
FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

FINANCIAL STATEMENTS

MARCH 31, 2013

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF FILM AND CREATIVE INDUSTRIES NOVA SCOTIA:

We have audited the accompanying financial statements, which comprise the statement of financial position of Film and Creative Industries Nova Scotia as at March 31, 2013 and the statement of operations and accumulated surplus, changes in net financial assets and cash flows 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of 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 organization'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 organization'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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Film and Creative Industries Nova Scotia as at March 31, 2013 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Halifax, Nova Scotia
June 4, 2013


LEVY CASEY CARTER MACLEAN
Chartered Accountants

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FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

STATEMENT OF FINANCIAL POSITION MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
FINANCIAL ASSETS		
Cash and cash equivalents - operating (note 2 b)	\$ 1,196,060	\$ 582,224
Cash and cash equivalents - IPF (note 2 b & 9)	1,075,942	1,636,924
Receivables, trade - operating	101,268	33,161
Receivables, trade - IPF	34,630	22,222
Due from the Province of Nova Scotia (note 4)	<u>56,200</u>	<u>49,890</u>
	<u>2,464,100</u>	<u>2,324,421</u>
LIABILITIES		
Payables and accruals, trade - operating	120,496	79,942
Payables and accruals, trade - IPF	750	500
Deferred revenue - operating	28,808	12,783
Deferred revenue - IPF (note 9)	699,722	1,482,846
Commitments payable - operating (note 6, 7, 8)	1,141,556	508,821
Commitments payable - IPF (note 9)	410,100	175,800
Supplementary employee retirement plan obligation (note 3)	-	43,273
Post-retirement health obligation (note 4)	<u>56,200</u>	<u>49,890</u>
	<u>2,457,632</u>	<u>2,353,855</u>
Net financial assets (debt)	6,468	(29,434)
NON-FINANCIAL ASSETS		
Prepaid expenses - operating	<u>1,810</u>	<u>33,092</u>
Accumulated surplus	\$ <u>8,278</u>	\$ <u>3,658</u>
Contractual obligations (note 10)		
Commitments (note 13)		

Approved by the Board

Chair

Member

FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS YEAR ENDED MARCH 31, 2013

	<u>Budget</u> (unaudited)	<u>2013</u>	<u>2012</u>
Revenue			
Operating fund:			
Contributions from the Department of Economic and Rural Development and Tourism	\$ 3,063,700	\$ 3,088,269	\$ 3,095,700
Contributions from the Department of Labour and Advanced Education	-	1,000	-
Employee future benefits - Province of Nova Scotia	-	6,310	5,850
Recovery of equity investments	150,000	188,702	239,868
Recovery of development loans	-	16,300	30,980
Contributions from the Federal Government			
- Atlantic Canada Opportunities Agency	80,000	75,576	28,125
Other income	40,000	39,530	54,143
Interest income	10,000	15,201	12,721
Independent production fund:			
Independent production fund contributions (note 9)	745,200	1,343,161	289,068
Interest income	6,000	15,841	4,642
	<u>4,094,900</u>	<u>4,789,890</u>	<u>3,761,097</u>
Expenditures			
Operating fund:			
Equity investments (note 6)	1,770,000	1,956,400	1,932,000
Development loans (note 7)	75,000	153,900	63,000
Special projects (note 8)	200,000	266,538	259,240
Advertising and marketing (page 13)	485,000	432,136	412,498
Administrative expenses (page 13)	813,700	617,294	799,302
Independent production fund:			
Equity investments (note 9)	750,000	1,358,000	293,000
Administrative expenses	1,200	1,002	710
	<u>4,094,900</u>	<u>4,785,270</u>	<u>3,759,750</u>
Operating surplus	\$ <u>-</u>	4,620	1,347
Accumulated surplus, beginning of year		<u>3,658</u>	<u>2,311</u>
Accumulated surplus, end of year		\$ <u>8,278</u>	\$ <u>3,658</u>

FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
Operating surplus	\$ 4,620	\$ 1,347
Change in other non-financial assets		
Use (acquisition) of prepaid expenses	<u>31,282</u>	<u>(23,454)</u>
Increase (decrease) in net financial assets	35,902	(22,107)
Net financial debt, beginning of the year	<u>(29,434)</u>	<u>(7,327)</u>
Net financial assets (debt), end of the year	<u>\$ 6,468</u>	<u>\$ (29,434)</u>

FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
Operating Activities		
Operating surplus	\$ 4,620	\$ 1,347
Due from the Province of Nova Scotia (note 4)	(6,310)	(5,850)
Employee future benefits (note 3, 4)	<u>(36,963)</u>	<u>10,683</u>
	(38,653)	6,180
Net change in non-cash working capital balances related to operations (note 5)	<u>91,507</u>	<u>1,018,292</u>
Increase in cash during year	52,854	1,024,472
Cash and cash equivalents, beginning of year	<u>2,219,148</u>	<u>1,194,676</u>
Cash and cash equivalents, end of year	<u>\$ 2,272,002</u>	<u>\$ 2,219,148</u>

Represented by:

Cash and cash equivalents - operating	\$ 1,196,060	\$ 582,224
Cash and cash equivalents - IPF	<u>1,075,942</u>	<u>1,636,924</u>
	<u>\$ 2,272,002</u>	<u>\$ 2,219,148</u>

FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2013

1. Purpose of organization

Film and Creative Industries Nova Scotia was originally incorporated through an act proclaimed by the Governor in Council on August 1, 1990 as the Nova Scotia Film Development Corporation. The chief purpose of the Corporation is to grow Nova Scotia's creative economy by stimulating investment and employment and by promoting Nova Scotia's creative enterprises in global markets.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Industry Tax Credit Program, including review of tax credit applications.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for government agencies as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

The financial statements have been prepared using the following significant accounting policies:

(b) Cash and cash equivalents

Cash and cash equivalents include balances with banks and cash invested in short-term highly liquid investments.

(c) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year together with the operating surplus or deficit provides the change in net financial assets (debt) for the year.

(d) Tangible capital assets

Significant capital assets are capitalized and amortization is calculated using the declining balance method, at rates based on the estimated useful life of the assets. Capital assets with a cost less than \$10,000 are expensed in the year of acquisition. The Corporation's capital assets are fully amortized.

(e) Development loans and equity investments

Development loans and equity investments are recorded as a liability and charged to current expenditures when the funding is formally committed. Recoveries derived from equity investments and program loans are recorded as revenue when reported by producers. It is not feasible to accrue recoveries from equity investments since these recoveries remain uncertain until reported, as they are based upon the financial results of the recipients' activities. Recoveries from development loans are not accrued until received as repayment remains uncertain until the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party.

FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2013

2. Significant accounting policies (continued)

(f) Use of estimates

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Such uncertainty exists when there could be a material difference between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. The preparation of the financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. The post-retirement health obligation requires the use of significant estimates because actual results may differ significantly from the various assumptions about plan members and economic conditions in the marketplace.

Estimates are based upon the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements and actual results could differ from these estimates.

(g) Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Assets recorded under capital leases are amortized on a straight-line basis over the estimated useful lives of the respective assets on commencement of use of the related assets.

(h) Revenue recognition

Unrestricted contributions are recognized as revenue when received or receivable.

Recovery of equity investments and development loan revenue are recorded as reported by producers.

Funds received under the independent production fund ("IPF") are deferred and recognized into revenue when the funds have been committed to qualifying projects.

Investment and other income is recorded in the period in which the related income is earned.

Government transfers are recognized as revenue in the period during which the transfer is authorized and any eligibility criteria are met, except when and to the extent, stipulations by the transferor gives rise to an obligation that meets the definition of a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations an equivalent amount of revenue is recognized as the liability is settled.

(i) Contributed services

The corporation receives various contributed services from the Province of Nova Scotia in carrying out its operating activities. It is the policy of the corporation not to recognize these services in the financial statements. A description of the services received is provided in note 12.

FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2013

2. Significant accounting policies (continued)

(j) Financial instruments

All financial instruments are measured using either the amortized cost method or the fair value method. Financial instruments included in the amortized cost category are recorded at either cost or amortized cost using the effective interest rate method. Transaction costs are included in the initial cost of financial instruments recognized using the cost method. Financial instruments included in the fair value category are initially recorded at fair value with each subsequent change in fair value recognized in the statement of remeasurement gains and losses. Transaction costs associated with financial instruments in the fair value category are expensed when incurred.

Accounts receivable, payables and accruals, commitments payable and post-retirement health obligations are recorded using the cost method. Cash and cash equivalents are recorded using the fair value method utilizing quoted prices in active markets to determine the fair value.

3. Pensions

(a) Public service superannuation fund (PSSP)

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The defined benefit plan is funded by equal employee and employer contributions. The Public Service Superannuation Fund is administered by the Nova Scotia Pension Agency. During the year the Corporation contributed \$45,404 (2012 - \$61,040). The Corporation is not responsible for any unfunded liability.

(b) Supplementary employee retirement plan (SERP)

The Canadian Income Tax Act places limits on the amount of pension that can be paid from a defined benefit pension such as the Province's Public Service Superannuation Plan. In 2004 the Province passed legislation allowing payment of pension benefits for pension amount exceeding the limit set under the Income Tax Act. These benefits are paid from the Supplementary Employee Retirement Plan (SERP).

During fiscal 2013, the Province of Nova Scotia changed the treatment of costs under the SERP. Effective November 1, 2012, Film and Creative Industries Nova Scotia will no longer be responsible for the payment of SERP benefits in respect of its former employees, and any amounts payable in respect of the benefits will be paid by the Province. Film and Creative Industries Nova Scotia has elected to reflect this change in accordance with the settlement accounting provisions of PSAB 3250. Because the ending Accrued Benefit Obligation at March 31, 2012 in respect of SERP benefits was \$0, the net impact of the settlement is the recognition of all unamortized gains and losses in the fiscal 2013 expense. There were no other changes to the plan during fiscal 2013. As a result, the Corporation recognized a gain of \$43,273 and recorded this as a reduction of its pension expense included in administrative salaries and benefits.

	<u>2013</u>	<u>2012</u>
<u>Components of Net Periodic Benefit Cost</u>		
Current service cost (employer portion)	\$ -	\$ 2,937
Interest cost	<u>-</u>	<u>1,896</u>
Net periodic benefit cost recognized	<u>\$ -</u>	<u>\$ 4,833</u>

FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2013

3. Pensions (continued)

	<u>2013</u>	<u>2012</u>
<u>Change in Accrued Benefit Obligation</u>		
Accrued benefit obligation at the beginning of the year	\$ -	\$ 38,440
Current service cost (employer portion)	-	2,937
Interest cost	-	1,896
Actuarial experience gain	<u>-</u>	<u>(43,273)</u>
Accrued benefit obligation at the end of the year	<u>\$ -</u>	<u>\$ -</u>
<u>Retirement benefit liability</u>		
Unamortized actuarial experience gain	<u>\$ -</u>	<u>\$ 43,273</u>
Accrued benefit liability	<u>\$ -</u>	<u>\$ 43,273</u>

4. Post retirement health obligations

In addition to the pension benefits described in note 3, the Corporation provides other retirement benefits to its employees by participating in the Province of Nova Scotia's post-retirement health insurance program. The liability for this obligation has been assumed by the Province of Nova Scotia. Accordingly, a receivable for \$56,200 has been recorded at March 31, 2013.

	<u>2013</u>	<u>2012</u>
<u>Retirement benefit expense</u>		
Current service cost	\$ 3,510	\$ 3,990
Interest cost	2,590	2,060
Amortization of actuarial experience loss (gain)	<u>210</u>	<u>(200)</u>
Post-retirement health cost	<u>\$ 6,310</u>	<u>\$ 5,850</u>
<u>Change in Accrued Benefit Obligation</u>		
Accrued benefit obligation at the beginning of the year	\$ 52,680	\$ 41,450
Current service cost	3,510	3,990
Interest cost	2,590	2,060
Actuarial (gains) loss	<u>(3,530)</u>	<u>5,180</u>
Accrued benefit obligation at the end of the year	<u>\$ 55,250</u>	<u>\$ 52,680</u>
<u>Retirement benefit liability</u>		
Accrued benefit obligation at end of year	\$ 55,250	\$ 52,680
Unamortized net actuarial gain (loss)	<u>950</u>	<u>(2,790)</u>
Accrued benefit liability	<u>\$ 56,200</u>	<u>\$ 49,890</u>

FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2013

4. Post retirement health obligations (continued)

Actuarial Assumptions

The significant assumptions in measuring the Corporations accrued benefit obligations are as follows:

Valuation date	March 31, 2012
Liability discount rate	4.75 %
Extended health care cost increases	0% for period ending April 1, 2013; 6.3% for period ending April 1, 2014; decreasing at 0.15% per year to an ultimate rate of 4.5% per year

5. Net change in non-cash working capital balances related to operations

	<u>2013</u>	<u>2012</u>
Increase (decrease) in cash from changes in:		
Receivables, trade	\$ (80,515)	\$ 12,682
Prepaid expenses	31,281	(23,454)
Payables and accruals, trade	40,805	(306,185)
Payable to government	(767,099)	1,462,093
Commitments payable - operating	632,735	(302,644)
Commitments payable - IPF	<u>234,300</u>	<u>175,800</u>
	<u>\$ 91,507</u>	<u>\$ 1,018,292</u>

6. Equity investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as reported by producers.

During the year the Corporation received \$188,702 (2012 - \$239,868) in the recovery of equity investments. The cumulative total of equity investments of the Corporation to March 31, 2013 is \$43,316,226 (2012 - \$41,359,826). As at March 31, 2013, \$3,742,670 has been recouped (2012 - \$3,553,967) and \$977,869 (2012 - \$402,809) remains undisbursed and is included in commitments payable.

7. Development loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. Development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party.

FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2013

7. Development loans (continued)

During the year the Corporation recouped \$16,300 (2012 - \$30,980) in development loans. The cumulative total of development loans made by the Corporation as of March 31, 2013 is \$3,717,063 (2012- \$3,563,163). As at March 31, 2013, \$945,970 has been recouped (2012 - \$929,670) and \$72,836 (2012 - \$31,886) remains undisbursed and is included in commitments payable. Total development loans outstanding on March 31, 2013 were \$2,698,257 (2012 - \$2,601,607).

8. Special projects

The Corporation provides non-repayable assistance in the form of grants to eligible parties for training, sponsorship, festivals and other marketing initiatives to promote the Nova Scotia film, television and creative industries.

As of March 31, 2013, \$90,850 (2012 - \$74,125) has been committed but undisbursed, and is included in commitments payable.

9. Independent production fund ("IPF")

On August 24, 2011 the Corporation in partnership with EastLink Television launched an Independent Production Fund ("IPF") in accordance with The Canadian Radio-Television and Telecommunications Commission Broadcasting Distribution Regulations. This fund will provide production assistance in the form of equity investment to eligible producers for the financing of productions that will support employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as reported by producers. Funds received under the IPF are externally restricted and included on the statement of financial position in cash and cash equivalents - IPF and are deferred until committed.

During the year \$560,037 (2012 - \$1,771,914) was received from the funding partner to invest in qualifying projects. The cumulative total of equity investments made by the IPF to March 31, 2013 is \$1,651,000 (2012 - \$293,000). As at March 31, 2013, \$1,240,900 (2012 - \$117,200) has been disbursed with the remaining \$410,100 (2012 - \$175,800) included in commitments payable - IPF. There has been no recoupment to March 31, 2013.

10. Contractual obligations

The Corporation has entered into a lease agreement for premises. The approximate minimum payments required over the next five years are as follows:

2014	\$	36,267
2015	\$	38,400
2016	\$	38,400
2017	\$	38,400
2018	\$	38,400

In addition to the minimum rental payments the Corporation is required to pay additional fees to the lessor for operating costs, real estate taxes and electrical consumption.

FILM AND CREATIVE INDUSTRIES NOVA SCOTIA

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2013

11. Economic dependence and related party transactions

The Province of Nova Scotia is a related party of the Corporation. The Corporation is dependent on the Department of Economic and Rural Development and Tourism for annual funding. Details of any transactions between these related parties are separately disclosed.

12. Costs paid by the Province of Nova Scotia

During the year, services were provided to the Corporation by government departments and the estimated value of these services is as follows:

	<u>2013</u>	<u>2012</u>
Legal services	\$ <u>31,150</u>	\$ <u>31,150</u>

The value of these services is not reflected in these financial statements.

13. Commitments

The Corporation approves applications for funding which may or may not be disbursed until subsequent fiscal periods due to the lead times required to obtain all the resources necessary to complete film and video productions. Prior to the year end, the Board of Directors approved funding for the 2014 fiscal year in the amount of \$110,000, conditional on the approval of the 2014 fiscal year Nova Scotia provincial budget. This amount is not included in commitments payable.

14. Public Sector Compensation Disclosure Act

For the purposes of the Public Sector Compensation Disclosure Act, Film and Creative Industries Nova Scotia is considered to be a public sector body. For the year ended March 31, 2013, the Corporation made payments in excess of \$100,000 to the following employee:

<u>Employee</u>	<u>Position</u>	<u>Compensation</u>
Carolyn Horton	Acting President & CEO	\$108,930

15. Statement of remeasurement gains and losses

The Corporation has no significant remeasurement gains or losses therefore no statement of remeasurement gains or losses has been provided.

16. Budget information

The budget figures presented are for comparison purposes and are unaudited.

FILM AND CREATIVE INDUSTRIES NOVA SCOTIA
SCHEDULE OF ADVERTISING AND MARKETING EXPENSES
AND SCHEDULE OF ADMINISTRATIVE EXPENSES
YEAR ENDED MARCH 31, 2013

	<u>2013</u>	<u>2012</u>
Advertising and Marketing Expenses:		
Advertising	\$ 10,335	\$ 27,959
Business development	34,818	52,742
Locations library	4,200	4,683
Location services	8,822	11,382
Marketing	136,170	80,558
Publications	22,557	27,294
Salaries and benefits	172,702	166,353
Sponsorships	<u>42,532</u>	<u>41,527</u>
	<u>\$ 432,136</u>	<u>\$ 412,498</u>
Administrative Expenses:		
Bank charges	\$ 1,769	\$ 1,908
Board honorarium and expenses	25,391	22,095
Conference and marketing	375	2,767
Consultants	60,953	10,862
Courier services	875	1,776
Dues, fees and subscriptions	7,073	10,429
Insurance	-	2,000
Office supplies	13,370	18,868
Photocopier	2,565	2,592
Postage	1,370	1,302
Professional fees	9,533	17,125
Repairs, maintenance and equipment	13,778	502
Rent	76,746	76,003
Salaries and benefits	389,748	610,314
Staff training	4,374	9,301
Telephone and fax	<u>9,374</u>	<u>11,458</u>
	<u>\$ 617,294</u>	<u>\$ 799,302</u>