

TWIGG & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

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SASKATCHEWAN 4-H COUNCIL INC.

Financial Statements

For the Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Saskatchewan 4-H Council Inc.

Opinion

We have audited the financial statements of Saskatchewan 4-H Council Inc. (the Council), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 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 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 Council 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 those 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 Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

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Independent Auditor's Report to the Members of Saskatchewan 4-H Council Inc. *(continued)*

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council'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 Council'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 Council 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.

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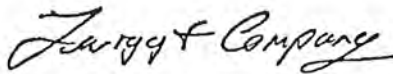
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Independent Auditor's Report to the Members of Saskatchewan 4-H Council Inc. *(continued)*

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.

Saskatoon, Saskatchewan
March 5, 2019


Chartered Professional Accountants

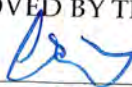
SASKATCHEWAN 4-H COUNCIL INC.

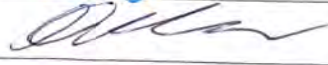
Statement of Financial Position

As at December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 412,865	\$ 620,892
Short-term investments (Note 3)	153,274	201,582
Accounts receivable	9,179	21,411
Grants receivable (Note 4)	102,861	13,705
Inventory (Note 5)	95,587	98,887
Prepaid expenses	9,933	9,963
Due from related party (Note 6)	49,400	65,630
	833,099	1,032,070
LONG-TERM INVESTMENTS (Note 3)	154,178	100,473
CAPITAL ASSETS (Note 7)	14,807	16,253
	\$ 1,002,084	\$ 1,148,796
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 67,752	\$ 81,950
Deferred revenue (Note 9)	196,891	187,359
Deferred contributions (Note 10)	-	96,830
	264,643	366,139
NET ASSETS		
UNRESTRICTED	325,758	376,371
INTERNALLY RESTRICTED (Note 12)	411,683	406,286
	737,441	782,657
	\$ 1,002,084	\$ 1,148,796

APPROVED BY THE BOARD


 _____ Director


 _____ Director

SASKATCHEWAN 4-H COUNCIL INC.

Statement of Operations

For the Year Ended December 31, 2018

	2018	2017
REVENUE (Schedule 1)		
Government funding	\$ 333,188	\$ 390,301
Membership dues and registration fees	292,777	281,466
Saskatchewan 4-H Foundation (Note 6)	103,888	147,276
Scholarship and awards	72,471	108,264
In-kind donations	60,891	53,000
Provincial programs	46,714	62,324
Provincial lottery	37,000	63,224
Promotional sales	29,896	41,087
Saskatchewan Lotteries Trust Fund	26,585	25,810
Other	9,475	3,071
	1,012,885	1,175,823
EXPENSES (Schedule 2)		
Administrative	455,967	505,577
Provincial, regional, district and club level	363,182	407,809
Board and Council business	104,055	97,287
Development and marketing	90,165	100,129
Supplies	35,188	27,512
Amortization of capital assets	9,544	10,834
	1,058,101	1,149,148
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	\$ (45,216)	\$ 26,675

SASKATCHEWAN 4-H COUNCIL INC.

Statement of Changes in Net Assets

For the Year Ended December 31, 2018

	Unrestricted	Internally Restricted	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 376,371	\$ 406,286	\$ 782,657	\$ 755,982
Excess (deficiency) of revenue over expenses for the year	(45,216)	-	(45,216)	26,675
Transfers (<i>Note 12</i>)	(5,397)	5,397	-	-
NET ASSETS - END OF YEAR	\$ 325,758	\$ 411,683	\$ 737,441	\$ 782,657

SASKATCHEWAN 4-H COUNCIL INC.

Statement of Cash Flows

For the Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	\$ (45,216)	\$ 26,675
Item not affecting cash:		
Amortization of capital assets	9,544	10,834
	(35,672)	37,509
Changes in non-cash working capital:		
Accounts receivable	12,232	(12,594)
Grants receivable	(89,156)	(512)
Inventory	3,300	479
Prepaid expenses	30	(850)
Due from related party	16,230	(16,278)
Accounts payable and accrued liabilities	(14,197)	20,568
Deferred revenue	9,532	1,747
Deferred contributions	(96,830)	(518)
	(158,859)	(7,958)
Cash flow from (used by) operating activities	(194,531)	29,551
INVESTING ACTIVITIES		
Purchase of capital assets	(8,099)	(14,672)
Purchase of investments	(5,397)	(100,428)
Cash flow used by investing activities	(13,496)	(115,100)
DECREASE IN CASH FLOWS	(208,027)	(85,549)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	620,892	706,441
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 412,865	\$ 620,892
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	\$ 412,865	\$ 620,892

SASKATCHEWAN 4-H COUNCIL INC.

Notes to the Financial Statements

For the Year Ended December 31, 2018

1. THE ORGANIZATION

Saskatchewan 4-H Council Inc. (the "Council") was incorporated under the laws of the Province of Saskatchewan on March 6, 1979. Its main activity is to provide programs and services to 4-H members and leaders at the club, district, regional and provincial levels. The Council is a project-based youth organization devoted to strengthening the skills of responsible citizens. The Council focuses on the growth and development of its members, leaders, volunteers, and staff through its motto: "Learn to do by doing". The Council is registered provincially with the Corporations Branch as an incorporated not-for-profit-organization

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Handbook* and include the following significant accounting policies:

Revenue recognition

Saskatchewan 4-H Council Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or restrictions met. Unspent amounts are included in deferred contributions. 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.

Other revenues are recognized in the year they are earned provided the amount to be received can be reasonably estimated and collection is reasonably assured.

The Council's membership year runs from September through August. Membership and club fees reported for the year ended December 31, 2018 are consequently comprised of both fees received for the 2017-2018 membership year (67%) and fees received for the 2018-2019 membership year (33%).

Inventory

The inventory of store items and cookbooks is recorded at the lower of cost and net realizable value. Club manuals and promotional inventory is recorded at the lower of cost and current replacement cost.

(continues)

SASKATCHEWAN 4-H COUNCIL INC.

Notes to the Financial Statements

For the Year Ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

The Council initially measures its financial assets and financial liabilities at fair value. It 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 at fair value. Changes in fair value are recognized in the statements of operations in the period incurred.

Financial assets subsequently measured at amortized cost include cash, accounts receivable, and grants receivable. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities. The fair value of the cash, accounts receivable, grant receivable and accounts payable and accrued liabilities approximates their carrying value due to their short-term nature.

Short-term investments

Short-term investments are classified as available-for-sale and are recorded at market value.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and short-term investments with maturities of three months or less.

Contributions in-kind

Contributions in-kind are recorded at fair value for goods or services used in the normal course of operations that would otherwise have been purchased. During the year the Council received in-kind contributions of facilities valued at \$53,000 (2017 - \$53,000) and supplies valued at \$7,891 (2017 - \$NIL).

Use of estimates

The preparation of financial statements in accordance 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, any disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Significant estimates include, but are not limited to, the valuation of inventory, the valuation of deferred contributions and revenue, and accruals for certain revenues and expenses.

Income taxes

The Council qualifies as a tax exempt organization under section 149 of the Income Tax Act.

(continues)

SASKATCHEWAN 4-H COUNCIL INC.

Notes to the Financial Statements

For the Year Ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Allocated expenditures

The Council allocates its salary expense between administrative expenditures and provincial, regional, district and club level expenditures. Salaries paid to the provincial office staff are allocated to the administrative expenditures and salaries paid to the regional specialists are allocated to the provincial, regional, district and club level expenditures.

Capital assets

Capital assets are initially recorded at cost. Amortization is provided at rates intended to amortize the cost over their estimated useful lives as follows:

Computer equipment and software	3 years	straight-line method
Office furniture and equipment	5 years	straight-line method
Marketing tools	5 years	straight-line method

3. INVESTMENTS

	2018	2017
Guaranteed investment certificate bearing interest at 2.50%, maturing June 28, 2019	\$ 50,625	\$ -
Guaranteed investment certificate bearing interest at 2.51%, maturing December 11, 2019	102,649	100,000
Guaranteed investment certificate bearing interest at 1.76%, maturing December 11, 2018	-	101,582
Total short-term investments	153,274	201,582
Guaranteed investment certificate bearing interest at 2.85%, maturing June 29, 2020	50,721	-
Guaranteed investment certificate bearing interest at 3.12%, maturing December 18, 2020	51,728	-
Guaranteed investment certificate bearing interest at 3.20%, maturing December 20, 2021	51,729	-
Guaranteed investment certificate bearing interest at 0.90%, maturing June 22, 2022	-	100,473
Total long-term investments	154,178	100,473

SASKATCHEWAN 4-H COUNCIL INC.

Notes to the Financial Statements

For the Year Ended December 31, 2018

4. GRANTS RECEIVABLE

The grants receivable balance is composed of the following:

	2018	2017
Ministry of Agriculture	\$ 75,000	\$ -
Canadian 4-H Council (National contribution agreements)	16,502	1,875
Canadian 4-H Council (AAFC)	11,359	9,330
Canadian 4-H Council (Other)	-	2,500
	<hr/> \$ 102,861	<hr/> \$ 13,705

5. INVENTORY

Inventory consists of the following:

	2018	2017
Club manuals	\$ 45,254	\$ 51,071
Cookbooks	4,476	2,418
Store items	31,869	38,785
Promotional materials	6,719	6,613
Donated inventory	7,269	-
	<hr/> \$ 95,587	<hr/> \$ 98,887

SASKATCHEWAN 4-H COUNCIL INC.

Notes to the Financial Statements

For the Year Ended December 31, 2018

6. RELATED PARTY TRANSACTIONS

The Council has the following related parties:

Canadian 4-H Council

The purpose of the Canadian 4-H Council is to promote the 4-H program on a national level by supporting the provincial councils. In 2018, the Saskatchewan 4-H Council Inc. recorded funding of \$36,663 (2017 - \$66,568) from the Canadian 4-H Council.

The Saskatchewan 4-H Council paid its provincial insurance and fees and its board of directors liability insurance through the Canadian 4-H Council. In 2018, the total insurance and fees paid through the Canadian 4-H Council were \$12,151 (2017 - \$11,341). A national membership fee of \$10,712 (2017 - \$7,566) was also paid to the Canadian 4-H Council.

Saskatchewan 4-H Foundation

The purpose of the Saskatchewan 4-H Foundation is to promote the 4-H program. In 2018, the Saskatchewan 4-H Council recorded funding of \$103,888 (2017 - \$147,276) from the Foundation.

Various 4-H Clubs

The purpose of the various 4-H clubs is to promote, support and facilitate the activities of 4-H members. The Saskatchewan 4-H Council provides administrative support to the clubs as well as other activity resources. In 2018, the Saskatchewan 4-H Council Inc. recorded membership dues, registration and club fees from the clubs in the amount of \$292,777 (2017 - \$281,466).

7. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Office furniture and equipment	\$ 2,952	\$ 1,181	\$ 1,771	\$ 2,362
Computer equipment and software	32,008	23,047	8,961	7,542
Marketing tools	11,372	7,297	4,075	6,349
	\$ 46,332	\$ 31,525	\$ 14,807	\$ 16,253

SASKATCHEWAN 4-H COUNCIL INC.

Notes to the Financial Statements

For the Year Ended December 31, 2018

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance is composed of the following:

	2018	2017
Scholarships payable	\$ -	\$ 4,500
Vacation payable	23,934	23,636
Wages payable	14,407	15,358
GST payable	9,933	8,025
Accrued liabilities	11,655	11,655
Trade payables	7,823	18,776
	<hr/>	<hr/>
	\$ 67,752	\$ 81,950

9. DEFERRED REVENUE

The deferred revenue balance is composed of the following:

	2018	2017
Annual general meeting fees	\$ 14,448	\$ 14,611
Scholarship	9,000	8,462
Membership fees (January - August 2019)	173,143	164,286
Gift certificates	300	-
	<hr/>	<hr/>
	\$ 196,891	\$ 187,359

SASKATCHEWAN 4-H COUNCIL INC.

Notes to the Financial Statements

For the Year Ended December 31, 2018

10. DEFERRED CONTRIBUTIONS

The deferred contributions balance represents restricted funding received in the current period that is related to expenses to be incurred in the subsequent period.

The Council receives funding from the Saskatchewan Ministry of Agriculture to be held, administered and distributed in accordance with the related funding agreement. The Saskatchewan Ministry of Agriculture program provides funding to develop youth leadership capacity and advance awareness of agriculture. The funding agreement covers the period of April 1, 2018 to March 31, 2021.

The Council receives funding from the Canadian 4-H Council to be held, administered and distributed in accordance with the related funding agreement. The Canadian 4-H Council provides funding to support learning and development activities. The funding agreement covers the period of April 1, 2018 to March 31, 2020.

The deferred contributions balance is composed of the following:

	2018	2017
Deferred contributions, beginning of year	\$ 96,830	\$ 97,348
<i>Contributions received during the year:</i>		
Saskatchewan Ministry of Agriculture	-	87,500
Canadian 4-H Council	-	9,330
<i>Less:</i>		
Amounts recognized as government funding revenue	(96,830)	(97,348)
Deferred contributions, end of year	\$ -	\$ 96,830

SASKATCHEWAN 4-H COUNCIL INC.

Notes to the Financial Statements

For the Year Ended December 31, 2018

11. FINANCIAL INSTRUMENTS

The Council is exposed to various risks through its financial instruments.

Credit risk

The Council's exposure to credit risk relates principally to its cash balances and accounts receivable. The Council maintains cash balances with reputable major financial institutions. The accounts receivable are due from a diverse group of individuals, 4-H clubs, other not-for-profit organizations, and government agencies. Management typically requires individuals to pay immediately and amounts due from other 4-H clubs are not significant in amount. Receivables from other not-for-profit organizations and from government agencies usually consist of funding grants for which there are signed agreements. Management establishes allowances for doubtful accounts when the amounts deemed to be uncollectible. Accordingly, the Council is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is that the Council will encounter difficulty in meeting obligations associated with financial liabilities. The Council enters into transactions to purchase goods and services on credit and lease office equipment from creditors, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Council's future net cash flows for the possibility of a negative net cash flow. The Council manages liquidity risk resulting from accounts payable and accrued liabilities by investing in liquid assets such as cash and short-term investments which can be readily available to repay accounts payable and accrued liabilities.

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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Council is exposed to interest rate risk on its investments.

12. INTERNALLY RESTRICTED NET ASSETS

In the current year the Board transferred \$5,397 (2017 - \$302,055) to internally restricted net assets.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

SASKATCHEWAN 4-H COUNCIL INC.

Schedule of Revenue

(Schedule 1)

For the Year Ended December 31, 2018

	2018	2017
Government funding		
Saskatchewan Ministry of Agriculture	\$ 312,500	\$ 350,000
Agriculture Canada	20,688	40,301
	333,188	390,301
Membership dues and registration fees		
Membership dues	259,665	252,922
Annual meeting registration	13,571	12,350
Annual meeting visitors' fees	18,874	16,194
Annual meeting revenue	667	-
	292,777	281,466
Saskatchewan 4-H Foundation		
Saskatchewan 4-H Foundation campaign	49,400	54,068
Saskatchewan 4-H Foundation grant	54,488	93,208
	103,888	147,276
Scholarship and awards		
Corporate sponsorships	39,542	50,383
Other grants	15,879	42,381
Scholarship funding	17,050	15,500
	72,471	108,264
In-kind donations		
In-kind donations	60,891	53,000
	60,891	53,000
Provincial programs		
Provincial program revenue	35,388	49,330
Regional program revenue	11,326	12,994
	46,714	62,324
Provincial lottery		
Provincial lottery	37,000	63,224
	37,000	63,224
Promotional sales		
Promotional sales	29,896	41,087
	29,896	41,087
Saskatchewan Lotteries Trust Fund		
Grant - annual funding provincial associations	26,585	25,810
	26,585	25,810
Other		
Investment income	9,170	1,349
Miscellaneous income	305	1,722
	9,475	3,071
Total Revenue	\$ 1,012,885	\$ 1,175,823

SASKATCHEWAN 4-H COUNCIL INC.

Schedule of Expenditures

(Schedule 2)

For the Year Ended December 31, 2018

	2018	2017
Administrative		
Salaries	\$ 294,996	\$ 334,151
Service charges	6,921	6,933
Professional fees	12,403	14,430
Staff meetings	3,957	4,441
Salaries - casual	473	268
Travel and sustenance	5,282	5,785
Storage expense	1,020	1,079
Telephone and fax	9,309	10,111
Cellular phones	3,507	3,327
Registered retirement savings plan	17,179	18,107
Group insurance	26,605	28,730
Stationery	6,061	8,451
Photocopying	6,950	6,980
Postage	18,912	25,639
Office equipemnt	2,320	710
Bus/courier	329	646
Website/computer support	27,870	20,501
Computer/software purchases	3,700	4,477
Staff/volunteer recognition	4,454	3,291
Staff training	3,586	5,829
Miscellaneous	133	1,691
	455,967	505,577
Provincial, regional, district and club level		
Salaries	189,832	189,326
Programming	78,943	121,976
Meals and accommodations	6,523	7,489
Mileage	16,511	13,592
Leader resources and support	701	6,926
Scholarship funding	17,050	15,500
Donations-in-kind	53,622	53,000
	363,182	407,809
Supplies		
Inventory adjustment	6,857	(521)
Club manuals	26,642	26,558
Club supplies	1,689	1,475
	35,188	27,512

(continues)

SASKATCHEWAN 4-H COUNCIL INC.

Schedule of Expenditures (continued)

(Schedule 2)

For the Year Ended December 31, 2018

	2018	2017
<i>(continued)</i>		
Development and marketing		
Promotional expenses	19,978	26,966
Lottery expense	2,207	1,520
Club share of lottery	19,320	33,780
Marketing and public relations	48,660	37,863
	90,165	100,129
Board and Council business		
Insurance and fees	10,513	9,460
Committee expenses	3,784	2,835
Canadian 4-H Council membership	11,467	11,375
Board training	1,342	863
Board meetings	17,826	18,209
Annual meeting	56,384	52,157
Board of Directors liability insurance	1,510	1,678
Memberships in other organizations	1,229	710
	104,055	97,287
Amortization of capital assets		
Amortization of capital assets	9,544	10,834
	9,544	10,834
Total Expenses	\$ 1,058,101	\$ 1,149,148