

SHIPS POINT IMPROVEMENT DISTRICT
Financial Statements
Year Ended December 31, 2023

SHIPS POINT IMPROVEMENT DISTRICT
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Year Ended December 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Ships Point Improvement District have been prepared in accordance with Canadian public sector accounting standards (PSAS) When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Ships Point Improvement District's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

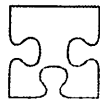
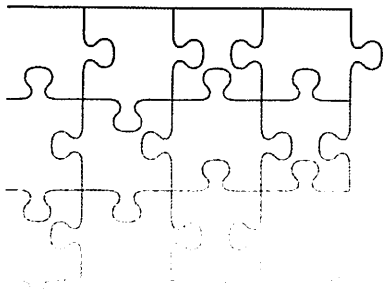
The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the trustees' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Trustees prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the trustees, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the trustees by Robbins & Company Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards.



Nina LeBlanc, Administration

Fanny Bay, BC
April 19, 2024



**Robbins &
Company**
Chartered Professional Accountants

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Courtenay, BC
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INDEPENDENT AUDITOR'S REPORT

To the Members of Ships Point Improvement District

Report on the Financial Statements

Opinion

We have audited the financial statements of Ships Point Improvement District (the improvement district), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in accumulated surplus, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the improvement district as at December 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Opinion

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 improvement district 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 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 PSAS, 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 improvement district'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 improvement district or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditor's Report to the Members of Ships Point Improvement District (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 improvement district'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 improvement district'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 improvement district 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.

Courtenay, British Columbia
April 19, 2024



ROBBINS & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

SHIPS POINT IMPROVEMENT DISTRICT

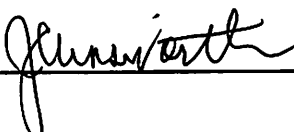
Statement of Financial Position

December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 351,624	\$ 423,344
Accounts receivable	5,189	16,911
Goods and services tax recoverable	5,684	2,956
	<u>362,497</u>	<u>443,211</u>
LIABILITIES		
Accounts payable	19,879	27,529
Payroll liabilities	8,024	5,051
Government agency payable	1,751	975
Deferred revenue	-	15,000
Province of British Columbia debt (Note 5)	77,103	95,109
Royal Bank of Canada loans (Note 6)	1,892,035	2,035,465
Comox Valley Regional District contribution (Note 7)	75,000	75,000
	<u>2,073,792</u>	<u>2,254,129</u>
NET FINANCIAL DEBT	<u>(1,711,295)</u>	<u>(1,810,918)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	2,655,912	2,786,584
Supply inventory	3,204	3,204
Prepaid expenses	17,384	14,267
	<u>2,676,500</u>	<u>2,804,055</u>
ACCUMULATED SURPLUS	<u>\$ 965,205</u>	<u>\$ 993,137</u>

COMMITMENTS AND CONTINGENCIES (Note 14)

APPROVED BY THE DIRECTORS



Trustee



Trustee

See notes to financial statements

SHIPS POINT IMPROVEMENT DISTRICT**Statement of Operations****Year Ended December 31, 2023**

	Budget 2023	Total 2023	Total 2022
REVENUES			
Parcel taxes	\$ 82,391	\$ 82,363	\$ 70,604
Capital expenditure fund	172,200	172,200	172,200
Water tolls	107,809	113,905	101,030
Interest income	2,200	12,798	6,519
Province of British Columbia	-	20,353	18,895
Other income	250	375	443
Fire department grant	-	15,000	-
	364,850	416,994	369,691
EXPENSES			
Amortization of tangible capital assets	-	175,807	182,302
Donations	1,900	5,026	323
Insurance	22,600	20,960	19,370
Interest - Province of British Columbia	-	2,346	1,373
Interest - Royal Bank of Canada	-	70,604	85,184
Office	18,125	11,269	8,293
Professional fees	8,000	11,300	12,470
Repairs and maintenance	20,100	14,288	15,813
Travel	2,100	4,014	4,660
Supplies	1,250	8,011	5,601
Utilities	11,600	16,504	16,977
Wages and benefits	107,075	105,948	90,123
	192,750	446,077	442,489
SURPLUS (DEFICIT) FROM OPERATIONS	172,100	(29,083)	(72,798)
OTHER INCOME	-	1,151	-
ANNUAL SURPLUS (DEFICIT)	\$ 172,100	\$ (27,932)	\$ (72,798)

SHIPS POINT IMPROVEMENT DISTRICT
Statement of Changes in Accumulated Surplus
Year Ended December 31, 2023

	Total 2023	Total 2022
ACCUMULATED SURPLUS - BEGINNING OF YEAR	\$ 993,137	\$ 1,065,935
ANNUAL SURPLUS (DEFICIT)	(27,932)	(72,798)
ACCUMULATED SURPLUS - END OF YEAR	\$ 965,205	\$ 993,137

SHIPS POINT IMPROVEMENT DISTRICT
Statement of Changes in Net Financial Assets (Debt)
Year Ended December 31, 2023

	Budget 2023	2023	2022
ANNUAL SURPLUS (DEFICIT)	\$ 172,100	\$ (27,932)	\$ (72,798)
Purchase of tangible capital assets	-	(45,183)	(14,777)
Amortization of tangible capital assets	-	175,807	182,302
Proceeds on disposal of tangible capital assets	-	1,200	-
Loss (gain) on disposal of tangible capital assets	-	(1,151)	-
Decrease in prepaid expenses	-	(3,117)	(1,610)
Decrease in supply inventory	-	-	6,061
	-	127,556	171,976
INCREASE IN NET FINANCIAL ASSETS	172,100	99,624	99,178
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	-	(1,810,918)	(1,910,096)
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ 172,100	\$ (1,711,294)	\$ (1,810,918)

SHIPS POINT IMPROVEMENT DISTRICT**Statement of Cash Flows****Year Ended December 31, 2023**

	2023	2022
OPERATING TRANSACTIONS		
Annual deficit	\$ (27,932)	\$ (72,798)
Items not affecting cash:		
Amortization of tangible assets	175,807	182,302
Gain on disposal of tangible capital assets	(1,151)	-
	<u>146,724</u>	<u>109,504</u>
Changes in non-cash working capital:		
Accounts receivable	11,722	(11,763)
Goods and services tax recoverable	(2,728)	(39)
Supply inventory	-	6,061
Prepaid expenses	(3,117)	(1,610)
Accounts payable	(7,650)	17,947
Payroll liabilities	2,973	(182)
Government agency payable	776	-
Deferred revenue	(15,000)	15,000
	<u>(13,024)</u>	<u>25,414</u>
Cash flow from operating transactions	<u>133,700</u>	<u>134,918</u>
FINANCING TRANSACTIONS		
Repayment of long term debt	<u>(161,437)</u>	<u>(166,918)</u>
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(45,183)	(14,777)
Proceeds on disposal of tangible capital assets	1,200	-
Cash flow used by capital transactions	<u>(43,983)</u>	<u>(14,777)</u>
DECREASE IN CASH FLOW	(71,720)	(46,777)
Cash and cash equivalents - beginning of year	<u>423,344</u>	<u>470,121</u>
CASH and CASH EQUIVALENTS - END OF YEAR	\$ 351,624	\$ 423,344
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 175,624	\$ 231,956
Term deposits and redeemable guaranteed investment certificates	<u>176,000</u>	<u>191,388</u>
	\$ 351,624	\$ 423,344

See notes to financial statements

SHIPS POINT IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2023

1. PURPOSE OF THE IMPROVEMENT DISTRICT

Ships Point Improvement District (the "Improvement District") was incorporated in 1979 under the laws of the Province of British Columbia to provide water supply and fire protection services to the residents of Ships Point Improvement District.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian public sector accounting standards (PSAS). Canadian public sector accounting standards excluding the Public Sector 4200 series for local government as recommended by the Public Sector Accounting Board.

The financial statements reflect the combined results and activities of the Improvement District which is comprised of operating and capital funds, and all organizations that are accountable for the administration of the Improvement District's financial affairs and resources to the Board of Trustees and are controlled or owned by the Improvement District. Interfund transactions have been eliminated on consolidation.

- i) Operating and Reserve Funds include the Waterworks and Fire Department's operating costs of the services provided by the Improvement District and funds established by the trustees of the Improvement District, by bylaw, to be used for expenditures related to upgrading, replacement or renewal of any existing tangible capital assets. These funds, and interest earned thereon, must be only invested and disbursed by bylaw passed by the trustees of the Improvement District.
- ii) Capital Funds include the Waterworks and Fire Department's capital fund which is used to record the acquisition and disposal of tangible capital assets and their related financing.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, management prepares estimates for certain items such as allowance for doubtful accounts, useful lives of capital assets and accrued liabilities.

Financial instruments

The Improvement District's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and bank loans. It is management's opinion the improvement district is not exposed to any significant interest, credit or currency risks and fair values approximate carrying values.

Revenue recognition

Revenue for the Improvement District comes from parcel taxes, water tolls, capital expenditure fund, interest income and the Province of British Columbia. Revenue is recognized from all of these sources when the event has occurred or services been provided, the amount is reasonably determined, and the collection is assured.

(continues)

SHIPS POINT IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition

Expenses are recorded on an accrual basis and are recognized in the period in which the goods and services are acquired and a liability is incurred or transfers are due.

Deferred revenue

Funds received for specific purposes which are externally restricted by regulation, legislation or agreement and are not available for general purposes, are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purposes.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in term deposits and guaranteed investment certificates which are readily convertible to cash and subject to insignificant risk of change in fair value, liquidity and credit risk.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives, in accordance to the provisions of the Public Sector 3150 at the following rates:

Buildings	6%	declining balance method
Equipment	20%	declining balance method
Water mains	6%	declining balance method
Wells and casings	6%	declining balance method
Fire trucks	20 years	straight-line method
Computer equipment	55%	declining balance method

Tangible capital assets are a special class of non-financial assets and are recorded at cost less accumulated amortization and are classified according to their functional use. Costs include all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. The improvement district regularly reviews its tangible capital assets to eliminate obsolete items.

Intangible capital assets, such as water rights, are not recorded in the financial statements.

Liability for contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or living organism that exceeds an environmental standard. A liability for remediation of contaminated sites is to be recognized when all of the following criteria are met:

- a) an environmental standard exists;
- b) contamination exceeds the environmental standard;
- c) The Improvement District;
 - i) is directly responsible; or
 - ii) accepts responsibility; and
- d) it is expected that future economic benefits will be given up;
- e) a reasonable estimate of the amounts can be made.

(continues)

SHIPS POINT IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

No liability has been recorded in these financial statements. Should a liability be determined, it will be recorded net of any expected recoveries.

Non financial assets

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

4. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Parcel taxes and water toll revenue and other receivables	\$ 50	\$ 15,354
Accrued interest receivable reserve fund	<u>5,139</u>	<u>1,557</u>
	<u>\$ 5,189</u>	<u>\$ 16,911</u>

5. PROVINCE OF BRITISH COLUMBIA DEBT

On November 19, 2012 the Improvement District received a \$250,000 capital tax advance from the Province of British Columbia in accordance with Bylaw No. 85, the 2012 Long Term Borrowing Bylaw to purchase a fire truck.

The capital tax advance is repayable with an annual payment in July of each year (2015 - 2027) in the amount of \$20,352.76 including interest at 2.75%.

	<u>2023</u>	<u>2022</u>
Bylaw No.85 approves the Province of British Columbia, in accordance with Section 756 of the Local Government Act, to collect the payment directly from the ratepayers within the Improvement District by way of their rural property tax assessments.	<u>\$ 77,103</u>	<u>\$ 95,109</u>

Principal repayments, based on the loan terms and conditions at year end, are as follows:

2024	\$ 17,282
2025	17,782
2026	19,133
2027	19,808
2028	<u>3,098</u>
Total minimum payments	<u>\$ 77,103</u>

SHIPS POINT IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2023

6. ROYAL BANK OF CANADA LOANS

Bylaw No. 89 authorized the Improvement District to borrow up to \$2,500,000 to fund its water system infrastructure upgrade.

	<u>2023</u>	<u>2022</u>
Royal Bank of Canada loan bearing interest at 3.38% per annum, repayable in monthly blended payments of \$4,964. The loan matures on July 31, 2024.	\$ 437,117	\$ 528,587
Royal Bank of Canada loan bearing interest at 4.4% per annum, repayable in monthly blended payments of \$3,575. The loan matures on March 12, 2028.	427,384	450,914
Royal Bank of Canada loan bearing interest at 3.69% per annum, repayable in monthly blended payments of \$5,594. The loan matures on June 30, 2031.	<u>1,027,534</u>	<u>1,055,964</u>
	<u>\$ 1,892,035</u>	<u>\$ 2,035,465</u>

Principal repayment terms are approximately:

2024	\$ 99,790
2025	103,571
2026	107,497
2027	111,573
2028	115,806
Thereafter	<u>1,353,798</u>
	<u>\$ 1,892,035</u>

7. COMOX VALLEY REGIONAL DISTRICT CONTRIBUTION

In 2014 the Comox Valley Regional District (CVRD) transferred funds from the Canadian Works Fund to the Improvement District. If after 10 years there has been no change in ownership, the amount will no longer be repayable.

	<u>2023</u>	<u>2022</u>
Comox Valley Regional District contribution	<u>\$ 75,000</u>	<u>\$ 75,000</u>

8. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land and right of ways	\$ 47,109	\$ -	\$ 47,109	\$ 47,109
Buildings	139,137	77,132	62,005	34,739
Equipment	149,045	127,207	21,838	24,588
Fire trucks	253,292	115,676	137,616	143,134
Computer equipment	3,518	967	2,551	-
Water mains	3,625,606	1,286,836	2,338,770	2,488,053
Wells and casings	131,429	85,406	46,023	48,961
	<u>\$ 4,349,136</u>	<u>\$ 1,693,224</u>	<u>\$ 2,655,912</u>	<u>\$ 2,786,584</u>

SHIPS POINT IMPROVEMENT DISTRICT

Notes to Financial Statements

Year Ended December 31, 2023

9. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets represents the net book value of the total tangible capital assets less long term obligations assumed to acquire those assets. The change in consolidated equity in tangible capital assets is as follows:

	<u>2023</u>	<u>2022</u>
Balance beginning	\$ 607,486	\$ 608,093
Operating fund acquisition of tangible capital assets	45,183	14,777
Amortization of tangible capital assets	(175,807)	(182,302)
Transfer from operating fund	48,475	-
Issuance of long term debt	-	-
Repayment of long term debt	161,437	166,918
	<u>\$ 686,774</u>	<u>\$ 607,486</u>

10. ACCUMULATED SURPLUS

The Improvement District segregates accumulated surplus in the following categories:

	<u>2023</u>	<u>2022</u>
Operating fund	\$ 159,444	\$ 228,706
Capital reserve renewal fund	118,987	156,945
Capital fund	686,774	607,486
	<u>\$ 965,205</u>	<u>\$ 993,137</u>

11. CAPITAL RESERVE RENEWAL FUND

These funds are available for the acquisition of tangible capital assets.

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 156,945	\$ 234,427
Contributions	-	-
Capital expenditure fund	172,200	172,200
Interest income	8,975	3,793
Loans and interest payments	(219,133)	(253,475)
	<u>\$ 118,987</u>	<u>\$ 156,945</u>

12. BUDGET

The Improvement District's budget was approved by the board on October 6, 2022. Budget figures are neither audited nor reviewed.

SHIPS POINT IMPROVEMENT DISTRICT
Notes to Financial Statements
Year Ended December 31, 2023

13. HONORARIUMS

	<u>2023</u>	<u>2022</u>
Trustees' honorariums	<u>\$ 2,400</u>	<u>\$ 2,600</u>

The trustees of the Improvement District receive a remuneration of \$50 per meeting attended.

14. COMMITMENTS AND CONTINGENCIES

Ships Point Improvement District maintains capital reserves for future upgrades to its water infrastructure system as well as for the repayment of debt related to the water infrastructure system upgrade.

SHIPS POINT IMPROVEMENT DISTRICT
Schedule of Tangible Capital Assets
Year Ended December 31, 2023

(Schedule 1)

	Buildings	Equipment	Water mains	Wells and casings	Fire trucks	Land and right of ways	Computer equipment	2023	2022
Cost									
Beginning balance	\$ 108,879	\$ 146,637	\$ 3,625,606	\$ 131,429	\$ 244,832	\$ 47,109	\$ -	\$ 4,304,492	\$ 4,289,715
Additions	30,258	2,408	-	-	9,000	-	3,518	45,184	14,777
Disposals	-	-	-	-	(540)	-	-	(540)	-
Ending balance	139,137	149,045	3,625,606	131,429	253,292	47,109	3,518	4,349,136	4,304,492
Accumulated amortization									
Beginning balance	74,140	122,049	1,137,553	82,468	101,698	-	-	1,517,908	1,335,606
Amortization of tangible capital assets	2,992	5,158	149,283	2,938	14,483	-	967	175,821	182,302
Effects of disposals and write down	-	-	-	-	(505)	-	-	(505)	-
Accumulated amortization total	77,132	127,207	1,286,836	85,406	115,676	-	967	1,693,224	1,517,908
Net book value	\$ 62,005	\$ 21,838	\$ 2,338,770	\$ 46,023	\$ 137,616	\$ 47,109	\$ 2,551	\$ 2,655,912	\$ 2,786,584