be completed in the next fiscal year. These revenues are deferred to the next year's operation.

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 58,064	\$ 121,631
Earned	(58,064)	(108,132)
Received	<u>40,185</u>	<u>44,565</u>
Closing balance	<u>\$ 40,185</u>	<u>\$ 58,064</u>

Tangible Capital Assets

The policy of the Society is to capitalize purchases of tangible capital assets at their cost.

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

2. Significant Accounting Policies (continued)

Amortization

Amortization is recorded on the straight-line basis over the following periods:

Computer equipment	3 years
Office equipment	5 years
Furniture and fixtures	10 years
Leasehold improvements	life of lease

Donated Goods and Services

Contributed materials and services are recorded at fair market value as part of general revenue and expenditures when fair market value can be reasonably estimated and when materials and services are used in the normal course of the Society's operations and would otherwise have been purchased. Donated goods provided for fundraising purposes are not recognized in the financial statements, unless those goods would otherwise have been purchased.

The Society would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

Use of Estimates

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results may differ from those estimates. Accounts requiring significant estimates include the useful life and the amortization of tangible capital assets, accrued liabilities and deferred revenue.

Allocation of Expenses

The Society provides various programs on behalf of the Ontario Health East. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program. The Society also incurs a number of general support expenses that are common to the administration of the Society and each of its programs.

The Society allocates certain of its general support expenses by identifying the appropriate basis of allocating each component. The Society allocates these expenses to the departments in accordance with the approved budgets.

Cash and Cash Equivalents

The Society's policy is to disclose bank balances under cash and cash equivalents.

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

2. Significant Accounting Policies (continued)

Financial Instruments

Measurement of financial instruments

The Society initially measures its financial assets at fair value.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and due to Ontario Health East.

Financial assets measured at fair value include investments held with an investment broker.

Impairment

Financial assets measured at cost are reviewed annually to determine whether there are indicators of impairment. When there is an indication of impairment the amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The Society recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

3. Investments

	<u>2023</u>	<u>2022</u>
Investments at Cost:		
Cash balance in brokers account (deficit)	\$ 163,773	\$ (11,691)
BMO GIC, 2.25%, due January 2024	150,374	-
BMO GIC, 4.30%, due January 2024	203,112	-
BMO GIC, 0.80%, due January 2023	-	200,000
BMO GIC, 0.05%, due January 2023	-	150,299
BMO GIC, 0.10%, due July 2022	-	200,147
Investments at Fair Market Value:		
	<u>Cost</u>	
Bonds, preferred shares and commercial mortgages	1,013,517	993,687
Canadian equities	484,878	635,855
U.S. equities	407,437	375,262
International equities	147,095	296,012
	<u>\$ 2,549,466</u>	<u>\$ 2,839,571</u>

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

4. Internally Restricted Funds

Financial Stability Fund

The Society has established a fund to maintain at a level of 3 – 6 months of operating costs. The funds will be held in order to respond to any unforeseen circumstances that result in a significant loss of operating funds through the elimination of one or more of the agency's funding streams.

Innovation Fund

The Society has established a fund to support opportunities for new and innovative programs and services including, but not limited to recreational programs, caregiver respite programs and Dementia Friendly Community programming.

Growth & Service Excellence Fund

The Society has established a fund to support the growth of existing programs as well as activities that will support the increasing demand for service excellence. This fund will be utilized for service expansion, digital and physical space expansion, community partnerships and program evaluation and accreditation.

Research Fund

The Society has established a fund to support an annual contribution towards dementia research through a variety of venues including the Alzheimer Society of Canada Research program (contributions made via Alzheimer Society of Ontario) and other local or regional research initiatives. During the year, the Board approved a research gift and paid the donation out of the research fund.

5. Ontario Health East (formerly Central East LHIN) Grants

Ontario Health East provides ongoing funding to the Society for the Education and Family Support, Public Education, First Links and Caregiver Support Programs. Each year, any excess funds will be repaid to the Ontario Health East. Funding received from Ontario Health East was less than expenditures with respect to the 2022 fiscal year and as such no amounts were payable to Ontario Health East with respect to the 2022 fiscal year. Funding received from the Ontario Health East was less than expenditures with respect to the 2023 fiscal year and as such no amounts were payable to Ontario Health East with respect to the 2023 fiscal year.

ALZHEIMER SOCIETY OF DURHAM REGION**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2023****6. Tangible Capital Assets**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2023</u>	<u>2022</u>
Office equipment	\$ 26,631	\$ 23,526	\$ 3,105	\$ 4,290
Furniture and fixtures	44,026	26,743	17,283	21,395
Computer	122,973	94,653	28,320	19,111
Leasehold improvements	<u>170,081</u>	<u>133,003</u>	<u>37,078</u>	<u>54,613</u>
	<u>\$ 363,711</u>	<u>\$ 277,925</u>	<u>\$ 85,786</u>	<u>\$ 99,409</u>

7. Deferred Capital Contributions

Deferred capital contributions represent the unamortized amount of grants received for the purchase of tangible capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 46,640	\$ 64,548
Less: Amount amortized to revenue	<u>(17,908)</u>	<u>(17,908)</u>
Closing balance	<u>\$ 28,732</u>	<u>\$ 46,640</u>

8. Invested in Tangible Capital Assets

Invested in Tangible Capital Assets is calculated as follows:

	<u>2023</u>	<u>2022</u>
Tangible Capital Assets	\$ 85,786	\$ 99,409
Less: Amount financed by deferred capital contributions	<u>(28,732)</u>	<u>(46,640)</u>
Closing balance	<u>\$ 57,054</u>	<u>\$ 52,769</u>

ALZHEIMER SOCIETY OF DURHAM REGION**NOTES TO FINANCIAL STATEMENTS****MARCH 31, 2023****9. Cash Provided From (Used For) Working Capital**

Cash otherwise available from operating activities is influenced by increases or decreases in the following items:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 19,314	\$ 8,321
Prepaid expenses	(40,448)	(2,127)
Accounts payable	(75,049)	(29,319)
Government remittances payable	-	(13,874)
Due to Ontario Health East	-	(46,377)
Deferred revenue	<u>(17,879)</u>	<u>(63,567)</u>
	<u>\$ (114,062)</u>	<u>\$ (146,943)</u>

10. Commitment

The Society has entered into a lease for a new operating premises which started July 1, 2015 and expires on June 30, 2025. The minimum rent payable will be \$40,180 per annum plus applicable taxes until June 30, 2020 when the minimum rent will increase to \$44,772 per annum plus applicable taxes until June 30, 2025. The first six months of the term were minimum rent free to assist with relocation and setting up. Additional rent was paid during this period. Additional rent including realty taxes and common area maintenance is estimated to be \$11.55 per square foot based on 4,592 square feet.

The Society has entered into a lease for additional operating space which started July 1, 2018 and expires on June 30, 2025. The minimum rent payable is \$35,926 per annum plus applicable taxes until June 30, 2023 when the minimum rent will increase to \$39,192 per annum plus applicable taxes until June 30, 2025. Additional rent including realty taxes and common area maintenance is estimated to be \$11.55 per square foot based on 3,266 square feet.

The following payments are required over the next 3 years based on negotiated minimum rent and using estimates for realty tax and common area maintenance:

2024	\$ 173,907
2025	\$ 174,724
2026	\$ 43,681

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

11. Financial Instruments

Risks and concentrations

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure and concentration's risk exposure and concentrations at March 31, 2023.

Liquidity risk

Liquidity risk is defined as the risk that the Society may not be able to meet or settle its obligations as they become due. The Society has taken steps to ensure that it will have sufficient working capital to meet its obligations.

Credit risk

Credit risk arises from the potential that counterparties including clients will fail to perform their obligations. The Society is subject to credit risk through its receivables. Account monitoring procedures are utilized to minimize risk of loss.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Society is subject to interest rate risk through their investments. The Society has formal policies and procedures that establish target asset mix.

Market risk

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Society to a risk of loss. The Society has formal policies and procedures that establish target asset mix.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to other price risk through its investments. The Society has formal policies and procedures that establish target asset mix.

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society holds investments in U.S. equities and International equities denominated in currencies other than Canadian dollars. The Society is exposed to currency risk with respect to its investments denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of the foreign currencies against the Canadian dollar.

12. Economic Dependence

In common with similar publicly funded agencies, the Society derives the majority of its revenue from the Ontario Health East.

ALZHEIMER SOCIETY OF DURHAM REGION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

13. Prior Year's Figures

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year.

**ALZHEIMER SOCIETY OF DURHAM REGION
SCHEDULE OF INTERNALLY RESTRICTED FUNDS
FOR THE YEAR ENDED MARCH 31, 2023**

	Innovation Fund	Growth & Service Excellence Fund	Research Fund	Financial Stability (Reserve) Fund	Total
Opening balance	\$ 512,173	\$ 622,613	\$ 23,548	\$ 1,140,000	\$ 2,298,334
Transfers to operations (Note 4)	-	-	-	-	-
Closing balance	<u>\$ 512,173</u>	<u>\$ 622,613</u>	<u>\$ 23,548</u>	<u>\$ 1,140,000</u>	<u>\$ 2,298,334</u>