

Financial Statements of

**SPECIAL OLYMPICS MANITOBA
INCORPORATED**

And Independent Auditors' Report thereon

Year ended June 30, 2021



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INDEPENDENT AUDITORS' REPORT

To the Directors of Special Olympics Manitoba Incorporated

Qualified Opinion

We have audited the financial statements of Special Olympics Manitoba Incorporated (the "Entity"), which comprise the statement of financial position as at June 30, 2021, 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 (hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the ***"Basis for Qualified Opinion"*** section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at June 30, 2021, 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, the Entity derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. In addition, it was not practicable for us to extend our verification of regional income and expenses beyond ensuring that the revenues reported as received were deposited in the bank and the expenses were withdrawn from the bank. Accordingly, verification of these revenues and expenses was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets and liabilities and deferred contributions reported in the statements of financial position as at June 30, 2021 and June 30, 2020;
- the fundraising revenues, regional income and expenses and excess of revenue over expenses reported in the statements of operations for the years ended June 30, 2021 and June 30, 2020;
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended June 30, 2021 and June 30, 2020; and
- the excess of revenue over expenses reported in the statements of cash flows for the years ended June 30, 2021 and June 30, 2020.

Our opinion on the financial statements for the year ended June 30, 2021 was qualified 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.



We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a long horizontal line underneath.

Chartered Professional Accountants

Winnipeg, Canada

September 29, 2021

SPECIAL OLYMPICS MANITOBA INCORPORATED

Statement of Financial Position

June 30, 2021, with comparative information for 2020

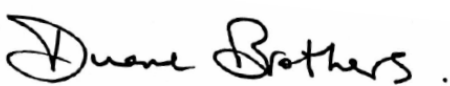
	2021	2020
Assets		
Current assets:		
Cash (note 3)	\$ 1,266,469	\$ 675,314
Short-term investments (note 3)	63,445	—
Accounts receivable	249,197	238,201
Prepaid expenses	25,495	68,687
	<u>1,604,606</u>	<u>982,202</u>
Long-term investments (note 3)	860,457	858,189
Capital assets (note 4)	15,275	19,192
Deferred gifts (note 6[b])	401,409	401,409
	<u>\$ 2,881,747</u>	<u>\$ 2,260,992</u>


Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 83,167	\$ 71,401
Loan payable (note 5)	40,000	—
Deferred contributions (note 6):		
Expenses related to future periods	221,943	147,613
Deferred gifts	401,409	401,409
	<u>623,352</u>	<u>549,022</u>
Net assets:		
Invested in capital assets	15,275	19,192
Internally restricted (note 2[b])	—	157,306
Unrestricted	2,119,953	1,464,071
	<u>2,135,228</u>	<u>1,640,569</u>
Commitments (note 11)		
	<u>\$ 2,881,747</u>	<u>\$ 2,260,992</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Duane Brothers, Director

 Rachel Wheatley, Director

SPECIAL OLYMPICS MANITOBA INCORPORATED

Statement of Operations

Year ended June 30, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Grants and donations:		
Sport Manitoba:		
Base grant	\$ 90,000	\$ 90,000
Federal emergency sport funding	25,000	—
Integrated Funding Framework	14,500	21,500
Sport program funding	34,700	35,900
Special Olympics Canada:		
Federal emergency sport funding	127,796	—
Youth Development grants	50,000	55,000
Community Sport Development	85,000	136,283
Volunteer Development	1,500	15,000
Healthy Athletes	14,576	5,033
Athlete Leadership Program	1,350	22,281
Harry Red Foster Foundation	2,000	—
COVID-19 emergency funding:		
Winnipeg Foundation	60,000	—
Province of Manitoba	30,000	—
Other foundations	4,109	—
Other donations	63,958	74,516
	604,489	455,513
Fundraising activities (note 7)	728,914	583,752
Other income:		
Investment income	62,136	27,441
Grassroots	46,256	321,212
Other (note 5)	20,000	—
National Games/Program of Excellence	—	42,995
Canada Games/Western Canada Games	—	7,025
	128,392	398,673
	1,461,795	1,437,938
Expenses:		
Activities (schedule)	661,665	1,039,378
General and administration (schedule)	305,471	358,697
	967,136	1,398,075
Excess of revenue over expenses	\$ 494,659	\$ 39,863

See accompanying notes to financial statements.

SPECIAL OLYMPICS MANITOBA INCORPORATED

Statement of Changes in Net Assets

Year ended June 30, 2021, with comparative information for 2020

	2021			2020	
	Unrestricted	Internally restricted	Invested in capital assets	Total	Total
Net assets, beginning of year	\$ 1,464,071	\$ 157,306	\$ 19,192	\$ 1,640,569	\$ 1,600,706
Excess (deficiency) of revenue over expenses	499,376	—	(4,717)	494,659	39,863
Transfer to fund capital asset additions	(800)	—	800	—	—
Transfer of internally restricted (note 2[b])	157,306	(157,306)	—	—	—
Net assets, end of year	\$ 2,119,953	\$ —	\$ 15,275	\$ 2,135,228	\$ 1,640,569

See accompanying notes to financial statements.

SPECIAL OLYMPICS MANITOBA INCORPORATED

Statement of Cash Flows

Year ended June 30, 2021, with comparative information for 2020

	2021	2020
Operating activities:		
Excess of revenue over expenses	\$ 494,659	\$ 39,863
Items not involving cash:		
Unrealized loss (gain) on investments	(48,911)	24,536
Amortization	4,717	6,008
Forgiveness of loan payable	(20,000)	—
Change in the following:		
Accounts receivable	(10,996)	(153,482)
Prepaid expenses	43,192	(49,381)
Accounts payable and accrued liabilities	11,766	(60,203)
Deferred contributions, expenses related to future periods, net	74,330	80,226
	548,757	(112,433)
Investing activities:		
Purchase of capital assets	(800)	(1,086)
Change in investments, net	(16,802)	(27,606)
	(17,602)	(28,692)
Financing activities:		
Proceeds from loan payable	60,000	—
Increase (decrease) in cash	591,155	(141,125)
Cash, beginning of year	675,314	816,439
Cash, end of year (note 3)	\$ 1,266,469	\$ 675,314

See accompanying notes to financial statements.

SPECIAL OLYMPICS MANITOBA INCORPORATED

Notes to Financial Statements

Year ended June 30, 2021

1. General:

Special Olympics Manitoba Incorporated (the "organization") operates programs to ensure that Manitobans with an intellectual disability are provided opportunities to participate in sport training programs and competitive experiences. The organization is divided into seven regions and each region is administered by a Regional Council. The organization is incorporated under the *Corporations Act* of Manitoba as a not-for-profit organization and is a registered charity under the *Income Tax Act*.

These financial statements include the assets, liabilities, revenues, expenses and net assets of the organization including its Regional Councils.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

The organization follows the deferral method of accounting for contributions, which include government grants and donations.

Unrestricted contributions and program grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

SPECIAL OLYMPICS MANITOBA INCORPORATED

Notes to Financial Statements (continued)

Year ended June 30, 2021

2. Significant accounting policies (continued):

(b) Internally restricted net assets:

Internally restricted resources include the following:

	2021	2020
Athlete Stabilization	\$ —	\$ 124,036
Other	—	33,270
	\$ —	\$ 157,306

At June 30, 2021, the Board of Directors approved the transfer of \$157,306 (2020 - nil) from internally restricted net assets to unrestricted net assets. Internally restricted amounts are not available to the organization without approval of the Board of Directors.

(c) Capital assets:

Purchased capital assets are stated at cost and contributed capital assets are recorded at fair value at the time the asset was donated. Amortization is provided on the declining balance basis for the following assets using the following annual rates:

Asset	Rate
Office equipment	20%
Computer hardware and software	30%

Leasehold improvements are amortized on a straight-line basis over five years.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When circumstances indicate that a capital asset is impaired, the net carrying amount of the capital asset is written down to the asset's fair value or replacement cost. The write-down of the asset is charged to income during the year. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

(d) Deferred gifts:

Deferred gifts are comprised of planned giving contributions, being life insurance policies.

SPECIAL OLYMPICS MANITOBA INCORPORATED

Notes to Financial Statements (continued)

Year ended June 30, 2021

2. Significant accounting policies (continued):

(e) Donated services:

No amount has been reflected in the financial statements for donated services since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time towards the activities of the organization.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The organization has elected to carry investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Unrealized gains and losses on investments, representing the change in difference between the fair value and the cost of investments at the beginning and end of each year is reflected in investment income in the statement of operations. Fair value of investments is determined based on period end quoted market prices.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

SPECIAL OLYMPICS MANITOBA INCORPORATED

Notes to Financial Statements (continued)

Year ended June 30, 2021

2. Significant accounting policies (continued):

(g) Government assistance:

Government assistance related to current expenses is included in the determination of the excess of revenue over expenses for the period as a reduction of the related expense when the expenditures are incurred. A liability to repay government assistance, if any, is recorded in the period in which the conditions arise that causes the assistance to become repayable.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. Cash and investments:

	2021	2020
Cash:		
Cash in bank	\$ 818,909	\$ 264,800
Regional Councils cash in bank	447,560	410,514
	<u>1,266,469</u>	<u>675,314</u>
Short-term investments:		
Scotiabank GIC, 1.5%, due September 30, 2021	63,445	—
Long-term investments:		
Mutual funds - fixed income	540,010	541,795
United States equities	137,752	106,651
Canadian equities	120,222	46,404
Government and corporate fixed income	62,473	100,832
Scotiabank GIC, 1.5%, due September 30, 2021	—	62,507
	<u>860,457</u>	<u>858,189</u>
Total cash and investments	<u>\$ 2,190,371</u>	<u>\$ 1,533,503</u>

Investments are carried at fair value. During the year ended June 30, 2021 there was an unrealized gain of \$48,911 (2020 - unrealized loss of \$24,536) recognized in investment income on the investments held by the organization.

The government and corporate fixed income investments mature between fiscal 2023 and fiscal 2052 and bear a weighted average effective yield of 3.27 percent (2020 - 3.62 percent).

SPECIAL OLYMPICS MANITOBA INCORPORATED

Notes to Financial Statements (continued)

Year ended June 30, 2021

4. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	\$ 122,697	\$ 113,403	\$ 9,294	\$ 11,617
Computer hardware and software	107,858	101,877	5,981	7,575
Leasehold improvements	93,272	93,272	—	—
	\$ 323,827	\$ 308,552	\$ 15,275	\$ 19,192

5. Loan payable:

The organization obtained an interest-free loan of \$60,000 under the Canada Emergency Business Account (CEBA) from the Royal Bank. The loan is interest free to December 31, 2022 and is unsecured. If the loan is repaid on or before December 31, 2022, 33 percent of the loan (\$20,000) will be forgiven. If the loan is not repaid by December 31, 2022, the loan converts to a three-year term loan at 5 percent interest. During the year ended June 30, 2021, the organization recognized \$20,000 of the forgivable portion of the loan in other income.

6. Deferred contributions:

(a) Expenses related to future periods is comprised of the following:

	2021	2020
Sport Manitoba - program	\$ 22,755	\$ 22,755
Funds received for the next fiscal year's activities	199,188	124,858
	\$ 221,943	\$ 147,613

The change in expenses related to future periods is as follows:

	2021	2020
Balance, beginning of year	\$ 147,613	\$ 67,388
Add amount received related to future periods	160,560	141,997
Less amounts recognized as revenue in the year	(86,230)	(45,245)
Less amounts reclassified to accounts payable and accrued liabilities in the year	—	(16,527)
Balance, end of year	\$ 221,943	\$ 147,613

SPECIAL OLYMPICS MANITOBA INCORPORATED

Notes to Financial Statements (continued)

Year ended June 30, 2021

6. Deferred contributions (continued):

(b) Deferred gifts:

Deferred gifts represent life insurance policies to which the organization has been named as the irrevocable beneficiary. The death benefit amounts are recorded as an asset and a deferred contribution on the statement of financial position until they are realized at the time of death.

7. Fundraising activities:

Fundraising activities are comprised of the following:

	2021	2020
Special Olympics Canada Sponsorship	\$ 271,555	\$ 142,398
Corporate Campaign	203,756	100,054
Law Enforcement Torch Run	72,836	132,554
Motionball	58,373	134,045
Stars Fore! Golf Tournament	64,563	62,964
Winnipeg Wine Festival	36,099	11,290
Top it Up	8,544	–
50/50 raffle	13,050	–
Other activities	138	447
	\$ 728,914	\$ 583,752

8. The Winnipeg Foundation endowment fund:

The organization has an agreement with The Winnipeg Foundation (the “Foundation”) for the maintenance of an endowment fund. The Foundation will preserve the capital and will distribute all income generated thereon to the organization in perpetuity. The capital is not available to the organization except in specific circumstances, as approved by the Foundation, where the organization can receive an advance of up to 25 percent of the capital. Any advances of capital will be recovered through reinvestment of investment income earned on the endowment fund or new gifts directed for this purpose.

Investment income earned may be reinvested with the Foundation with a matching amount provided by the Foundation at a rate of \$1 to every \$5 reinvested. In fiscal 2021, the organization reinvested investment income earned of \$5,021 (2020 - \$4,142) in the endowment fund. The fair value of the endowment fund at June 30, 2021 was \$115,014 (2020 - \$95,491).

SPECIAL OLYMPICS MANITOBA INCORPORATED

Notes to Financial Statements (continued)

Year ended June 30, 2021

9. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The organization is exposed to credit risk with respect to the accounts receivable. The organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the credit risk exposure from 2020.

(b) Liquidity risk:

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade accounts payable and accrued liabilities are generally repaid within 30 days.

(c) Investment risk:

The organization's investments are sensitive to market fluctuations. To properly manage the organization's other price risk, appropriate guidelines on asset diversification to address specific security risks are set and monitored.

The organization is exposed to financial risks as a result of exchange rate fluctuations on certain of its investments and the volatility of these rates. In the normal course of business, the organization holds investments denominated in foreign currencies. The organization does not currently enter into forward contracts to mitigate this risk.

The organization's fixed income investments are exposed to the risk that the value of interest-bearing investments will fluctuate due to changes in the level of market interest rates.

10. COVID-19 government subsidies:

Activities and general and administration expenses for the year ended June 30, 2021 include amounts of \$183,434 (2020 - \$54,973) and \$105,574 (2020 - \$26,894), respectively, claimed by the organization for reimbursement under the government assistance program, Canada Emergency Wage Subsidy (CEWS).

General and administration expenses for the year ended June 30, 2021 include rent subsidy of \$13,018 (2020 - nil) claimed by the organization for reimbursement under the government assistance program, Canada Emergency Rent Subsidy (CERS).

SPECIAL OLYMPICS MANITOBA INCORPORATED

Notes to Financial Statements (continued)

Year ended June 30, 2021

10. COVID-19 government subsidies (continued):

At June 30, 2021, \$57,876 (2020 - \$81,867) of the CEWS and CERS is included in accounts receivable.

11. Commitments:

The organization is committed under an operating lease for office space which expires on March 31, 2024. Annual payments are as follows:

2022	\$	35,856
2023		35,856
2024		26,892
	\$	98,604

12. COVID-19 impact:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which included implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada resulting in economic slowdown. Governments in Canada have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The current events and conditions are expected to be temporary, however there is uncertainty around the length of the disruption and impact on future operations. As a result, an estimate of the financial effect of these items on the organization is not practicable at this time.

As a result of the emergency measures enacted by the federal and provincial governments, the organization has experienced declines in donations and cancellation or postponement of fundraising activities. The organization has accessed certain government aid programs to assist with the impact of COVID-19 on the organization's operations. This includes access to government assistance through CEWS and CERS (note 10), receipt of COVID-19 stabilization grants from Sport Manitoba, Special Olympics Canada and other funders aggregating \$248,905 and proceeds from a \$60,000 interest-free loan under the Canada Emergency Business Account (CEBA) (note 5).

SPECIAL OLYMPICS MANITOBA INCORPORATED

Schedule - Expenses

Year ended June 30, 2021, with comparative information for 2020

	2021	2020
Activities:		
Athlete development	\$ —	\$ 86,582
Coach development	—	2,102
Competition:		
Inclusive	1,163	7,215
Corporate fundraising	—	12,440
Law Enforcement Torch Run	11,422	33,104
Marketing and promotions	56,542	17,293
Other fundraising activities	19,807	886
Regional/Grassroots Development:		
Expenses	21,335	206,837
Support	23,171	53,331
Team MB Coupon Sheets	—	2,340
Sport development	84,206	4,851
Special Olympics Canada:		
Youth Development	9,074	9,636
Community Sport Development	82,334	120,802
Healthy Athletes	13,174	—
Athlete Leadership Program	609	19,707
Stars Fore! Golf Tournament	29,008	32,687
Wages and benefits (net of Canada Emergency Wage Subsidy of \$183,434 [2020 - \$54,973]) (note 10)	262,572	411,236
Winnipeg Wine Festival	47,248	18,253
Wolseley Golf Tournament	—	76
	\$ 661,665	\$ 1,039,378
General and administration:		
Accreditation fee	\$ 5,975	\$ 12,500
Amortization	4,717	6,008
Bank charges	11,620	12,773
Board/staff development	8,179	23,889
Computer systems	38,681	12,251
Insurance	6,438	6,411
General office	15,239	12,730
Legal and audit	56,999	13,327
Rent (net of Canada Emergency Rent Subsidy of \$13,018 [2020 - nil]) (note 10)	23,734	35,987
Telephone	18,371	19,288
Wages and benefits (net of Canada Emergency Wage Subsidy of \$105,574 [2020 - \$26,894]) (note 10)	115,518	203,533
	\$ 305,471	\$ 358,697