

Leucan inc.
Financial Report
March 31, 2023

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Independent Auditor's Report

To the Members of
Leucan inc.,

Qualified Opinion

We have audited the financial statements of **Leucan inc.** (the "Organization"), which comprise the balance sheet as at March 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenue was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations, excess (deficiency) of revenue over expenses and cash flows from operating activities for the years ended March 31, 2023 and 2022, assets as at March 31, 2023 and 2022, and net assets as at March 31, 2023 and 2022.

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 the Organization 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 audit opinion.

Other Matter

The financial statements for the year ended March 31, 2022 were audited by another auditor who expressed a qualified opinion on those financial statements on June 17, 2022 for the reason described in the Basis for Qualified Opinion section.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 the Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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.

A handwritten signature in black ink that reads "Petrie Raymond". The signature is written in a cursive style with a large, sweeping initial "P".

Chartered Professional Accountant Partnership LLP

Montréal, Québec
June 15, 2023

¹ By CPA auditor, public accountancy permit No. A119340

Leucan inc.

Statement of Operations

Year ended March 31, 2023

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	<u>2023</u>	<u>2022</u>
Revenue		
Financing activities	\$ 12,463,937	\$ 9,992,802
Donations and bequests	428,310	143,073
Government programs (Schedule A)	126,340	429,953
Investment revenue (Schedule B)	64,459	192,436
Other revenue	<u>12,892</u>	<u>13,515</u>
	<u>13,095,938</u>	<u>10,771,779</u>
Expenses		
Financing activities (Note 9)	2,290,542	1,442,462
Salaries and employee benefits related to financing activities	<u>2,459,723</u>	<u>2,144,748</u>
	<u>4,750,265</u>	<u>3,587,210</u>
Gross excess of revenue over expenses	<u>8,345,673</u>	<u>7,184,569</u>
Other expenses		
Services to children and their families (Schedule C)	4,841,514	3,742,158
Grant for clinical research	1,371,491	981,997
Administrative fees (Schedule D)	1,078,637	889,978
Rent and other office expenses related to promotion and development	547,053	449,977
Communications (Note 9)	<u>449,765</u>	<u>419,157</u>
	<u>8,288,460</u>	<u>6,483,267</u>
Excess of revenue over expenses before the following	<u>57,213</u>	<u>701,302</u>
Amortization of lease inducements related to fixed assets	26,874	26,873
Depreciation of fixed and intangible assets	<u>(98,081)</u>	<u>(100,648)</u>
	<u>(71,207)</u>	<u>(73,775)</u>
Excess (deficiency) of revenue over expenses	<u>\$ (13,994)</u>	<u>\$ 627,527</u>

Leucan inc.

Statement of Changes in Net Assets

Year ended March 31, 2023

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	Internally restricted (Note 8)					2023 Total	2022 Total
	Invested in fixed assets	Québec pediatric oncology centres	Special projects	Sustainability fund	Unrestricted		
Balance, beginning of year	\$ 283,401	\$ 1,046,500	\$ 1,327,500	\$ 2,000,000	\$ 2,169,611	\$ 6,827,012	\$ 6,199,485
Excess (deficiency) of revenue over expenses	(106,021)	-	(480,500)	-	572,527	(13,994)	627,527
Additions to fixed assets	99,272	-	-	-	(99,272)	-	-
Internally restricted (Note 8)	-	-	-	500,000	(500,000)	-	-
Balance, end of year	\$ <u>276,652</u>	\$ <u>1,046,500</u>	\$ <u>847,000</u>	\$ <u>2,500,000</u>	\$ <u>2,142,866</u>	\$ <u>6,813,018</u>	\$ <u>6,827,012</u>

Certain contributions received during the year require that the Organization's balance of unrestricted net assets does not exceed 25% of its annual expenses. This requirement has been met as at March 31, 2023.

Leucan inc.

Balance Sheet

As at March 31, 2023

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	<u>2023</u>	<u>2022</u>
Current assets		
Cash	\$ 2,420,643	\$ 2,314,963
Accounts receivable	115,751	95,730
Prepaid expenses	484,964	412,509
Current portion of investments	<u>698,795</u>	<u>818,271</u>
	<u>3,720,153</u>	<u>3,641,473</u>
Investments (Note 3)	4,859,114	4,650,721
Repurchase value of life insurance policies	143,238	143,238
Fixed assets (Note 4)	272,724	281,948
Intangible assets (Note 5)	<u>89,028</u>	<u>113,427</u>
	<u>5,364,104</u>	<u>5,189,334</u>
Total assets	<u>\$ 9,084,257</u>	<u>\$ 8,830,807</u>
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 1,218,902	\$ 919,694
Deferred revenue	<u>214,222</u>	<u>50,000</u>
	<u>1,433,124</u>	<u>969,694</u>
Lease inducements	78,995	85,931
Lease inducements related to fixed assets	85,100	111,974
Deferred contributions (Note 7)	<u>674,020</u>	<u>836,196</u>
	<u>838,115</u>	<u>1,034,101</u>
Total liabilities	<u>2,271,239</u>	<u>2,003,795</u>
Net assets		
Internally restricted (Note 8)		
Invested in fixed assets	276,652	283,401
Québec pediatric oncology centres	1,046,500	1,046,500
Special projects	847,000	1,327,500
Sustainability fund	2,500,000	2,000,000
Unrestricted	<u>2,142,866</u>	<u>2,169,611</u>
	<u>6,813,018</u>	<u>6,827,012</u>
Total liabilities and net assets	<u>\$ 9,084,257</u>	<u>\$ 8,830,807</u>

Signed for the Board,

 _____, Director

 _____, Director

Leucan inc.

Statement of Cash Flows

Year ended March 31, 2023

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	<u>2023</u>	<u>2022</u>
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (13,994)	\$ 627,527
Non-cash items:		
Donations in shares	(318,987)	(60,132)
Amortization of fixed assets	77,928	73,490
Amortization of intangible assets	54,967	27,158
Amortization of lease inducements	(27,393)	(21,483)
Deferred contributions recognized as revenue (Note 7)	(393,196)	(226,000)
Amortization of lease inducements related to fixed assets	(26,874)	(26,873)
Profit on disposal of investments	(47,269)	(13,311)
Change in fair value of investments	85,920	(64,780)
	<u>-</u>	<u>(11,190)</u>
	(608,898)	304,406
Deferred contributions received (Note 7)	231,020	334,000
Lease inducements	20,457	-
Net change in non-cash items related to operating activities (Note 12)	<u>370,954</u>	<u>(90,216)</u>
	<u>13,533</u>	<u>548,190</u>
Investing activities		
Investment acquisition	(1,264,097)	(1,106,190)
Disposal of investments	1,455,516	1,039,240
Addition to fixed assets	(68,704)	(46,133)
Acquisition of intangible assets	<u>(30,568)</u>	<u>(46,608)</u>
	<u>92,147</u>	<u>(159,691)</u>
Net increase in cash	105,680	388,499
Cash, beginning of year	<u>2,314,963</u>	<u>1,926,464</u>
Cash, end of year	<u><u>\$ 2,420,643</u></u>	<u><u>\$ 2,314,963</u></u>

Leucan inc.

Notes to Financial Statements

March 31, 2023

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1. Incorporation and nature of activities

Leucan inc. is a not-for-profit organization incorporated under Part III of the Québec Companies Act and works to promote the well-being, healing and recovery of children living with cancer and to support their families. It is a registered charity under the Income Tax Act.

2. Significant accounting policies

Authoritative accounting pronouncements

The Organization applies the Canadian Accounting Standards for the Not-for-Profit Organizations, hereafter referred to as “ASNPO” under Part III of CPA Canada Handbook – Accounting.

Contributions recognition

The Organization follows the deferral method of accounting for contributions (financing activities, donations, bequest and government programs). Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue recognition

Revenue from financing activities (registrations, sponsorships and other) is recognized at the date of the event. Deferred revenue represents receipts for events that will take place in the next fiscal year.

Investment and other revenue are recognized as they are earned.

Contributions received in the form of services or goods

Contributions received in the form of services or goods are recorded at fair value when it can be reasonably estimated and that the Organization would otherwise have had to acquire them in the normal course of activities. They consist of securities traded on public markets and are valued at fair value of the markets on which they are traded at the time of transfer of the securities.

Allocation of expenses

The Organization allocates expenses directly to the accounts of the activities to which they relate. General management salaries and employee benefits, as well as rent and other office expenses, are allocated on the basis of payroll by department.

Fixed assets

Fixed assets are accounted for at cost. Amortization is calculated using the following methods, rate and period:

	Methods	Rate and period
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	20%
Leasehold improvements	Straight-line	Term of lease

Leucan inc.

Notes to Financial Statements

March 31, 2023

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2. Significant accounting policies (continued)

Intangible assets

Intangible assets are recorded at cost. The website is amortized on a straight-line basis method over three years and the software is amortized on a declining-balance basis at a rate of 30%.

Impairment of long-term assets

Long-term assets are tested for impairment whenever events or changes in circumstances indicate that there are no more potential service for the Organization. An impairment loss is recognized when the carrying amount of the asset exceeds the residual value. The impairment loss is measured as the amount by which the carrying amount of the long-term asset exceeds its residual value.

Lease inducements

Lease incentives represent months of free rent granted by the landlord when signing lease agreements for the premises and are amortized over the term of the lease.

Lease inducements related to fixed assets

Lease inducements related to fixed assets are amortized over the estimated useful life of the related fixed assets.

Financial instruments

Valuation

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, with exception of its investments that are evaluated at fair value which is determined using the closing price as at March 31, 2023 or at the fair value provided by the managers for the other investments. The change in fair value of investments is recorded in the statement of revenue.

The financial assets measured at amortized cost using the straight-line method include cash and accounts receivable.

The financial liabilities measured at amortized cost using the straight-line method include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvements, either directly or by adjusting the allowance account provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Leucan inc.

Notes to Financial Statements

March 31, 2023

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2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Significant areas which require more estimates include the net realized value and fair value of financial instruments and estimated useful life of fixed assets. Actual results could differ from these estimates.

3. Investments

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Cash with broker	\$ 123	\$ 123	\$ 1,707	\$ 1,707
Money market funds	58,596	58,596	217,148	217,148
Canadian equity funds	77,462	89,702	95,308	117,956
Bonds, bearing interest at rates varying between 0.9% and 4.9% , maturing up to November 2029	4,121,646	3,994,587	3,818,054	3,713,795
Canadian and foreign shares	1,143,807	1,414,901	1,094,580	1,418,386
	5,401,634	5,557,909	5,226,797	5,468,992
Current portion of investments	694,171	698,795	827,181	818,271
	<u>\$ 4,707,463</u>	<u>\$ 4,859,114</u>	<u>\$ 4,399,616</u>	<u>\$ 4,650,721</u>

4. Fixed assets

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 451,626	\$ 381,009	\$ 70,617	\$ 78,153
Computer equipment	814,704	730,270	84,434	63,391
Leasehold improvements	363,890	246,217	117,673	140,404
	<u>\$ 1,630,220</u>	<u>\$ 1,357,496</u>	<u>\$ 272,724</u>	<u>\$ 281,948</u>

Leucan inc.

Notes to Financial Statements

March 31, 2023

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5. Intangible assets

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
Software	\$ 160,226	\$ 113,453	\$ 46,773	\$ 66,819
Website	<u>77,177</u>	<u>34,922</u>	<u>42,255</u>	<u>46,608</u>
	<u>\$ 237,403</u>	<u>\$ 148,375</u>	<u>\$ 89,028</u>	<u>\$ 113,427</u>

6. Accounts payable and accrued liabilities

	2023	2022
Accounts payable and accrued liabilities	\$ 463,357	\$ 433,653
Salaries and vacation payable	<u>755,545</u>	<u>486,041</u>
	<u>\$ 1,218,902</u>	<u>\$ 919,694</u>

7. Deferred contributions

Changes in deferred contributions are as follows:

	40 Giants for Leucan	Others	2023	2022
Balance, at beginning of year	\$ 836,196	\$ -	\$ 836,196	\$ 728,196
Deferred contributions received	198,000	33,020	231,020	334,000
Deferred contributions recognized as revenue	<u>(393,196)</u>	<u>-</u>	<u>(393,196)</u>	<u>(226,000)</u>
Balance, at end of year	<u>\$ 641,000</u>	<u>\$ 33,020</u>	<u>\$ 674,020</u>	<u>\$ 836,196</u>

Other deferred contributions and grants are intended to cover the expenses in future years.

Leucan inc.

Notes to Financial Statements

March 31, 2023

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8. Internally restricted

Invested in fixed assets

The Board of directors decided to restrict, internally, the amount invested in fixed and intangible assets and to present it net of lease inducements related to fixed assets.

Québec pediatric oncology centres

In previous fiscal years, the Board of directors has decided to restrict an amount in order to ensure stability in the financial support given by the Organization to Québec pediatric oncology centres.

Special projects

In previous fiscal years, the Board of directors has decided to restrict an amount for special projects to come in the next fiscal years. During the year, projects for a total amount of \$480,500 were carried out.

Sustainability fund

In previous fiscal years, the Board of directors has decided to restrict an amount to guarantee the continuity of the Organization's activities in the event of a deficit year. On June 15, 2023, retroactive to March 31, 2023, the Board of directors approved, by resolution, the decision to increase the sustainability fund by \$500,000.

9. Operating expenses

Expenses related to financing activities as well as the "Communications" item include respective amounts of \$14,869 and \$19,945 for the amortization of intangible assets (\$Nil in 2022).

10. Commitments

The commitments of the Organization under head office and regional lease agreements and service contracts maturing on various dates until September 2028 amounts to \$1,241,670. The instalments over the next years are the following:

2024	\$	385,237
2025	\$	377,138
2026	\$	336,653
2027	\$	113,543
2028	\$	27,380
Others	\$	1,719

11. Financial instruments

Risks and concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentration at the balance sheet, as at March 31, 2023. There have been no changes in risks since last year.

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Organization by failing to discharge an obligation. The Organization's credit risk is mainly related to accounts receivable.

For grants receivable, the Organization assesses the amounts receivable on an ongoing basis, based on amounts it is virtually certain to receive, based on their estimated realizable value.

For pledged donations, the Organization records at year-end only the amounts that have been received at the date of completion of the financial statements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization is exposed to all those risks.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As at March 31, 2023, foreign shares totalling \$629,917 (\$577,106 in 2022) denominated in US dollars and converted into Canadian dollars, are exposed to fluctuation of this currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed interest rates financial instruments (bonds) which subject the Organization to a fair value risk since fair value varies inversely with changes in market interest rates.

Other price risk

Other price risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk through its investments money market and equity funds, Canadian and foreign shares and life insurance policies. The Organization's investment policy limits the other price risk by limiting the maximum number of cash and cash equivalents, fixed income securities, stocks and other equity investments that can be held. The risk and volatility of investment returns are reduced by the fact that the investments are allocated among different countries, sectors and investment types.

Leucan inc.

Notes to Financial Statements

March 31, 2023

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12. Net change in non-cash items related to operating activities

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ (20,021)	\$ 89,928
Prepaid expenses	(72,455)	(31,505)
Accounts payable and accrued liabilities	299,208	(198,639)
Deferred revenue	<u>164,222</u>	<u>50,000</u>
	<u>\$ 370,954</u>	<u>\$ (90,216)</u>

13. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year. In this regard, an amount of \$46,608 was reclassified from unrestricted net assets to net assets invested in fixed assets to reflect acquisitions of intangible assets included in prepaid expenses as at March 31, 2022. In addition, revenue and expenses for the year ended March 31, 2022 have been reduced by \$211,760 to adjust the presentation of contributions received in the form of goods and services.

Leucan inc.

Additional Information

Year ended March 31, 2023

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	<u>2023</u>	<u>2022</u>
Schedule A		
Government programs		
Government programs – Federal		
Canada Emergency Wage Subsidy (CEWS)	\$ -	\$ 209,243
Canada Emergency Rent Subsidy (CERS)	-	33,767
Canada Recovery Hiring Program (CRHP)	-	76,074
Government programs – Provincial		
Programme de soutien aux organismes communautaires (PSOC)	121,340	105,869
Government programs – Municipal	<u>5,000</u>	<u>5,000</u>
	<u>\$ 126,340</u>	<u>\$ 429,953</u>

Schedule B

Investment revenue

Interest, dividends and other	\$ 103,110	\$ 114,345
Profit on disposal of investments	47,269	13,311
Change in fair value of investments	<u>(85,920)</u>	<u>64,780</u>
	<u>\$ 64,459</u>	<u>\$ 192,436</u>

Schedule C

Services to children and their families

Salaries and employee benefits	\$ 1,879,359	\$ 1,377,168
Financial assistance	1,242,800	1,415,075
Summer camp and organization of activities	670,935	210,012
Massotherapy	218,111	74,896
Support for hospitals	137,433	72,883
Operating costs	111,256	120,921
Information Center	76,386	85,414
Rent and other office expenses	392,793	281,001
Sensitization and promoting awareness	<u>112,441</u>	<u>104,788</u>
	<u>\$ 4,841,514</u>	<u>\$ 3,742,158</u>

Leucan inc.

Additional Information

Year ended March 31, 2023

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	<u>2023</u>	<u>2022</u>
Schedule D		
Administrative fees		
Salaries and employee benefits	\$ 816,876	\$ 689,781
Rent and other office expenses	170,729	140,749
Investment management fees	31,444	31,499
Committee fees	36,574	14,389
Other expenses	<u>23,014</u>	<u>13,560</u>
	<u>\$ 1,078,637</u>	<u>\$ 889,978</u>