



Financial Statements

Young Life of Canada

September 30, 2019

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# Independent Auditor's Report

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To the Directors of  
Young Life of Canada

## Qualified opinion

We have audited the financial statements of Young Life of Canada ("Young Life"), which comprise the statement of financial position as at September 30, 2019, and the statement of deficiency and surplus and fund balances, statement of financial position and the statement of 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 Young Life as at September 30, 2019, and its results of 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 not-for-profit organizations, Young Life derives revenue from donation activities, 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 Young Life. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, surplus or deficiency of revenues over expenses, and cash flows from operations for the years ended September 30, 2019 and 2018, current assets as at September 30, 2019 and 2018, and net assets as at October 1, 2017 and 2018 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended September 30, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit 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 Young Life in accordance with the ethical requirements that are relevant to our audit 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 these 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 Young Life'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 Young Life or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Young Life's financial reporting process.

### **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 Young Life'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 Young Life'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 Young Life 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.

Vancouver, Canada  
November 21, 2019

Chartered Professional Accountants

# Young Life of Canada

## Statement of Deficiency and Surplus and Fund Balances

Year ended September 30

2019

2018

	Restricted Funds		General Funds			
	RockRidge Fund	Scholarship Fund	Invested in Property and Equipment Fund	Unrestricted Fund (Schedule)		
Revenue						
Donations (Note 10)	\$ 607,087	\$ 491,612	\$ 1,800	\$ 6,861,363	\$ 7,961,862	\$ 8,285,880
Camping	950,731	-	-	404,328	1,355,059	1,387,076
Rental	1,438,155	-	-	-	1,438,155	1,410,842
Non-receiptable revenue	17,060	-	-	340,550	357,610	512,610
Merchandise	182,535	-	-	-	182,535	168,952
Government grants	21,491	-	-	136,971	158,462	53,575
Gain on sale of assets	14,000	-	42,448	-	56,448	21,911
Gain on dental self insurance	-	-	-	21,194	21,194	9,744
Gain on foreign exchange	-	-	-	1,676	1,676	7,370
Gain on sale of investments	-	-	-	-	-	97
	<u>3,231,059</u>	<u>491,612</u>	<u>44,248</u>	<u>7,766,082</u>	<u>11,533,001</u>	<u>11,858,057</u>
Expenses						
Salaries	1,038,162	-	-	4,538,665	5,576,827	5,265,758
Amortization	-	-	1,310,999	-	1,310,999	1,310,833
Employee benefits	178,416	-	-	880,515	1,058,931	1,042,357
Camping	-	-	-	953,586	953,586	893,617
Office and administration	260,189	-	-	547,173	807,362	740,356
Promotion	15,336	-	-	460,081	475,417	450,228
Training and recruitment	22,599	-	-	412,384	434,983	182,962
Food	409,913	-	-	-	409,913	371,930
Program	48,895	-	-	292,296	341,191	316,819
Supplies and maintenance	333,717	-	-	-	333,717	276,146
Utilities	297,321	-	-	-	297,321	331,067
Travel	52,590	-	-	209,215	261,805	233,388
Cost of merchandise sold	82,696	-	-	-	82,696	113,700
Interest	53,703	-	-	-	53,703	49,634
Relocation	5,797	-	-	-	5,797	1,280
Loss on sale of investments	-	-	-	1,159	1,159	-
Loss on foreign exchange	13	-	-	-	13	125
	<u>2,799,347</u>	<u>-</u>	<u>1,310,999</u>	<u>8,295,074</u>	<u>12,405,420</u>	<u>11,580,200</u>
Surplus / (deficiency) of revenue over expenses	431,712	491,612	(1,266,751)	(528,992)	(872,419)	277,857
Unrealized (loss) / gain on investments	-	-	-	(60)	(60)	970
Balance, beginning of the year	(1,337,489)	135,449	34,878,360	1,891,600	35,567,920	35,289,093
Internal transfer between funds (Note 8)	(489,379)	(412,418)	439,649	462,148	-	-
Balance, end of year	<u>\$ (1,395,156)</u>	<u>\$ 214,643</u>	<u>\$ 34,051,258</u>	<u>\$ 1,824,696</u>	<u>\$ 34,695,441</u>	<u>\$ 35,567,920</u>

See accompanying notes and schedule to the financial statements.

# Young Life of Canada

## Statement of Financial Position

September 30

2019

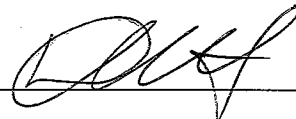
2018

	Restricted Funds		General Funds		2019	2018
	RockRidge Fund	Scholarship Fund	Invested in Property and Equipment Fund	Unrestricted Fund		
<b>Assets</b>						
<b>Current</b>						
Cash	\$ -	\$ -	\$ -	\$ 531,431	\$ 531,431	\$ 142,960
Accounts receivable	97,087	-	-	177,430	274,517	272,988
Inventory	54,004	-	-	-	54,004	42,894
Prepaid expenses	263,581	-	-	122,213	385,794	370,247
	414,672	-	-	831,074	1,245,746	829,089
Investments (Note 3)	-	-	-	11,496	11,496	11,275
Property and equipment (Note 4)	-	-	35,611,269	-	35,611,269	36,440,169
	\$ 414,672	\$ -	\$ 35,611,269	\$ 842,570	\$ 36,868,511	\$ 37,280,533
<b>Liabilities</b>						
<b>Current</b>						
Term debt (Note 5)	\$ -	\$ -	\$ 1,655,818	\$ -	\$ 1,655,818	\$ 1,388,687
Payables and accruals (Note 6)	138,774	-	-	348,169	486,943	272,290
Deferred revenue (Note 7)	16,457	-	-	13,852	30,309	51,638
	155,231	-	1,655,818	362,021	2,173,070	1,712,615
Interfund payable (receivable)	1,654,597	(214,642)	(95,808)	(1,344,147)	-	(2)
	1,809,828	(214,642)	1,560,010	(982,126)	2,173,070	1,712,613
<b>Net assets</b>						
Restricted fund balances	(1,395,156)	214,642	-	-	(1,180,514)	(1,202,040)
Invested in property and equipment (Note 9)	-	-	34,051,259	-	34,051,259	34,878,360
Operating fund balance	-	-	-	1,824,696	1,824,696	1,891,600
	(1,395,156)	214,642	34,051,259	1,824,696	34,695,441	35,567,920
	\$ 414,672	\$ -	\$ 35,611,269	\$ 842,570	\$ 36,868,511	\$ 37,280,533

On behalf of the board



Director



Director

See accompanying notes and schedule to the financial statements.

# Young Life of Canada

## Statement of Cash Flows

Year ended September 30

2019

2018

Increase (decrease) in cash

### Operating

(Deficiency) / surplus of revenue over expenses	\$	(872,419)	\$	277,857
Adjustments to determine cash flows:				
Amortization of property and equipment		1,310,999		1,310,833
Gain / (loss) on sale of investments		1,159		(97)
Gain on sale of assets		(56,448)		(21,911)
Donated investments		(222,393)		(162,478)
		<u>160,898</u>		<u>1,404,204</u>
Change in non-cash working capital items				
Accounts receivable		(1,529)		621,311
Inventory		(11,110)		19,796
Prepaid expenses		(15,547)		(118,450)
Payables and accruals		159,653		(93,952)
Deferred revenue		(21,329)		5,983
		<u>271,036</u>		<u>1,838,892</u>

### Financing

Borrowing / (repayment) of term debt, net		267,131		(662,717)
Proceeds from note payable		-		(550,349)
		<u>267,131</u>		<u>(1,213,066)</u>

### Investing

Proceeds from sale of investments		221,241		341,814
Proceeds from sale of assets		71,092		22,847
Purchase of investments		(286)		-
Purchase of property and equipment		(441,743)		(984,419)
		<u>(149,696)</u>		<u>(619,758)</u>

Increase in cash **388,471** 6,068

### Cash

Beginning of year		<u>142,960</u>		<u>136,892</u>
End of year	\$	<u>531,431</u>	\$	<u>142,960</u>



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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2019

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### 1. Nature of operations

Young Life of Canada (“Young Life”) is a charitable organization registered under the *Income Tax Act* and is incorporated without capital stock under the *Canada Corporations Act*, and is continued under the *Canada Not-for-Profit Corporations Act*. Young Life works with teenagers, encouraging them to be in a relationship with Jesus Christ.

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### 2. Summary of significant accounting policies

#### Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”).

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the useful lives for amortization. Actual results may ultimately differ from these estimates.

#### Cash/bank overdraft

Cash consists of balances with banks, net of any overdrafts. Bank overdrafts are the result of any timing differences relating to outstanding cheques and deposits.

#### Fund accounting

Young Life follows fund accounting procedures, giving recognition to restrictions on the use of resources specified by donors. The fund classifications are as follows:

##### General funds

###### *Unrestricted Fund*

The Unrestricted Fund reflects the activities associated with Young Life’s day-to-day operations.

###### *Invested in Property and Equipment Fund*

The Invested in Property and Equipment Fund reflects the capital investing activities of Young Life.

##### Externally restricted funds

Restricted funds include donations received by Young Life which have been designated for the following specific purposes by the donor:

- i The RockRidge Fund is used to raise funds for the purchase and operation of camp property.
- ii The Scholarship Fund is used to supplement camping fees for campers who cannot afford to attend Young Life camps.

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2019

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### 2. Summary of significant accounting policies (continued)

#### Contributed services and materials

A substantial number of volunteers contribute a significant amount of their time to Young Life each year. Because of the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

Contributions of materials are recognized only when a fair value can be reasonably estimated and the materials are used in the normal course of operations.

#### Inventory

Inventory consists of items held for sale at the general store of RockRidge Canyon. Inventory is recorded at the lower of cost and net realizable value. Cost has been determined on a specific item basis.

#### Investments

Investments are recorded at fair value.

#### Property and equipment

Property and equipment are recorded at cost. Amortization is provided on the straight-line basis, which will write off the cost of the assets over their estimated useful lives, as follows:

Lorne Lake dam	80 years
Buildings	40 years
Pool, challenge course & sound	20 years
Zipline	10 years
Furniture and equipment	5 years
Vehicles and boats	5 years
Computer equipment	3 years

Significant donated assets are capitalized at their fair market value and are amortized in accordance with the above policies.

#### Revenue recognition

Young Life follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the Unrestricted Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2019

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### 2. Summary of significant accounting policies (continued)

#### Revenue recognition (continued)

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Restricted camping revenue from camping events held at RockRidge Canyon property are recognized in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Unrestricted camping revenue from camping events held outside of RockRidge Canyon property are recognized in the year received or receivable if the amount to be received can be reasonably established and collection is reasonably assured.

Restricted rental and merchandise revenue is recognized when the services or goods are delivered and amounts have been received.

Investment income includes dividend and interest income, and realized and unrealized investment gains and losses. Dividend income, interest income, and realized gains and losses earned on RockRidge Fund resources are used to purchase, construct, and operate the camp property and are recognized as revenue of the RockRidge Fund. Dividend income, interest income, and realized gains and losses earned on Unrestricted Fund resources are used to support general operations and are recognized as revenue in the Unrestricted Fund.

Unrealized gains and losses are included directly in the fund balance of the appropriate fund.

Deferred revenue represents funding received in the current year that is related to the subsequent year.

#### Financial instruments

Young Life initially measures its financial assets and financial liabilities at fair value. Young Life subsequently measures all of its financial assets and financial liabilities at amortized cost, with the exception of investments which are subsequently measured at fair value.

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

Financial liabilities measured at amortized cost include term debt and payables and accruals.

It is management's opinion that the organization is not exposed to significant currency or credit risks arising from these financial instruments other than its term debt which is exposed to interest rate risk. Young Life does not currently mitigate the risk.

#### Foreign currency transactions

Monetary assets and liabilities which are denominated in foreign currencies are translated into Canadian dollars at the period-end exchange rates. Revenue and expenses are translated at rates of exchange prevailing on the transaction date. Gains and losses on translation are included in the results of operations.

# Young Life of Canada

## Notes to the Financial Statements

September 30, 2019

### 2. Summary of significant accounting policies (continued)

#### Income taxes

Young Life is exempt from income taxes under Section 149(5) of the Income Tax Act.

3. Investments	2019	2018
Cash surrender value of life insurance policy	\$ 11,495	\$ 11,270
Marketable securities	1	5
	<b>\$ 11,496</b>	<b>\$ 11,275</b>

4. Property and equipment		2019	
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 4,447,000	\$ -	\$ 4,447,000
Lorne Lake dam	8,012,912	2,111,958	5,900,954
Buildings	40,552,654	16,264,435	24,288,219
Pool, challenge course & sound system	1,069,359	850,043	219,316
Zipline	133,728	77,389	56,339
Furniture and equipment	1,135,697	766,671	369,026
Vehicles and boats	616,554	312,856	303,698
Computer equipment	35,443	22,818	12,625
Computer software	14,092	-	14,092
	<b>\$ 56,017,439</b>	<b>\$ 20,406,170</b>	<b>\$ 35,611,269</b>
			2018
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 4,447,000	\$ -	\$ 4,447,000
Lorne Lake dam	8,012,912	2,025,179	5,987,733
Buildings	40,237,838	15,477,243	24,760,595
Pool, challenge course & sound system	1,069,359	784,602	284,757
Zipline	133,728	68,070	65,658
Furniture and equipment	1,159,166	594,429	564,737
Vehicles and boats	577,688	258,320	319,368
Computer equipment	38,677	28,356	10,321
	<b>\$ 55,676,368</b>	<b>\$ 19,236,199</b>	<b>\$ 36,440,169</b>

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2019

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<b>5. Term debt</b>	<u>2019</u>	<u>2018</u>
Variable rate term loan, secured by land, bearing interest at Royal Bank prime plus 0.90% per annum, with monthly payments of \$8,712, due January 27, 2020.	<b>\$ 490,818</b>	\$ 568,687
Variable rate line of credit, secured by land, bearing interest at Royal Bank prime plus 0.70% per annum, payable on demand.	<b>1,165,000</b>	820,000
	<b><u>\$ 1,655,818</u></b>	<b><u>\$ 1,388,687</u></b>

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### **6. Payables and accruals**

Included in payables and accruals are government remittances payable of \$43,736 (2018: \$45,716).

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### **7. Deferred revenue**

The deferred revenue represents funding received in the current year that is related to the subsequent year. Changes in the deferred revenue balance are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	<b>\$ 51,638</b>	\$ 45,655
Add amounts received in the year	<b>433,782</b>	443,691
Less amounts recognized as revenue in the year	<b><u>(455,111)</u></b>	<u>(437,708)</u>
Balance, end of year	<b><u>\$ 30,309</u></b>	<u>\$ 51,638</u>

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### **8. Interfund transfers**

The RockRidge Fund transferred \$464,776 (2018: \$968,056) to the Invested in Property and Equipment Fund for continued construction of the RockRidge Canyon property and for Champion projects. A further \$138,454 (2018: \$121,317) was transferred to the Unrestricted Fund for national office charges and internal financing.

The Unrestricted Fund transferred \$31,965 (2018: \$11,154) to the Invested in Property and Equipment Fund for equipment purchases. A further \$56,759 (2018: \$78,389) was transferred to the RockRidge Fund to cover costs associated with Young Life meetings and events held at RockRidge. A total of \$Nil (2018: \$145,346) of Capital Campaign proceeds were transferred to the RockRidge Fund to reduce accumulated internal debt.

The Scholarship Fund transferred \$412,418 (2018: \$404,996) to the Unrestricted Fund to assist with camping activities.

The Property and Equipment Fund transferred \$57,092 (2018: \$2,848) to the RockRidge Fund to assist with the purchase of other equipment.

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2019

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### 9. Net assets invested in property and equipment

Change in net assets invested in property and equipment is calculated as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 34,878,360	\$ 35,189,122
Donations	1,800	1,800
Gain from sale of assets	42,448	21,911
Property and equipment additions, net	439,650	976,361
Amortization of property and equipment	<u>(1,310,999)</u>	<u>(1,310,833)</u>
Balance, end of year	<u>\$ 34,051,259</u>	<u>\$ 34,878,361</u>

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### 10. Related party transactions

Related parties consist of directors, officers and a charitable foundation controlled by a director of Young Life. The organization received donations of \$1,069,261 (2018: \$1,942,738) from related parties during the year. These transactions are recorded at the exchange amount as agreed to by the related parties.

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### 11. Related organization

The Young Life of Canada Foundation (the "Foundation") is a related organization to Young Life. The Foundation was formed to help support the work of Young Life and Christian ministry in general. The Foundation is incorporated under the *Society Act* (British Columbia) and is a registered charity under the *Income Tax Act*.

The organization received \$192,733 (2018: \$685,199) of donations from the Foundation.

The net assets and results of operations of the Foundation are not included in the statements of Young Life, but are reported on separately. A financial summary of the Foundation as at September 30, 2019 and the year then ended is as follows:

	<u>2019</u>	<u>2018</u>
<b>Financial position</b>		
Total net assets	<u>\$ 944</u>	<u>\$ 732</u>
<b>Results of operations</b>		
Total revenue	\$ 193,303	\$ 742,166
Total expenses	<u>193,091</u>	<u>714,287</u>
Surplus of revenue over expenses	<u>\$ 212</u>	<u>\$ 27,879</u>
<b>Cash flows</b>		
Cash from operations	<u>\$ 782</u>	<u>\$ (881)</u>
Increase in cash	<u>\$ 782</u>	<u>\$ (881)</u>

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# Young Life of Canada

## Notes to the Financial Statements

September 30, 2019

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### 12. Capital management

The capital structure of Young Life consists of net assets invested in property and equipment and unrestricted and restricted net assets. The primary objective of Young Life's capital management is to provide adequate funding to support Young Life programs and camps.

Net assets invested in property and equipment represent the amount of net assets that are not available for other purposes because they have been invested.

Restricted net assets are externally restricted funds which have been designated for the specific purposes outlined in Note 2.

The unrestricted net assets are funds available for future operations.

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### 13. Commitments

Young Life has an operating lease commitment on their office premises. The minimum rental commitments under the operating lease are as follows:

2020	\$	74,581
2021		77,428
2022		79,462
2023		72,841

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### 14. Financial instruments

The carrying amounts of financial assets measured at amortized cost are \$805,948 as at September 30, 2019 (September 30, 2018: \$415,948).

The carrying amounts of financial liabilities measured at amortized cost are \$2,142,761 as at September 30, 2019 (September 30, 2018: \$1,660,977).

The carrying amounts of financial assets measured at fair value are \$11,496 as at September 30, 2019 (September 30, 2018: \$11,275).

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# Young Life of Canada

## Schedule of General Unrestricted Fund

Year ended September 30

2019

2018

Revenue		
Donations	\$ 6,861,363	\$ 6,729,877
Camping	404,328	406,941
Fundraisers	340,550	292,041
Government grants	136,971	53,575
Gain on dental self insurance	21,194	9,744
Gain on foreign exchange	1,676	7,370
Gain on sale of investments	-	97
	<u>7,766,082</u>	<u>7,499,645</u>
Expenses		
Salaries	4,538,665	4,297,707
Camping	953,586	893,617
Employee benefits	880,515	865,201
Office and administration	547,173	514,239
Promotion	460,081	436,711
Program	292,296	289,724
Travel	209,215	190,426
Training and recruitment	412,384	160,021
Loss on sale of investments	1,159	-
Relocation	-	644
	<u>8,295,074</u>	<u>7,648,290</u>
Deficiency of revenue over expenses	\$ (528,992)	\$ (148,645)