

RESET SOCIETY OF CALGARY

Financial Statements

March 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of RESET Society of Calgary

Qualified Opinion

We have audited the financial statements of RESET Society of Calgary (the Society), which comprise the statement of financial position as at March 31, 2022, and the statements of revenues and expenses, 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 Society as at March 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2022, current assets and net assets as at March 31, 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 Society in accordance with 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.

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

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

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Independent Auditor's Report to the Members of RESET Society of Calgary *(continued)*

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 Society'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 Society'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 Society 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.

Calgary, Alberta

June 21, 2022

LNS Chartered Professional Accountants

RESET SOCIETY OF CALGARY

Statement of Financial Position

March 31, 2022

	2022	2021
ASSETS		
Current		
Cash and cash equivalents <i>(Note 3)</i>	\$ 875,256	\$ 453,605
Restricted cash <i>(Note 3)</i>	50,200	122,708
Term deposits <i>(Note 4)</i>	426,877	532,167
Marketable securities <i>(Notes 4, 11)</i>	922,945	957,149
Accounts receivable	300	660
Grants receivable <i>(Note 5)</i>	23,442	-
Goods and Services Tax recoverable	8,689	7,189
Prepaid expenses	21,954	11,298
	2,329,663	2,084,776
Property and equipment <i>(Note 6)</i>	1,458,632	1,498,168
Term deposits <i>(Note 4)</i>	196,712	490,733
Security deposit	9,369	9,369
	\$ 3,994,376	\$ 4,083,046
LIABILITIES		
Current		
Accounts payable and accrued liabilities <i>(Note 8)</i>	\$ 57,565	\$ 53,089
Deferred revenue (contributions) <i>(Note 5)</i>	231,099	275,100
Deferred revenue (scholarship) <i>(Note 3)</i>	35,828	36,573
Deferred revenue (office rent)	55,149	48,119
Deferred revenue (casino) <i>(Note 3)</i>	14,372	86,135
	394,013	499,016
Long-term debt <i>(Note 9)</i>	40,000	40,000
Deferred contributions related to capital assets <i>(Note 7)</i>	4,885	6,107
	438,898	545,123
NET ASSETS		
Unrestricted	2,096,846	2,039,755
Investment in capital assets	1,458,632	1,498,168
	3,555,478	3,537,923
	\$ 3,994,376	\$ 4,083,046

Contingencies *(Note 12)*

Commitments *(Note 13)*

Approved on behalf of the Board

"Jessica Wuttunee-Campbell" President

"Darwin Little" Treasurer

See notes to financial statements

RESET SOCIETY OF CALGARY
Statement of Revenues and Expenses
Year Ended March 31, 2022

	2022	2021
Revenues		
Donations <i>(Note 11)</i>	\$ 494,232	\$ 489,147
Government grants <i>(Note 5)</i>	381,116	250,645
Grant funding <i>(Note 5)</i>	208,164	205,520
Fundraising	79,785	7,103
Rental income	76,682	68,003
Investment	52,805	51,098
SETA conference	14,209	-
Other	1,327	965
	1,308,320	1,072,481
Expenses		
Wages and benefits	772,510	728,354
Office and administration	145,614	123,062
Participant expenses	105,839	85,545
Housing costs <i>(Note 11)</i>	68,441	68,975
Repairs and maintenance	59,512	45,912
Insurance	38,180	34,276
Advertising and promotion	29,101	24,698
Professional fees	20,982	24,797
SETA conference expenses	8,850	-
Fundraising	4,133	160
Interest and processing fees	3,666	2,686
Bank charges	1,152	1,774
	1,257,980	1,140,239
Excess (deficiency) of revenues over expenses before other income and expenses	50,340	(67,758)
Other income (expenses)		
Government subsidies <i>(Note 9)</i>	56,512	86,264
Loss on sale of assets	(245)	-
Unrealized gain (loss) on investments <i>(Note 4)</i>	(34,204)	141,398
Amortization	(54,848)	(55,799)
Government grant - forgivable portion of the Canada Emergency Business Account <i>(Note 9)</i>	-	20,000
Grant funding - COVID relief <i>(Note 5)</i>	-	130,000
Realized gain (loss) on investments	-	(2)
	(32,785)	321,861
Excess of revenues over expenses	\$ 17,555	\$ 254,103

See notes to financial statements

RESET SOCIETY OF CALGARY
Statement of Changes in Net Assets
Year Ended March 31, 2022

	Programs	Investment in capital assets	2022	2021
Net assets - beginning of year	\$ 2,039,755	\$ 1,498,168	\$ 3,537,923	\$ 3,283,820
Excess of revenues over expenses	17,555	-	17,555	254,103
Investment in capital assets	(15,557)	15,557	-	-
Disposal of capital assets	245	(245)	-	-
Amortization of capital assets	54,848	(54,848)	-	-
Net assets - end of year	\$ 2,096,846	\$ 1,458,632	\$ 3,555,478	\$ 3,537,923

See notes to financial statements

RESET SOCIETY OF CALGARY

Statement of Cash Flows Year Ended March 31, 2022

	2022	2021
Operating activities		
Excess of revenues over expenses	\$ 17,555	\$ 254,103
Items not affecting cash:		
Amortization of property and equipment <i>(Note 6)</i>	54,848	55,799
Amortization of contributions related to capital assets <i>(Note 7)</i>	(1,222)	(1,526)
Realized (gain) loss on investments	-	2
Loss on sale of assets	245	-
Deferred rent	7,030	1,641
Unrealized (gain) loss on investments	34,204	(141,398)
Government grant - forgivable portion of the Canada Emergency Business Account <i>(Note 9)</i>	-	(20,000)
	112,660	148,621
Changes in non-cash working capital:		
Accounts receivable	360	(660)
Accounts payable and accrued liabilities	4,474	3,788
Prepaid expenses	(10,656)	(4,787)
Goods and Services Tax recoverable	(1,500)	2,075
Grants receivable <i>(Note 5)</i>	(23,442)	15,000
Interest receivable	5,530	4,546
Deferred revenue (contributions) <i>(Note 5)</i>	(44,001)	49,469
Deferred revenue (scholarships) <i>(Note 3)</i>	(745)	528
Deferred revenue (casino) <i>(Note 3)</i>	(71,763)	21,894
	(141,743)	91,853
	(29,083)	240,474
Investing activities		
Purchase of property and equipment <i>(Note 6)</i>	(15,557)	(18,265)
Purchase of investments	(461,554)	(958,816)
Proceeds on disposal of investments	855,337	542,454
	378,226	(434,627)
Financing activity		
Proceeds from Government assistance - Canada Emergency Business Account <i>(Note 9)</i>	-	60,000
	-	60,000
Net change in cash and cash equivalents during the year	349,143	(134,153)
Cash and cash equivalents - beginning of year	576,313	710,466
Cash and cash equivalents - end of year <i>(Note 3)</i>	\$ 925,456	\$ 576,313

See notes to financial statements

RESET SOCIETY OF CALGARY

Notes to Financial Statements

Year Ended March 31, 2022

1. NATURE OF OPERATIONS

The RESET Society of Calgary (formerly Servants Anonymous Society of Calgary) (the "Society") has as its purpose to provide comprehensive individualized support and safe housing to women and girls age 16 and over exiting sexual exploitation and sex trafficking so that they may transform their lives.

The Society was incorporated on May 5, 1989 under the Alberta Societies Act as a not-for-profit organization. The Society is a not-for-profit organization under Section 149(1) of the Income Tax Act and accordingly, is not subject to income tax. Effective May 5, 1989 the Society was awarded charitable status for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Cash and cash equivalents

Cash and cash equivalents consist of deposits in bank and short-term investments with original maturities of three months or less.

Because of the short-term maturity of these investments, their carrying amount approximates fair value.

Revenue recognition

RESET Society of Calgary follows the deferral method of accounting for contributions.

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.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred.

Unrestricted investment income is recognized as revenue when earned.

Contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization of the related asset.

Measurement uncertainty

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 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 the useful life of property and equipment, estimates of accounts payable accruals, and the valuation of contributed goods and services. Estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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RESET SOCIETY OF CALGARY

Notes to Financial Statements

Year Ended March 31, 2022

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

Investments

Investments consist of marketable securities and term deposits with original maturities over three months.

Marketable securities consist of publicly traded securities. Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Term deposits consist of Guaranteed Income Certificates "GIC's" and are valued at cost plus accrued interest.

Contributed materials and services

Materials and services contributed to the Society are recorded as both revenue and expenses at fair value, when determinable, at the date of the contribution and when the materials and services are used in the normal course of operations and would have otherwise been purchased.

Volunteers contribute their time to assist the Society in carrying out its services. Because of the difficulty in determining their value, donated services are not recognized in these statements.

Government assistance

Government subsidies received towards current year expenses are recognized on an accrual basis when there is reasonable assurance that the Society has complied with the conditions for receipt of the government assistance. The subsidy is included in the determination of the Society's net income when the initial claim for government assistance has been made and the subsidy is received or is receivable.

Forgivable loans are recognized in income when they are received, with a corresponding deduction to income if any portion thereof is not forgiven in the year that the condition arises.

Financial instruments

Measurement of financial instruments - The Society initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured in fair value. Changes in fair value are recognized in net income.

Impairment - Financial assets measured at cost are tested for impairment only when there are events or indicators of impairment. The amount of the write-down is recognized in net income. Any previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the original impairment provision. The amount of the reversal is recognized in net income.

Transaction costs - The Society recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origin.

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RESET SOCIETY OF CALGARY

Notes to Financial Statements

Year Ended March 31, 2022

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

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value on the date of contribution, provided the amount can be reasonably determined. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Buildings	2.5%	straight-line method
Building improvements	20%	declining balance method
Leasehold improvements	20%	declining balance method
Computer equipment	20%	declining balance method
Furniture	20%	declining balance method
Vehicles	20%	declining balance method

The carrying amount of an item of property and equipment is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and is in excess of its fair value.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Assets held for sale

Long-lived assets are classified by the Society as an asset held for sale at the point in time when the asset is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period.

Assets to be disposed of are separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The asset and liabilities of a disposal group classified as held for sale are presented separately in the appropriate asset and liability sections of the statement of financial position.

3. CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
Cash deposited in bank accounts	\$ 110,335	\$ 140,703
High interest savings account	764,121	312,102
Casino - restricted cash	14,372	86,135
Scholarship reserve - restricted cash	35,828	36,573
Petty cash	800	800
	<u>\$ 925,456</u>	<u>\$ 576,313</u>

A separate bank account is maintained for the scholarship reserve and the casino account and both accounts are externally restricted in use. The scholarship reserve funds are received from individual donors and are externally restricted for the purpose of granting scholarships to participants. The casino account is externally restricted in use as set out by Alberta Gaming, Liquor and Cannabis (AGLC).

RESET SOCIETY OF CALGARY

Notes to Financial Statements

Year Ended March 31, 2022

4. INVESTMENTS

	2022	2021
<u>Marketable securities</u>		
Marketable securities, at cost	\$ 866,510	\$ 866,510
Fair market value adjustments	56,435	90,639
	\$ 922,945	\$ 957,149

Short-term term deposits consist of GIC's with interest rates ranging from 0.50% to 1.53%, maturing May 11 2022 to November 14, 2022.

Long-term term deposits consist of GIC's with interest rates ranging from 0.95% to 1.25%, maturing May 3, 2023 to June 1, 2023.

\$260,000 of the investment accounts has been internally restricted by the Board of Directors for use on long-term office lease commitment expenses and \$500,000 has been internally restricted for annual maintenance of fixed assets and future capital expenditures.

5. DEFERRED REVENUE

Deferred revenue relates to contributions received for specific purposes as described. As such these are treated as deferred revenue, with the revenue being recognized as the applicable expenses are incurred.

	Beginning	Received during the year or receivable	Recognized in revenue	Ending
Government grants	\$ 130,846	\$ 371,973	\$ 381,116	\$ 121,703
Grant funding	136,230	175,000	208,164	103,066
Other contributions	8,024	4,056	5,750	6,330
	\$ 275,100	\$ 551,029	\$ 595,030	\$ 231,099

Included in grants receivable is \$23,442 (2021 - \$nil) related to a government grant that will not be received until after year end.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Buildings	\$ 1,552,957	\$ 166,158	\$ 1,386,799	\$ 1,425,623
Building improvements	48,128	22,082	26,046	32,558
Leasehold improvements	55,760	34,634	21,126	26,408
Computer equipment	19,480	3,620	15,860	2,501
Furniture	99,685	91,320	8,365	10,456
Vehicles	59,233	58,797	436	622
	\$ 1,835,243	\$ 376,611	\$ 1,458,632	\$ 1,498,168

RESET SOCIETY OF CALGARY

Notes to Financial Statements

Year Ended March 31, 2022

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent unamortized portion of restricted contributions which have been utilized to acquire capital assets. The changes in deferred contributions are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 6,107	\$ 7,633
Less: Amount amortized during the year	<u>(1,222)</u>	<u>(1,526)</u>
	<u>\$ 4,885</u>	<u>\$ 6,107</u>

8. LOANS AND BORROWINGS

The Society has available a \$40,000 credit card line of credit secured by a General Security Agreement. Interest at 5% together with minimum principal amounts are payable monthly on any outstanding advances.

The balance outstanding on the credit card line of credit at March 31, 2022 was \$11,057 (2021 - \$nil). These amounts are included in accounts payable and accrued liabilities.

9. GOVERNMENT SUBSIDIES AND GRANTS

The Society received the following subsidies and grants from the Government of Canada during the year:

- \$44,417 (2021 - \$81,449) was received with respect to the Canada Emergency Wage Subsidy, which was included in the determination of the Society's net income as it was received for assistance with the Society's wages.
- \$nil (2021 - \$4,815) was received with respect to the Temporary Wage Subsidy, which was included in the determination of the Society's net income as it was received for assistance with the Society's wages.
- \$12,095 (2021 - \$nil) was received with respect to the Canada Emergency Rent Subsidy, which was included in the determination of the Society's net income as it was received for assistance with the Society's rent.
- \$nil (2021 - \$60,000) was received with respect to the Canada Emergency Business Account program, which is an interest-free loan with no payments required until December 31, 2023. In the event that the loan is repaid on or before December 31, 2023, \$20,000 of the loan will be forgiven. The forgivable portion of the loan was recorded as income in the prior year, with the loan portion of \$40,000 recognized as debt of the Society. If the loan is not repaid by December 31, 2023, a corresponding expense of \$20,000 will be recognized at that time.

RESET SOCIETY OF CALGARY

Notes to Financial Statements

Year Ended March 31, 2022

10. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash and cash equivalents, grants receivable, accounts receivable, Goods and Services Tax recoverable, marketable securities and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying value due to their short term nature.

The following analysis provides information about the Society's risk exposure and concentration as of March 31, 2022.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk with respect to its accounts receivable and cash. A substantial portion of the accounts receivable are well known, reliable funders and are subject to normal credit risk. Cash is deposited with Canadian commercial banks. The Society is not exposed to significant credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Society will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society manages its liquidity risk by preparing budgets and cash forecasts to ensure it has sufficient funds to fulfil its obligations.

(c) 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 rate risk, interest rate risk and other price risk as discussed below.

(d) Currency risk

Currency risk is the risk to the Society's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Society is not exposed to foreign currency risk as all transactions are in Canadian funds.

(e) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its floating interest rate credit facilities.

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because 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 individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to other price risk through its investment in publicly traded marketable securities.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant risks arising from these financial instruments.

RESET SOCIETY OF CALGARY

Notes to Financial Statements

Year Ended March 31, 2022

11. IN-KIND DONATIONS

During the year, shares with a fair market value of \$147,193 were donated to the Society. In the prior year, no shares were donated to the Society. The value of the in-kind donation was included in the donations account on the Statement of Revenues and Expenses.

During the year, the Society received rent free accommodations for participants with a total value of \$22,800 (2021 - \$22,800). The donated value of rent has been included in the donations account and the related rent expense has been recognized in the housing costs account on the Statement of Revenues and Expenses.

12. CONTINGENCIES

The Society has been named a defendant in a legal action claiming damages. The claim is not expected to have a material impact on the financial position or operating results of the Society. Accordingly, no provision for losses has been reflected in the accounts of the Society for this matter.

Subsequent to year end, the matter was settled and the third party claim was dismissed.

13. COMMITMENTS

The Society has long-term leases with respect to its premises and office equipment. Future minimum lease payments as at March 31, 2022, are as follows:

2023	\$	54,000
2024		54,000
2025		63,000
2026		65,000
2027		65,000
Thereafter		<u>76,000</u>
	\$	<u>377,000</u>