

VANGUARD COLLEGE
Financial Statements
Year Ended June 30, 2017

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Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Vanguard College

We have audited the accompanying financial statements of Vanguard College, which comprise the statement of financial position as at June 30, 2017, and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for non-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.

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 Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.

(continues)

Basis for Qualified Opinion

In common with many charitable organizations, the College derives part of its revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Vanguard College as at June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for non-profit organizations.

Edmonton, Alberta
October 27, 2017



CHARTERED ACCOUNTANTS


VANGUARD COLLEGE

Statement of Financial Position

June 30, 2017

	General Fund	Capital Fund	Endowment Fund	2017	2016
					<i>Revised</i>
ASSETS					
CURRENT					
Cash	\$ 211,398	\$ -	\$ -	\$ 211,398	\$ 112,396
Accounts receivable	9,570	-	-	9,570	520
Goods and services tax recoverable	3,720	-	-	3,720	3,390
Inventory	60,644	-	-	60,644	70,166
Prepaid expenses	39,100	-	-	39,100	31,063
Deposits	4,700	-	-	4,700	4,700
Due from General Fund (Note 3)	-	193,630	-	193,630	15,719
	329,132	193,630	-	522,762	237,954
PROPERTY AND EQUIPMENT (Note 4)	-	4,243,290	-	4,243,290	4,393,502
LONG TERM INVESTMENT (Note 5)	-	1	-	1	1
INTANGIBLE ASSET (Note 6)	-	12,878	-	12,878	12,878
RESTRICTED CASH (Notes 7, 9)	-	711,946	77,505	789,451	924,397
	329,132	5,161,745	77,505	\$ 5,568,382	\$ 5,568,732
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	\$ 100,915	\$ -	\$ -	\$ 100,915	\$ 119,532
Employee deductions payable	-	-	-	-	419
Wages payable	1,771	-	-	1,771	2,673
Deferred income (Note 8)	41,310	-	-	41,310	58,954
Deposits received	46,564	-	-	46,564	38,611
Due to Capital Fund (Note 3)	193,630	-	-	193,630	15,719
	384,190	-	-	384,190	235,908
DEFERRED CONTRIBUTIONS (Note 9)	-	3,099,551	-	3,099,551	3,202,012
PENSION OBLIGATION (Note 10)	3,969	-	-	3,969	47,156
	388,159	3,099,551	-	3,487,710	3,485,076
COMMITMENTS (Note 11)					
NET ASSETS					
Unrestricted Fund balance	(81,205)	-	-	(81,205)	(47,069)
Internally Restricted (Note 12)	22,178	-	-	22,178	17,678
Invested in property and equipment	-	2,062,194	-	2,062,194	2,035,827
Endowment Fund (Note 7)	-	-	77,505	77,505	77,220
	(59,027)	2,062,194	77,505	2,080,672	2,083,656
	\$ 329,132	\$ 5,161,745	\$ 77,505	\$ 5,568,382	\$ 5,568,732

ON BEHALF OF THE BOARD

 Director
 Director

The accompanying notes are an integral part of these financial statements.

VANGUARD COLLEGE
Statement of Operations
Year Ended June 30, 2017

	General Fund	Capital Fund	Endowment Fund	2017	2016
REVENUES					
General Fund (Schedule 1)	\$ 3,526,614	\$ -	\$ -	\$ 3,526,614	\$ 3,580,244
Capital Fund (Schedule 2)	-	118,103	-	118,103	125,166
Endowment Fund (Schedule 3)	-	-	309	309	427
	3,526,614	118,103	309	3,645,026	3,705,837
EXPENSES					
General Fund (Schedule 1)	3,456,726	-	-	3,456,726	3,616,562
Pension obligation (recovery) (Schedule 1) (Note 10)	(43,187)	-	-	(43,187)	1,544
Capital Fund (Schedule 2)	-	234,447	-	234,447	235,360
Endowment Fund (Schedule 3)	-	-	309	309	427
	3,413,539	234,447	309	3,648,295	3,853,893
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	113,075	(116,344)	-	(3,269)	(148,056)

The accompanying notes are an integral part of these financial statements.

VANGUARD COLLEGE
Statement of Changes in Net Assets
Year Ended June 30, 2017

	General Fund <i>Revised</i>	Capital Fund	Endowment Fund	2017	2016
NET ASSETS AT BEGINNING OF YEAR	\$ (44,216)	\$ 2,035,827	\$ 77,220	\$ 2,068,831	\$ 2,221,512
Prior period adjustment <i>(Note 13)</i>	14,825	-	-	14,825	-
Balance, as restated	(29,391)	2,035,827	77,220	2,083,656	2,221,512
Excess (deficiency) of revenues over expenses	113,075	(116,344)	-	(3,269)	(148,056)
Interfund transfer	(142,711)	142,711	-	-	-
Contributions	-	-	285	285	10,200
NET ASSETS AT END OF YEAR	\$ (59,027)	\$ 2,062,194	\$ 77,505	\$ 2,080,672	\$ 2,083,656

The accompanying notes are an integral part of these financial statements.

VANGUARD COLLEGE
Statement of Cash Flow
Year Ended June 30, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (3,269)	\$ (148,056)
Items not affecting cash:		
Amortization of property and equipment	234,447	235,360
Amortization of deferred capital contributions	(118,103)	(125,166)
Pension obligation	(35,532)	-
	77,543	(37,862)
Changes in non-cash working capital:		
Accounts receivable	(9,048)	20,478
Goods and services tax recoverable	(330)	(27)
Inventory	9,522	(11,109)
Prepaid expenses	(8,037)	(19,640)
Accounts payable and accrued liabilities	(18,617)	6,447
Employee deductions payable	(419)	334
Wages payable	(902)	433
Deferred income	(17,644)	(126,154)
Deposits received	7,953	(2,721)
Endowment fund scholarships	-	10,200
	(37,522)	(121,759)
Cash flow from (used by) operating activities	40,021	(159,621)
INVESTING ACTIVITIES		
Purchase of property and equipment	(69,824)	(72,616)
Proceeds on disposal of property and equipment	1,514	-
Purchase of intangible asset	-	(6,504)
Contributions received relating to property and equipment	-	11,775
Cash flow used by investing activities	(68,310)	(67,345)
FINANCING ACTIVITY		
Pension obligation	(7,655)	1,544
Cash flow from (used by) financing activity	(7,655)	1,544
DECREASE IN CASH FLOW	(35,944)	(225,422)
Cash - beginning of year	1,036,793	1,262,215
CASH - END OF YEAR	\$ 1,000,849	\$ 1,036,793
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest paid	\$ 21,382	\$ 21,841
CASH CONSISTS OF:		
Cash	\$ 211,398	\$ 112,396
Restricted cash	789,451	924,397
	\$ 1,000,849	\$ 1,036,793

The accompanying notes are an integral part of these financial statements.

1. PURPOSE

Vanguard College is a Theological College founded by and representing the doctrines of the Alberta and N.W.T. District of the Pentecostal Assemblies of Canada.

The College was proclaimed in the Alberta Legislature in 1986. The legislation was proclaimed as the Northwest Bible College Act of the Province of Alberta. The Act was amended in 2004 to change the name of the College to Vanguard College. The College operates as a registered charity under the Income Tax Act and is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for non-profit organizations.

Fund accounting

The General Fund is used for the College's operating activities. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable provided that the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges are not recorded until received.

The Capital Fund reports the assets, liabilities, revenue and expenditures related to the College's property and equipment.

The Endowment Fund reports resources contributed for the establishment of annual scholarships and awards. Endowment contributions are recognized as direct increases in the Endowment Fund balances. Investment income earned on Endowment Fund resources is recorded as revenue of the Endowment Fund.

Cash

Cash consists of funds held on deposit at Canadian financial institutions.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on an average cost basis.

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VANGUARD COLLEGE
Notes to Financial Statements
Year Ended June 30, 2017

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is recorded as an expense of the Capital Fund. Donated assets are recorded at the estimated fair market value at the time of donation. The College records amortization on the declining balance method at the following rates.

Buildings	5%
Computer equipment	30%
Computer software	100%
Furniture and fixtures	20%

Long term investments

Long term investments are accounted for at cost and adjusted for impairment write downs. Investments are tested for impairment annually.

Intangible assets

Intangible assets are assessed for impairment every year and when events or changes in circumstances indicate that an asset may be impaired. Impairment is assessed by comparing the assets' fair value, based on estimates of discounted future cash flows or other valuation methods, to their carrying value.

If the fair value is less than the carrying value, the difference is deducted from revenues.

Leases

Leases are classified as either capital or operating leases. At the time the College enters into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

Revenue recognition

The College follows the deferral method of accounting for contributions. Contributions are included in revenue in the year in which they are received or receivable, with the exception that restricted contributions are initially recorded as a liability and then recognized as revenue in the year in which the related expenses are incurred.

Tuition is included in revenue in the fiscal period in which the school semester is held.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Contributed goods and services

Volunteers contribute numerous hours to assist the College in carrying out its mandate. The value of these contributed services are not recognized in these financial statements due to the difficulty of determining their fair values.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for non-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property and equipment. Actual results could differ from these estimates.

3. INTERFUND BALANCES

As at June 30, 2017, the General Fund was indebted to the Capital Fund \$193,630 (2016 - \$15,719).

VANGUARD COLLEGE
Notes to Financial Statements
Year Ended June 30, 2017

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 465,556	\$ -	\$ 465,556	\$ 465,556
Buildings	5,410,088	1,756,896	3,653,192	3,793,690
Computer equipment	84,349	45,877	38,472	39,336
Furniture and fixtures	247,731	161,661	86,070	94,920
	\$ 6,207,724	\$ 1,964,434	\$ 4,243,290	\$ 4,393,502

5. LONG TERM INVESTMENT

	2017	2016
International Biblical Online Leadership Training Inc.	\$ 1	\$ 1

Long term investment consists of a 100% interest in International Biblical Online Leadership Training Inc. (IBOLT) and is accounted for using the cost method. As IBOLT no longer operates as a distinct entity from the College, the investment in IBOLT of \$248,888 was previously written down to \$1.

6. INTANGIBLE ASSET

Intangible asset consists of development costs related to the College website. The website has not been impaired in value so it has not been amortized.

7. ENDOWMENT FUND

The Endowment Fund is comprised of the following amounts:

	2017	2016
Gonam Raju Endowment Fund	\$ 30,232	\$ 30,000
Ernest Shedden Award Fund	1,106	4,074
Earl Howatt Scholarship Fund	10,400	3,180
Lillian Douglass Scholarship Fund	10,000	2,000
James Hazlett Memorial Award Fund	4,029	10,400
Extra Mile Award Fund	2,000	1,100
Linklater Scholarship Fund	1,171	2,000
Jesse F. Lynn Memorial Scholarship	2,018	10,000
Mark Buntain Living Memorial Scholarship	9,295	9,295
M L Olson Scholarship Fund	4,074	4,000
AL Lindoff Memorial Scholarship Fund	3,180	1,171
	\$ 77,505	\$ 77,220

These funds are required to be maintained permanently as endowments and thus the cash received associated with these endowments is classified as long term.

VANGUARD COLLEGE
Notes to Financial Statements
Year Ended June 30, 2017

8. DEFERRED INCOME

Deferred contributions reported in the General Fund are contributions which relate to expenditures that will be made subsequent to the year end. The balances in deferred contributions are as follows:

	2017	2016
Graduation awards	\$ 1,300	\$ 4,026
International Biblical Online Leadership	11,700	2,925
Kid's world travel	13,309	18,964
Ministry mission support	-	283
Music projects	4,829	4,458
Outreach programs	400	12,091
Pastoral leadership conferences	9,772	12,603
Student assistance	-	3,604
	\$ 41,310	\$ 58,954

9. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT

Deferred contributions related to property and equipment represent contributions expressly made to acquire assets for the Capital Fund. The changes in the deferred contributions are as follows:

	2017	2016
Deferred Contributions Related to Property and Equipment		
Balance at beginning of year	\$ 3,202,012	\$ 3,315,403
Contributions received	15,642	11,775
Amortized to revenue	(118,103)	(125,166)
	\$ 3,099,551	\$ 3,202,012

Cash donated to acquire property and equipment is restricted until the funds are spent on their designated purpose. Restricted cash on hand related to property and equipment at June 30, 2017 is \$711,946 (2016 - \$847,177).

During the year the board approved the designation of \$905,576 in funds to build student housing. The deficiency in restricted cash of \$193,630 is attributable to money spent on other capital projects in excess of capital donations in the past two years. This amount will be recovered from the unrestricted balance in the general fund and has been designated as due from the general fund.

10. PENSION OBLIGATION

Vanguard College accrued a pension liability in the 2012 fiscal year to reflect the actuaries valuation of a pension shortfall for the Pentecostal Assemblies of Canada pension plan. The actuarial valuation as of December 31, 2016 indicates that a payment of \$3,969 at December 1, 2017 will adequately fund the College's portion of the PAOC Pension Fund. As a result, a net recovery of \$43,187 has been recorded in the 2017 fiscal year.

11. COMMITMENTS

The College has joined the Networking Edmonton's Online Systems (NEOS) Consortium and will maintain its membership for a minimum of five years which began in 2012. The 2017 annual fee for NEOS membership is \$19,277 (2016 - \$19,766). In addition, the College has entered into operating leases for photocopiers. Estimated minimum annual payments for photocopiers are as follows:

Contractual obligation repayment schedule:

2018	<u>\$ 10,476</u>
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12. INTERNALLY RESTRICTED

Internally restricted funds represent funds restricted for sabbatical purposes.

13. PRIOR PERIOD ADJUSTMENT

In the 2017 fiscal year a \$14,825 University of Alberta annual assessment was recorded as a prepaid expense in order to recognize it in the appropriate fiscal year. Prepaid expenses and net assets have increased by \$14,825 in the comparative fiscal year's results to reflect this adjustment.

14. BANK INDEBTEDNESS

The College has available two demand operating lines of credit. Operating line 1(a) has a maximum credit available of \$200,000, while operating line 1(b) has a maximum credit available of \$350,000 which is available only from June 1 to August 31 each year. Both lines of credit bear interest at prime plus 1.55% and are secured by a general security agreement covering all present and after acquired property of the College as well as a specific charge on land. As at June 30, 2017, there was \$nil outstanding on facility 1(a) (2016 - \$nil) and \$nil outstanding on facility 1(b) (2016 - \$nil).

The Alberta and N.W.T. District of the Pentecostal Assemblies of Canada has guaranteed the debts outstanding from time to time under the credit facilities. A fee has not been charged for this guarantee.

15. RELATED PARTY TRANSACTIONS

Vanguard College was established under the direction of the Alberta and N.W.T. District of the Pentecostal Assemblies of Canada (PAOC). PAOC appoints a number of board members to the Board of Vanguard College. The PAOC renewed a five year premises lease agreement with the College effective July 1, 2017. The lease expires June 30, 2022. Monthly rent payments are reviewed every two years and adjusted for inflation. During the year, the PAOC donated funds totaling \$100,000 (2016 - \$100,000) to the College and paid rent of \$122,400 (2016 - \$120,000). Also, during the year the College made purchases from the PAOC of \$ 1,104 (2016 - \$1,626).

Transactions with the PAOC are in the normal course of operations and are measured at their carrying amount. Advances to and from related parties, if any, are non-interest bearing and are unsecured.

16. CAPITAL MANAGEMENT

The College's goal in managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide services to the public. To accomplish this goal, the College has established policies to preserve its financial condition and protect its assets by setting limitations on the expenditure of funds, incurring debt and investing funds. The Board meets regularly to review the College's financial position.

17. CONTRACTUAL AGREEMENT

Library Expansion

On May 1, 2011, the College entered into a Library Sharing, Management and Security Agreement with Taylor College and Seminary (Taylor) to expand the Library. In consideration of Taylor relocating their library collection with approximately 46,000 evangelical theological library books to Vanguard College, Vanguard has agreed to house, administer and provide Taylor students access to the Library. Vanguard is paying the cost to house the addition of the Taylor books. If, in the future, Taylor discontinues operations, then the library is to be a gift from Taylor to Vanguard College.

18. FINANCIAL INSTRUMENTS

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The College is exposed to credit risk from students and tenants. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The College has a significant number of students and tenants which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The College is exposed to this risk mainly in respect of its receipt of funds from students, customers and other related sources, lease obligations, contributions to the pension plan, and accounts payable.

Currency risk

Currency risk is the risk to an entity's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The College is exposed to currency risk on cash held in U.S. dollars and other foreign currencies. Derivative instruments are not used to reduce exposure to this risk. The College does not hold significant amounts of foreign currency at any one time, therefore any potential impact on the College from volatility in foreign exchange rates would be minimal.

19. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

VANGUARD COLLEGE
General Fund (Schedule 1)
Year Ended June 30, 2017

	2017	2016
REVENUES		
Constituency support	\$ 476,242	\$ 419,404
Donations	528,982	510,078
Outreach donations	137,903	237,882
Operations revenue	482,593	447,320
Student fees	162,824	168,359
Textbook sales	110,733	105,618
Tuition and course fees	1,627,337	1,691,583
	3,526,614	3,580,244
EXPENSES		
Administration	226,784	255,562
Facilities expense	191,081	179,031
Fundraising	11,159	6,773
Interest and bank charges	21,382	21,841
Library resources	42,926	19,399
Outreach expenses	164,657	271,680
Program expenses	121,010	134,701
Promotion and recruitment	120,262	117,686
Rent	89,900	89,750
Salaries and benefits	1,913,216	1,912,864
Scholarships and bursaries	361,392	407,905
Student activities	89,196	99,206
Textbook cost	103,761	100,164
	3,456,726	3,616,562
OPERATING EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 69,888	\$ (36,318)
OTHER INCOME (EXPENSES)		
Pension obligation recovery (expense) (Note 10)	\$ 43,187	\$ (1,544)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 113,075	\$ (37,862)

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