

Financial Statements of

BRITISH COLUMBIA LUNG ASSOCIATION

Year ended March 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Members of the British Columbia Lung Association

Report on the Financial Statements

We have audited the accompanying financial statements of British Columbia Lung Association, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 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.

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 an audit to obtain reasonable assurance about whether the financial statements are free from 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 our 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, we consider internal control relevant to the entity'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 entity'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 qualified audit opinion.



Basis of Qualified Opinion

In common with many charitable organizations, the entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the entity and we were not able to determine whether, as at or for the year ended March 31, 2015, any adjustments might be necessary to donations revenues and excess of revenues over expenses reported in the statement of operations and current assets and unrestricted net assets recorded in the statement of financial position.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the audit procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects to the financial statements taken as a whole.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of British Columbia Lung Association as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

June 19, 2015

Burnaby, Canada

BRITISH COLUMBIA LUNG ASSOCIATION

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BRITISH COLUMBIA LUNG ASSOCIATION

Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 193,358	\$ 857,855
Investments (note 3)	11,429,756	9,680,351
Accounts receivable	750,371	544,799
Prepaid expenses	16,210	12,640
	<u>12,389,695</u>	<u>11,095,645</u>
Investments (note 3)	-	1,200,000
Other assets (note 4)	25,071	23,445
Capital assets (note 5)	1,746,085	1,795,465
	<u>\$ 14,160,851</u>	<u>\$ 14,114,555</u>

Liabilities and Net Assets


Current liabilities:		
Accounts payable and accrued liabilities	\$ 705,165	\$ 660,639
Deferred contributions (note 6)	2,109,336	2,367,194
	<u>2,814,501</u>	<u>3,027,833</u>
Net assets:		
Unrestricted	9,600,265	9,291,257
Invested in capital assets	1,746,085	1,795,465
	<u>11,346,350</u>	<u>11,086,722</u>
Commitments (note 9)		
	<u>\$ 14,160,851</u>	<u>\$ 14,114,555</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director and Chairperson



Director and Honorary Treasurer

BRITISH COLUMBIA LUNG ASSOCIATION

Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Contributions from fundraising campaigns:		
Christmas Seal Appeal	\$ 892,487	\$ 850,879
Bike Trek	281,167	254,680
Country Hearts Campaign	161,343	172,122
Spring Appeal	150,704	104,994
Summer Campaign	100,050	98,834
Climb the Wall	74,977	63,787
Golf Cards	59,969	66,724
Race and Urban Scavenger Hunt	52,753	57,022
SuperTeam	43,195	24,543
Gaming	2,900	2,330
Vehicle Donation Program	650	860
	<hr/>	<hr/>
	1,820,195	1,696,775
Government grants	3,399,234	2,725,296
Bequests and memorials	878,008	1,041,248
Investment income	256,732	253,150
Donations	258,600	204,116
Other	424,310	414,046
	<hr/>	<hr/>
	7,037,079	6,334,631
Expenses:		
Fundraising expenses	1,288,318	1,172,637
Grants and awards	922,851	920,567
Health services	4,340,130	3,646,336
Operating and administrative	488,481	477,458
	<hr/>	<hr/>
	7,039,780	6,216,998
Excess (deficiency) of revenue over expenses before undernoted	(2,701)	117,633
Change in fair value of investments	189,589	197,435
Foreign exchange gain	72,740	-
	<hr/>	<hr/>
	262,329	197,435
Excess of revenue over expenses	<hr/>	<hr/>
	\$ 259,628	\$ 315,068

See accompanying notes to financial statements.

BRITISH COLUMBIA LUNG ASSOCIATION

Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

	Unrestricted	Invested in capital assets	2015	2014
Balance, beginning of year	\$ 9,291,257	\$ 1,795,465	\$ 11,086,722	\$ 10,771,654
Excess (deficiency) of revenue over expenses	314,998	(55,370)	259,628	315,068
Net additions to capital assets	(5,990)	5,990	-	-
Balance, end of year	\$ 9,600,265	\$ 1,746,085	\$ 11,346,350	\$ 11,086,722

See accompanying notes to financial statements.

BRITISH COLUMBIA LUNG ASSOCIATION

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	\$ 259,628	\$ 315,068
Items not involving cash:		
Amortization of capital assets	55,370	61,587
Fair value change of investments	(189,589)	(197,435)
Foreign exchange gain	(72,740)	-
Change in non-cash operating working capital:		
Increase in accounts receivable	(205,572)	(349,311)
Increase in prepaid expenses	(3,570)	(2,044)
Increase in other assets	(1,626)	(1,679)
Increase in accounts payable and accrued liabilities	44,526	287,862
Decrease in deferred contributions	(257,858)	(33,710)
	(371,431)	80,338
Investments:		
Purchase of investments	(8,742,023)	(6,549,257)
Proceeds from sale of investments	8,454,947	7,035,415
Purchase of capital assets	(5,990)	(9,750)
	(293,066)	476,408
Increase (decrease) in cash	(664,497)	556,746
Cash, beginning of year	857,855	301,109
Cash, end of year	\$ 193,358	\$ 857,855

See accompanying notes to financial statements.

BRITISH COLUMBIA LUNG ASSOCIATION

Notes to Financial Statements

Year ended March 31, 2015

1. Operations:

British Columbia Lung Association (the "Association") is a registered Canadian charity incorporated under the Society Act (British Columbia). The purpose of the Association is to support medical research and education programs aimed at respiratory disease and to conduct fundraising activities to provide financial support for such programs. Under the provisions of the Income Tax Act, the Association is exempt from Canadian federal and provincial income taxes and is able to issue donation receipts for income tax purposes.

Under the provisions of the Income Tax Act, the Association is exempt from Canadian federal and provincial income taxes.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the Chartered Professional Accountants of Canada Handbook and include the following accounting policies:

(a) Revenue recognition:

The Association follows the deferral method of accounting for contributions which include donations and government grants. Donations are generally recorded when received or receivable when a realizable value can be reasonably estimated. Externally restricted contributions are initially deferred and recognized as revenue in the period in which the related expenses are incurred or the restrictions met.

Amounts received related to fundraising events to be held after the fiscal year end are deferred and recognized on completion of the fundraising event.

Contributions of irrevocable charitable remainder trusts or life insurance policies are recorded as revenue upon receipt of funds at the net present value or cash surrender value respectively.

(b) Capital assets:

Capital assets are stated at cost less accumulated amortization and are amortized on the declining-balance basis using the following rates:

Asset	Rate
Building	5%
Office furniture and fixtures	20%
Computer equipment	30%
Vehicles	30%
Computer software	100%

BRITISH COLUMBIA LUNG ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Significant accounting policies (continued):

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported 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 year. Significant areas requiring the use of management estimates relate to the determination of useful lives of capital assets for amortization and provisions for contingencies. Actual results could differ from those estimates.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

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

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

The Association does not hold any financial derivatives as at March 31, 2015.

BRITISH COLUMBIA LUNG ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Investments:

	2015	2014
Guaranteed investment certificates, measured at amortized cost	\$ 8,932,948	\$ 8,893,957
Quoted shares, measured at fair value	2,496,808	1,986,394
	<u>\$ 11,429,756</u>	<u>\$ 10,880,351</u>

The Guaranteed investment certificates have an effective interest rate of 1.45 % to 2.25% (2014 - 1.40 % to 2.25%) and mature in 2015.

The total investments balance is classified as follows on the statement of financial position:

	2015	2014
Current	\$ 11,429,756	\$ 9,680,351
Long-term	-	1,200,000
	<u>\$ 11,429,756</u>	<u>\$ 10,880,351</u>

4. Other assets:

	2015	2014
Life insurance policies	\$ 25,071	\$ 23,445

The Association has been named the irrevocable beneficiary of one (2014 - one) life insurance policy with coverage totaling \$52,449 (2014 - \$52,449). At March 31, 2015, the insurance policy has a cash surrender value, representing fair value, totaling \$25,071 (2014 - \$23,445), which is recorded as an asset. In the event that the donor discontinues paying the premiums, the Association will receive proceeds equal to the cash surrender value. Upon the death of the donor, the total coverage will be payable to the Association.

BRITISH COLUMBIA LUNG ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

5. Capital assets:

2015	Cost	Accumulated depreciation	Net book value
Land	\$ 987,043	\$ -	\$ 987,043
Building	2,108,582	1,399,159	709,423
Office furniture and fixtures	511,746	500,180	11,566
Computer equipment	274,776	250,943	23,833
Vehicles	71,058	61,990	9,068
Computer software	38,156	33,004	5,152
	<u>\$ 3,991,361</u>	<u>\$ 2,245,276</u>	<u>\$ 1,746,085</u>

2014	Cost	Accumulated depreciation	Net book value
Land	\$ 987,043	\$ -	\$ 987,043
Building	2,106,424	1,361,873	744,551
Office furniture and fixtures	511,746	497,288	14,458
Computer equipment	270,943	241,845	29,098
Vehicles	71,059	58,104	12,955
Computer software	38,156	30,796	7,360
	<u>\$ 3,985,371</u>	<u>\$ 2,189,906</u>	<u>\$ 1,795,465</u>

6. Deferred contributions:

Changes in deferred contributions are as follows:

	2015	2014
Balance, beginning of year	\$ 2,367,194	\$ 2,400,904
Contributions received	3,166,927	2,844,466
Amount recognized as revenue	(3,424,785)	(2,878,176)
Balance, end of year	<u>\$ 2,109,336</u>	<u>\$ 2,367,194</u>

BRITISH COLUMBIA LUNG ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

7. Pension plan:

The Association provides a defined contribution pension plan to its employees which vests after two years of service. The Association is required to pay a contribution ranging from 5% to 10% of the employee's gross pay. For the year ended March 31, 2015, the Association contributed \$99,946 (2014 - \$94,376) in pension plan payments for its employees. This amount is included in expenses.

8. Related entity:

The Association is related to the Lung Foundation of British Columbia (the "Foundation") as all of the directors of the Foundation are also directors of the Association and neither entity is considered to control the other. The Foundation is a registered charity formed to provide funds to support research and studies into the prevention and control of lung and related diseases.

The net assets and results from operations of the Foundation have not been included in these financial statements. A financial summary of the Foundation as at and for its year ended March 31, 2015 is as follows:

	2015	2014
Financial Position:		
Total assets	\$ 833,047	\$ 811,861
Total net assets	833,047	811,861
Results of Operations:		
Total revenue	\$ 40,951	\$ 25,121
Total expenses	(19,765)	(49,066)
	\$ 21,186	\$ (23,945)
Cash Flows:		
Operating activities	\$ 17,173	\$ (30,653)
Investing activities	15,000	86,000

BRITISH COLUMBIA LUNG ASSOCIATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Commitments:

The Association is committed to expenses for grants, awards and health services. The Association is also committed to payments under an operating lease for a vehicle. The minimum annual payments under the funding and operating lease commitments are as follows:

2016	\$	552,500
2017		362,500
	\$	915,000

10. Financial risks and concentration of credit risk:

(a) Liquidity risk:

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

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk with respect to the accounts receivable. The Association assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(c) Interest rate risk:

The Association is exposed to fair value risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 3.

11. Trust Funds

Certain assets have been conveyed or assigned to the Association to be administered as directed by agreement. The Association holds these assets for the benefit of, and stands in a fiduciary relationship, to the beneficiaries. The Better Pharmacare Coalition and STOP TB funds of \$89,723 (2014 - \$131,876) and \$6,815 (2014 - \$7,730) respectively, which are administered by the Association, have not been included within the Association's accounts.

BRITISH COLUMBIA LUNG ASSOCIATION

Fundraising Expenses

Schedule 1

Year ended March 31, 2015

	2015	2014
Administrative:		
Credit card and online fees	\$ 29,245	\$ 28,835
Data processing and mechanical inserting	24,913	11,844
Education and training	1,721	1,519
Licenses and memberships	325	1,066
Publicity	46,126	54,248
Programs	110,009	109,974
Salaries and employee benefits	486,214	477,182
Telephone	10,743	10,593
Travel and meetings	21,724	21,470
Volunteers	5,388	6,086
Materials	166,894	168,876
Postage	385,016	280,944
	<u>\$ 1,288,318</u>	<u>\$ 1,172,637</u>

BRITISH COLUMBIA LUNG ASSOCIATION

Grants and Awards

Schedule 2

Year ended March 31, 2015

	2015	2014
Fellowships:		
Respiratory Medicine:		
Dr. S. Grzybowski Memorial	\$ 18,750	\$ 18,750
Dr. W. Thurlbeck Memorial	18,750	18,750
Pulmonary Radiology - Dr. R. Miller Memorial	25,000	25,000
Pulmonary Pathology - Dr. K. Pump Memorial	25,000	25,000
Rehabilitation Medicine	25,000	25,000
Transitional TB Research	50,000	50,000
	162,500	162,500
Ongoing grants:		
UBC Continuing Professional Dev. & Knowledge Translation	18,000	28,000
Nursing Bursaries - Community Colleges	6,000	10,000
Canadian Lung Association - Research	93,735	82,217
Canadian Lung Association - Annual	153,456	155,547
Respiratory Technology Bursary - TRU	3,000	3,000
International Union Against TB and Lung Disease	8,785	8,841
Professional Grants	2,000	17,000
Helen H. Findlay Nursing Bursary - BCIT	1,000	1,000
Canadian Respiratory Network Investigator Award	50,000	50,000
	335,976	355,605
Community service projects:		
Healthy Living Alliance	10,000	10,000
Direct Patient Support	11,000	11,960
TB-2 Unit VGH Grant	3,000	-
Community respiratory programs	400	15,000
Educational Internet Website	8,247	4,981
Anne Fanning TB Grant	2,717	5,000
	35,364	46,941
Project and equipment grants – Approved June 2014:		
Dr. Michael Brauer – Has AirCare led to lower mortality in BC Lower Mainland?	12,500	-
Dr. Christopher Carlsten – A novel approach to characterizing the human airway responses to complex environmental exposures	12,500	-
Dr. Vincent Duronio – Aberrant p53-mediated signaling in the pathogenesis of idiopathic pulmonary fibrosis	12,500	-
Dr. Lindsay Eltis – Inhibitors of cholesterol catabolism in <i>mycobacterium tuberculosis</i>	12,500	-
Dr. Jeremy Hirota – The role of uric acid in airway health and disease	12,500	-
Dr. Bradley Quon – Identification of novel blood biomarkers to predict pulmonary exacerbations in cystic fibrosis	12,500	-
Dr. Santiago Ramon-Garcia – Repurposing veterinary anti-parasitic drugs to treat tuberculosis	12,500	-
Dr. Nico Marr – Immunological determinants of severe respiratory syncytial virus infection in early life	12,500	-
	100,000	-

BRITISH COLUMBIA LUNG ASSOCIATION

Grants and Awards

Schedule 2
(continued)

Year ended March 31, 2015

	2015	2014
Project and equipment grants – Approved June 2013:		
Dr. Yossef Av-Gay – Elucidating the role of ergothioneine in the physiology and pathogenesis of <i>Mycobacterium tuberculosis</i>	30,000	15,000
Dr. Nick Bansback – Testing whether a patient decision aid improve adherence to treatment in patients with obstructive sleep apnea: A pilot study	30,000	15,000
Dr. Jordan Guenette – Mechanisms of exertional dyspnea in fibrotic interstitial lung disease	30,000	15,000
Dr. Tillie-Louise Hackett – Molecular determinants of small airway obstruction in COPD	30,000	15,000
Dr. Charles Thompson – The synergistic activities of cephalosporins and rifampicins against <i>Mycobacterium tuberculosis</i>	30,000	15,000
Dr. Stephan van Eeden – The impact of HMG-CoA reductase inhibitors on lung inflammation in COPD	30,000	15,000
	180,000	90,000
Project and equipment grants – Approved June 2012:		
Dr. Jeremy Hirota – The airway epithelium NLRP3 inflammasome: Central player in air pollution mediated innate and adaptive immune responses	10,850	21,700
Dr. James Kronstad – Emergence of <i>Cryptococcus gattii</i> in BC: evaluation of the immune response during pulmonary infection	12,211	24,421
Dr. Pascal Lavoie – Genetic susceptibility to neonatal chronic lung disease	11,250	22,500
Dr. Nico Marr – Role of RIG-I in susceptibility of infants to severe RSV infection	15,000	30,000
Dr. Christopher Miller – A pilot study: Effect of inhaled gaseous nitric oxide on the bacterial load in chronic mechanically ventilated adults	6,950	13,900
Dr. Bradley Quon – Identification of novel plasma biomarkers to predict treatment response in acute exacerbations of cystic fibrosis	11,250	22,500
Dr. David Speert – <i>Burkholderia cepacia</i> complex bacteria in lung infections in cystic fibrosis: understanding the contribution of bacterial exopolysaccharide production to disease severity	15,000	30,000
Dr. Patrick Tang – Utility of enhanced TB molecular epidemiology	15,000	30,000
	97,511	195,021

BRITISH COLUMBIA LUNG ASSOCIATION

Grants and Awards

Schedule 2
(continued)

Year ended March 31, 2015

	2015	2014
Project and equipment grants - Approved June 2011:		
Dr. Thomas Abraham – Detection of the earliest lung lesions in COPD in three dimensional space using high resolution multiphoton and harmonic generation imaging	-	13,500
Dr. Chris Carlsten – Does diesel exhaust increase airway responsiveness via oxidative stress?	-	13,500
Dr. Lindsay Eltis – Developing inhibitors against steroid-degrading enzymes of Mycobacterium tuberculosis	-	13,500
Dr. Richard Lester – The use of cell phones and text messaging to improve adherence to treatment of latent TB infection	-	13,500
Dr. Christopher Ryerson – Serum Biomarkers for the prediction of rapid progression in fibrotic interstitial lung disease	-	13,500
	-	67,500
Other grants:		
Miscellaneous grants	11,500	3,000
	\$ 922,851	\$ 920,567

BRITISH COLUMBIA LUNG ASSOCIATION

Health Services Expense

Schedule 3

Year ended March 31, 2015

	2015	2014
Data processing	\$ 2,503	\$ 1,987
Education and training	2,888	2,069
Health education material	13,183	14,221
Medical equipment	1,178	2,870
Licenses and memberships	446	470
Postage	40,561	80,724
Printing and supplies	17,740	26,474
Programs	3,599,255	2,855,370
Publicity	4,464	5,433
Salaries and employee benefits	593,120	589,342
Telephone	11,299	12,246
Travel	23,370	26,601
Volunteers	955	962
"Your Health" magazine	29,168	27,567
	<u>\$ 4,340,130</u>	<u>\$ 3,646,336</u>

BRITISH COLUMBIA LUNG ASSOCIATION

Operating and Administrative Expenses

Schedule 4

Year ended March 31, 2015

	2015	2014
Amortization	\$ 55,370	\$ 61,587
Audit and legal	27,214	21,022
Building maintenance	22,793	20,349
Data processing	2,653	3,559
Directors' meetings and travel	49,012	41,853
Education and training	488	950
Equipment maintenance	7,574	6,948
General insurance	21,303	22,711
Interest and bank charges	23,332	20,458
Janitorial services	7,660	7,699
Licenses and memberships	1,991	1,886
Light, heat and water	18,571	19,344
Postage	1,236	1,181
Salaries and employee benefits	217,983	217,238
Stationery and office supplies	4,610	4,747
Telephone	11,047	10,175
Travel - staff	15,644	15,751
	<u>\$ 488,481</u>	<u>\$ 477,458</u>