

Consolidated financial statements of

THE CANADIAN CIVIL LIBERTIES ASSOCIATION
(formerly Canadian Civil Liberties Association)

December 31, 2019

THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Consolidated Financial Statements

December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of
THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Qualified Opinion

We have audited the consolidated financial statements of The Canadian Civil Liberties Association ("the Organization"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of operations and changes in net assets, and the consolidated statement cash flows for the year then ended, and notes to the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019 and 2018, 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 charitable organizations, the Organization derives revenue from memberships, contributions and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to memberships, contributions and donations, excess of revenues over expenses and cash flows from operations for the years ended December 31, 2019 and 2018, current assets as at December 31, 2019 and 2018, and unrestricted net assets as at January 1 and December 31 for both the 2019 and 2018 years.

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 Consolidated 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 opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Organization but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Performance Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

TORONTO, Ontario
April 27, 2020



Licensed Public Accountants

THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Consolidated Statement of Financial Position

As at December 31,	2019	2018
Assets		
Current		
Cash	\$ 387,905	\$ 300,307
Investments (note 3)	235,515	206,335
Grants receivable (note 6)	40,903	36,381
Public service body receivable	117,947	74,591
Prepaid expenses and sundry receivables	36,375	36,638
	818,645	654,252
Investments (note 3)	300,724	670,344
Capital assets (note 4)	21,395	27,592
	\$ 1,140,764	\$ 1,352,188
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 82,496	\$ 80,311
Deferred grants and contributions (note 5)	235,396	220,772
	317,892	301,083
Net assets	822,872	1,051,105
	\$ 1,140,764	\$ 1,352,188

Commitment and subsequent event (notes 9 and 10, respectively)

See accompanying notes to the consolidated financial statements.

On behalf of the Trustees, Canadian Civil Liberties Education Trust

_____ Trustee

On behalf of the Board of Directors, The Canadian Civil Liberties Association

_____ Director

THE CANADIAN CIVIL LIBERTIES ASSOCIATION
Consolidated Statement of Operations and Changes in Net Assets

Year ended December 31,	2019	2018 (note 11)
Revenue		
Memberships, contributions and donations	\$ 707,255	\$ 552,448
Grants (notes 5 and 6)	381,832	388,599
Rental and other (note 7)	177,011	171,649
Investment income	22,267	(13,221)
Miscellaneous, including recoveries	19,789	9,176
	1,308,154	1,108,651
Expenses		
Amortization	6,197	7,799
Communications	43,322	66,263
Fundraising	29,783	45,475
Insurance	10,206	8,249
Litigation	-	3,520
Membership	8,026	16,435
Office	29,821	21,895
Personnel and purchased services	1,103,945	1,082,093
Professional fees	24,075	46,276
Rent and utilities	245,388	234,853
Research	5,702	2,003
Travel	29,922	15,758
	1,536,387	1,550,619
Deficiency of revenue over expenses for the year	(228,233)	(441,968)
Net assets, beginning of year	1,051,105	1,493,073
Net assets, end of year	\$ 822,872	\$ 1,051,105

See accompanying notes to the consolidated financial statements.

THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Consolidated Statement of Cash Flows

Year ended December 31,	2019	2018
Cash provided (used) by operating activities:		
Deficiency of revenue over expenses for the year	\$ (228,233)	\$ (441,968)
Items not requiring an outlay of cash:		
Amortization	6,197	7,799
Unrealized loss on investments	2,125	39,701
	(219,911)	(394,468)
Net change in non-cash working capital balances:		
Grants receivable	(4,522)	(14,271)
Public service body rebate receivable	(43,356)	16,043
Prepaid expenses and sundry receivables	263	(2,895)
Accounts payable and accrued liabilities	2,185	42,618
Deferred grants and contributions	14,624	112,321
Net cash used by operating activities	(250,717)	(240,652)
Cash provided (used) by investing activities:		
Purchase of capital assets	-	(683)
Redemption of investments (net)	338,315	420,901
Net cash provided by investing activities	338,315	420,218
Net increase in cash	87,598	179,566
Cash, beginning of year	300,307	120,741
Cash, end of year	\$ 387,905	\$ 300,307

THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Notes to the Consolidated Financial Statements

December 31, 2019

1 Organization

The Canadian Civil Liberties Association was incorporated under the Canada Not-for-Profit Act on May 14, 2018 and was granted charitable status effective January 1, 2019. The objectives of The Canadian Civil Liberties Association are to improve the moral or ethical development of the community by promoting respect for fundamental human rights and civil liberties in accordance with the laws of Canada and internationally, to uphold human rights and civil liberties and to assist in the administration and enforcement of related laws in Canada and internationally by defending, extending and fostering the recognition of these rights and liberties.

Prior to January 1, 2019, the mandate of The Canadian Civil Liberties Association was carried out by Canadian Civil Liberties Association, an unincorporated non-profit association that was established in 1964. The assets and operations of Canadian Civil Liberties Association were transferred to The Canadian Civil Liberties Association on January 1, 2019.

The Canadian Civil Liberties Association and Canadian Civil Liberties Association are collectively referred to as CCLA.

Canadian Civil Liberties Education Trust ("CCLET") was established by way of Declaration of Trust dated October 20, 1965 and is a charitable organization whose objectives are to conduct research and to educate with respect to fundamental human rights and civil liberties.

These financial statements have been consolidated to include the assets, liabilities, net assets and operating activities of CCLA and CCLET, collectively referred to as "the Organization". All transactions and balances between the CCLA and CCLET are eliminated upon consolidation.

The trustees of CCLET are comprised of certain officers of CCLA.

CCLA and CCLET are exempt from income taxes under paragraph 149(1)(f) and paragraph 149(1)(l) of the Income Tax Act (Canada).

The Corporation of the Canadian Civil Liberties Association / La Corporation De L'association Canadienne des Libertes Civiles was incorporated without share capital as a not-for profit organization under the Canada Corporations Act by letters patent on April 1, 1985 and granted continuance under the Canada Not-for-Profit Corporations Act on December 23, 2013. The Corporation of the Canadian Civil Liberties Association / La Corporation De L'association Canadienne des Libertes Civiles is under joint control, the assets, liabilities, net assets and operating activities are are not included in these consolidated financial statements.

2 Significant accounting policies

These consolidated financial statements have been prepared by management 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. Externally 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 estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Memberships are recorded as revenue in the year of receipt.

Rental and other revenue is recognized as earned and when collection is reasonably assured.

Investment income is recognized on an accrual basis. Investment income comprises interest from cash and investments, dividend income on pooled funds, realized gains and losses on the sale of investments and unrealized gains and losses on investments held.

(b) Cash

Cash includes cash deposits with financial institutions.

THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Notes to the Consolidated Financial Statements

December 31, 2019

2 Significant accounting policies (continued)

(c) Investments

Investments consist of investments in guaranteed investment certificates, preferred shares, mutual funds and money market funds. The Organization may liquidate these investments at any time to fund special projects and operations. These investments are carried at fair value, which is the quoted market price at year end.

(d) Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are measured at fair value. Changes in fair value are recognized in the statement of operations and changes in net assets in the year incurred. Financial assets measured at amortized cost are cash, grants receivable and sundry receivables. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

When there is an indication of impairment or such an impairment is determined to have occurred, the carrying amount of financial assets is reduced by the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of that asset. If the circumstances that led to the Organization recording an impairment improve and management determines that all or a portion of the impairment can be recovered, the impairment is reversed up to the amount that the financial asset would have otherwise been recorded at on the reversal date.

(e) Capital assets

The cost of a capital asset includes its purchase price and any directly attributable cost of preparing the asset for its intended use.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statement of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases. As at December 31, 2019, no such impairment exists.

Amortization is provided over the estimated lives using the following rates:

Equipment	20% declining balance
Computer equipment	30% declining balance
Computer software	50% declining balance

(f) Allocation of expenses

CCLET and CCLA are administered by common staff and share many of the operating expenditures. Accordingly, common operating expenditures are allocated proportionately based upon estimated time spent by staff on behalf of CCLET and CCLA. Expenditures that apply specifically to CCLET or CCLA are recorded in the respective organization. The allocation proportions are disclosed in note 8.

THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Notes to the Consolidated Financial Statements

December 31, 2019

2 Significant accounting policies (continued)

(g) Contributed services

The value of goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services would otherwise be purchased if not donated.

The Organization benefits substantially from services in the form of volunteer time. The Organization directs, supervises and approves its own litigation pursuant to its charitable purpose to promote and strengthen civil liberties in Canada. A significant portion of this work is accomplished through pro-bono legal services. The Organization does not recognize pro-bono legal services or disbursements in its financial reporting, whether or not third parties to the litigation compensate private counsel. It follows that any third-party contributions to private counsel is not treated by the Organization as a charitable donation or otherwise receipted as such. Since volunteer time is not purchase, pro-bono legal services and other volunteer time is not recognized in the financial statements.

(h) Management 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the current period. Significant estimates include the useful lives of capital assets and allocation of expenses between CCLA and CCLET.

All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

3 Investments

As at December 31,	2019	2018
Current:		
Guaranteed investment certificate, bearing interest at 2.07% and maturing on April 17, 2020	\$ 36,527	\$ -
Preferred shares	137,900	146,440
Mutual funds and money market funds	55,929	57,967
Cash	5,159	1,928
	235,515	206,335
Long term:		
Guaranteed investment certificates, bearing interest at rates ranging from 2.26% to 2.40% (2018 - 0.60% to 2.75%) and maturing on dates ranging from February 18, 2021 to March 23, 2026 (2018 - March 6, 2019 to March 23, 2026)	300,724	670,344
	\$ 536,239	\$ 876,679

THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Notes to the Consolidated Financial Statements

December 31, 2019

4 Capital assets

As at December 31,	2019		2018	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Equipment	\$ 55,650	\$ 37,646	\$ 55,650	\$ 33,145
Computer equipment	54,836	51,445	54,836	49,992
Computer software	9,018	9,018	9,018	8,775
	\$ 119,504	\$ 98,109	\$ 119,504	\$ 91,912
Net book value		\$ 21,395		\$ 27,592

5 Deferred grants and contributions

Deferred revenue consists of the unearned portion of grants and contributions received.

As at December 31,	2019	2018
Balance, beginning of year	\$ 220,772	\$ 108,451
Grants and contributions received during the year and receivable	396,456	500,920
Grants and contributions earned during the year	(381,832)	(388,599)
Balance, end of year	\$ 235,396	\$ 220,772

6 Grants receivable

During the year, the Organization was approved for an additional one-year grant of \$221,100 (2018 - \$221,100) from the Law Foundation of Ontario for the ongoing education program. The Organization is required to submit semi-annual project progress reports to the Law Foundation of Ontario for continued eligibility for the grant.

Included in grants receivable is \$22,100 (2018 - \$22,110) that was received from the Law Foundation of Ontario subsequent to the year end as the final payment of the above grant.

7 Rental and other revenue

The Organization provides office space and administrative support to two unrelated organizations and in exchange receives reimbursement of base rent and common area maintenance fees.

8 Allocation of expenses

CCLET and CCLA are administered by a common staff and share many of the same expenses. Accordingly, common expenses totaling \$1,441,103 (2018 - \$1,294,934) are allocated based upon approximate time that staff spent for each entity, as follows:

CCLET	57% (2018 - 68%)
CCLA	43% (2018 - 32%)

THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Notes to the Consolidated Financial Statements

December 31, 2019

9 Commitment

The Organization has a lease for office space which expires on November 30, 2021.

The minimum annual rent, excluding HST, over the term of the lease is as follows:

2020	\$	116,163
2021		<u>106,483</u>
Total	\$	<u>222,646</u>

The lease requires additional rent over the term, additional rent for fiscal 2020 is estimated to be \$141,002. Additional rent is adjusted annually.

The Organization recovers a portion of the base rent and common area maintenance fees as described in note 7.

10 Subsequent event

Subsequent to the year end, the declaration that COVID-19 virus is a pandemic has impacted carrying values of marketable securities included in investments.

The declines in value represent a material uncertainty about the realization of assets and business continuity plans. The impact is not estimable and will be determined based on the outcome of the pandemic.

11 Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations. The financial instruments and the nature of the risks to which they may be subject are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk through its cash, investments and grants receivable.

Grants receivable are unsecured and are comprised of the grant payments from the Law Foundation of Ontario (note 6). There is minimal credit risk associated with the balance and all payments were received subsequent to year end.

The Organization's bank accounts are held at one financial institution. Funds on deposit exceed the maximum amount insured and hence there is a concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. The Organization has sufficient cash and a significant investment portfolio which could be converted to cash in a short period to meet its obligations.

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 is comprised of currency risk, interest rate risk and other price risk.

Currency risk

The Organization has no financial instruments denominated in a foreign currency and therefore is not exposed to currency risk.

THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Notes to the Consolidated Financial Statements

December 31, 2019

11 Financial instruments (continued)

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 subject to interest rate risk from its interest bearing assets. The Organization's exposure to interest rate risk arises from investments which bear interest at variable rates. The risk exposure is limited as it does not rely on investment income to fund its operations. The Organization monitors interest rates to determine whether there are indicators that long-term interest rates could change and impact operations. The Organization does not otherwise manage interest rate risk.

The use of all operating surpluses is subject to approval by the Board of Trustees. Although the Organization is without a formal policy, cash on hand in excess of current operating requirements is invested in low-risk, cashable, interest bearing investments with terms of one year or less. During the year, the Organization invested surplus funds in money market funds, guaranteed investment certificates and other fixed income securities.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments in the market.

The Organization is exposed to other price risk through its investments.

Changes in risk

There have been no significant changes in the Organization's risk exposures in financial instruments from the prior year.

12 Comparative figures

Certain comparative figures for 2018 have been reclassified to conform with the financial statement presentation adopted in the current year.

THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Schedule of Financial Position, Individual Entities

As at December 31, 2019	CCLA	CCLET	Consolidated
Assets			
Current			
Cash	\$ 203,236	\$ 184,669	\$ 387,905
Investments	4,413	231,102	235,515
Grants receivable	3,321	37,582	40,903
Prepaid expenses and sundry receivables	15,641	20,734	36,375
Public service body rebate receivable	18,643	99,304	117,947
Due between related party	(86,096)	86,096	-
	159,158	659,487	818,645
Investments	-	300,724	300,724
Capital assets (note 4)	6,453	14,942	21,395
	\$ 165,611	\$ 975,153	\$ 1,140,764
Liabilities and Net Assets			
Current liabilities			
Accounts payable and accrued liabilities	\$ 37,638	\$ 44,859	\$ 82,497
Deferred grants and contributions	91,681	143,715	235,396
	129,319	188,574	317,893
	129,319	188,574	317,893
Net assets (deficit)	36,292	786,579	822,871
	\$ 165,611	\$ 975,153	\$ 1,140,764

See accompanying notes to the consolidated financial statements.

THE CANADIAN CIVIL LIBERTIES ASSOCIATION

Schedule of Operations and Changes in Net Assets, Individual Entities

For the year ended December 31, 2019	CCLA	CCLET	Consolidated
Revenue			
Memberships, contributions and donations	\$ 502,275	\$ 204,979	\$ 707,254
Grants (notes 5 and 6)	160,732	221,100	381,832
Rental and other	76,115	100,896	100,896
Investment income	9,164	13,103	22,267
Miscellaneous, including recoveries	18,871	918	19,789
	767,157	540,996	1,308,153
Expenses			
Amortization	1,874	4,322	6,196
Communications	18,010	25,313	43,323
Fundraising	16,216	13,567	29,783
Insurance	4,389	5,817	10,206
Membership	3,451	4,575	8,026
Office	12,823	16,998	29,821
Personnel and purchased services	505,715	598,230	1,103,945
Professional fees	10,352	13,723	24,075
Rent and utilities	105,517	139,871	245,388
Research	2,452	3,250	5,702
Travel	17,006	12,916	29,922
	697,805	838,582	1,536,387
Excess (deficiency) of revenue over expenses for the year	69,352	(297,586)	(228,234)
Net assets, beginning of year	(33,060)	1,084,165	1,051,105
Net assets, end of year	\$ 36,292	\$ 786,579	\$ 822,871

See accompanying notes to the consolidated financial statements.