

BEAVERBROOK ART GALLERY
Financial Statements
Year Ended December 31, 2024

BEAVERBROOK ART GALLERY

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Year Ended December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of Beaverbrook Art Gallery

Qualified Opinion

We have audited the financial statements of Beaverbrook Art Gallery (the "organization"), which comprise the statement of financial position as at December 31, 2024, and the statements of changes in net assets, revenues and expenditures and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2024, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2024, current assets and net assets as at December 31, 2024.

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 organization in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter

We draw attention to Notes 17 and 18 of the financial statements which explains that certain comparative information presented for the year ended December 31, 2023 have been restated. Our opinion is not modified in respect to this matter.

Other Matter

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 4, 2024.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

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Independent Auditor's Report to the Members of Beaverbrook Art Gallery *(continued)*

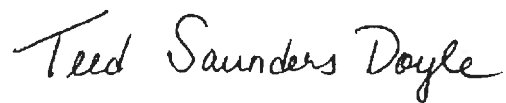
Auditor's Responsibilities for the Audit of the Financial Statements

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 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 significant 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 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 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.



Fredericton, New Brunswick
October 7, 2025

CHARTERED PROFESSIONAL ACCOUNTANTS

BEAVERBROOK ART GALLERY

Statement of Financial Position

December 31, 2024

	2024	2023 <i>Restated</i>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 714,819	\$ 2,613,467
Receivables (Note 4)	100,856	9,777,260
Inventory	34,567	38,741
Prepaid expenses	33,089	12,651
	<u>883,331</u>	12,442,119
LONG TERM INVESTMENTS (Note 5)	21,549,026	10,362,935
PROPERTY AND EQUIPMENT (Note 6)	27,111,602	27,467,690
COLLECTION OF PAINTINGS AND WORKS OF ART (Note 7)	1	1
	<u>\$ 49,543,960</u>	<u>\$ 50,272,745</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Bank indebtedness (Note 8)	\$ 290,000	\$ 1,135,000
Payables and accruals	351,896	268,535
Deferred revenue	45,000	-
	<u>686,896</u>	1,403,535
DEFERRED CONTRIBUTIONS FOR PROPERTY AND EQUIPMENT	20,811,233	21,473,052
	<u>21,498,129</u>	22,876,587
NET ASSETS		
Unrestricted	6,496,805	5,735,650
Restricted	21,549,026	21,660,508
	<u>28,045,831</u>	27,396,158
	<u>\$ 49,543,960</u>	<u>\$ 50,272,745</u>

ON BEHALF OF THE BOARD

X  Director

 Director

BEAVERBROOK ART GALLERY

Statement of Changes in Net Assets

Year Ended December 31, 2024

	2023 Balance (As restated)	Excess (Deficiency) of revenues over expenses	Transfers (Note 14)	Restatement adjustment (Note 18)	2024 Balance
<u>Restricted Net Assets</u>					
Operating Fund	\$ 5,735,650	\$ (1,623,018)	\$ 2,384,173	\$ -	\$ 6,496,805
<u>Unrestricted Net Assets</u>					
Acquisition Fund	11,502,773	77,007	(11,579,780)	-	-
Senator Richard Hatfield Memorial Fund	4,981,733	613,964	(46,976)	-	5,548,721
Endowment Fund	4,624,672	1,524,061	9,254,974	-	15,403,707
C.E Baker Fund	551,330	57,659	(12,391)	-	596,598
	<u>21,660,508</u>	<u>2,272,693</u>	<u>1,623,018</u>	<u>-</u>	<u>21,549,026</u>
	\$ 27,396,158	\$ 649,673	\$ -	\$ -	\$ 28,045,831

	2022 Balance (Previously stated)	Excess (Deficiency) of revenues over expenses (Restated)	Transfers (Note 14)	Restatement adjustment (Note 18)	2023 Balance (As restated)
<u>Restricted Net Assets</u>					
Operating Fund	\$ 5,803,598	\$ (535,156)	\$ 263,023	\$ 204,185	\$ 5,735,650
<u>Unrestricted Net Assets</u>					
Acquisition Fund	137,850	11,624,970	(260,047)	-	11,502,773
Senator Richard Hatfield Memorial Fund	4,644,060	339,142	(1,469)	-	4,981,733
Endowment Fund	4,303,022	323,157	(1,507)	-	4,624,672
C.E Baker Fund	-	32,962	-	518,368	551,330
	<u>9,084,932</u>	<u>12,320,231</u>	<u>(263,023)</u>	<u>518,368</u>	<u>21,660,508</u>
	\$ 14,888,530	\$ 11,785,075	\$ -	\$ 722,553	\$ 27,396,158

BEAVERBROOK ART GALLERY
Statement of Revenues and Expenditures
Year Ended December 31, 2024

	2024	2023 <i>Restated</i>
REVENUES		
Fees, sales, donations and other <i>(Note 9)</i>	\$ 1,359,428	\$ 1,161,949
Grants and contributions <i>(Note 10)</i>	1,519,467	1,518,353
Contributions deferred for property and equipment <i>(Note 11)</i>	679,987	684,533
	<u>3,558,882</u>	<u>3,364,835</u>
EXPENSES		
Administration <i>(Note 12)</i>	568,122	425,778
Alarm maintenance and contract security	238,197	277,066
Amortization	850,263	937,192
Building maintenance <i>(Note 13)</i>	393,459	374,642
Collections	389,409	298,630
Exhibitions	603,990	300,363
Interest - operating line of credit	63,484	81,706
Marketing and promotion	71,707	72,748
Programming and outreach	102,066	145,357
Salaries and benefits	1,901,203	1,662,869
	<u>5,181,900</u>	<u>4,576,351</u>
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>(1,623,018)</u>	<u>(1,211,516)</u>
OTHER INCOME (EXPENSES)		
Investment income <i>(Note 16)</i>	2,262,565	755,366
Investment management fees	(78,528)	(43,289)
Deaccession of the collection	88,654	12,284,514
	<u>2,272,691</u>	<u>12,996,591</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 649,673</u>	<u>\$ 11,785,075</u>

BEAVERBROOK ART GALLERY**Statement of Cash Flows****Year Ended December 31, 2024**

	2024	2023 <i>Restated</i>
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 649,673	\$ 11,785,075
Items not affecting cash:		
Amortization of property and equipment	850,263	937,192
Amortization of contributions deferred for property and equipment	<u>(679,987)</u>	<u>(684,533)</u>
	819,949	12,037,734
Change in non-cash working capital:		
Net change in non-cash working capital <i>(Note 15)</i>	<u>9,788,504</u>	<u>(9,615,123)</u>
	<u>10,608,453</u>	2,422,611
INVESTING ACTIVITY		
Purchase of property and equipment	<u>(494,177)</u>	<u>(210,459)</u>
FINANCING ACTIVITIES		
Deferred contributions for property and equipment	18,168	679,365
Change in long term investments	<u>(11,186,092)</u>	<u>(702,946)</u>
Bank indebtedness	<u>(845,000)</u>	<u>(285,000)</u>
	<u>(12,012,924)</u>	<u>(308,581)</u>
INCREASE (DECREASE) IN CASH FLOW	(1,898,648)	1,903,571
Cash - beginning of year	<u>2,613,467</u>	709,896
CASH - END OF YEAR	<u>\$ 714,819</u>	<u>\$ 2,613,467</u>

BEAVERBROOK ART GALLERY

Notes to Financial Statements

Year Ended December 31, 2024

1. NATURE OF OPERATIONS

The Beaverbrook Art Gallery (the Gallery) operates and manages The Beaverbrook Art Gallery in Fredericton, New Brunswick. These operations include various cultural activities primarily centered around, but not limited to, the exhibition of works of art. The Gallery is a registered charity for income tax purposes and is therefore exempt from income tax under the Income Tax Act of Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Unrestricted Net Assets

The Operating Fund consists of all amounts not internally or externally restricted and primarily relate to the day-to-day operations of the Gallery.

Acquisition Fund

The assets of the Acquisition Fund are internally restricted and arose from contributions to the Gallery and transfers from unrestricted funds. Net proceeds from sales of items from the collection are added to this Fund. Funds from the Acquisitions Fund are used for costs relating to the purchase of works of art.

Senator Richard Hatfield Memorial Fund

The assets of this externally restricted Fund grew from an initial contribution of \$2,000,000 during 1992 - 1994 from the Federal Government Ministry of Communication. This contribution is to be used to fund acquisitions of Canadian works of art, for the establishment and the operation of exhibitions and education extension programs. A percentage of the investment income may also be used to fund certain administrative expenses upon approval of the Government of Canada.

Externally Restricted Endowment Fund

The assets of the Endowment Fund were initially accumulated from funds raised through a capital campaign. The primary purpose of this fund is to generate contributions and investment income to assist in supporting the charitable purposes of the Gallery. The terms of the endowment are such that no encroachment of original principal may be made for a period of ten years from the date of original gift. Any withdrawals of principal require approval by a special majority of the Board of Directors as well as the written consent of the province of New Brunswick.

C.E. Baker Fund

This fund consists of a perpetual trust fund for the benefit of the Gallery. The trustee shall hold and keep invested the capital of such fund and pay the end income derived therefrom to the Gallery.

Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis. Inventory consists of gift shop items for resale. Approximately \$77,898 (2023 - \$45,307) of inventory has been recorded as an expense during the year.

Investments

Investments are recorded at fair value using quoted market prices with changes in fair value recognized as unrealized gains or losses. Transaction costs related to the purchase of investments are charged to expense in the period they occur.

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BEAVERBROOK ART GALLERY

Notes to Financial Statements

Year Ended December 31, 2024

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

Property and Equipment

Land and buildings acquired before 1970 are recorded at their estimated replacement cost as at December 31, 1970. Additions since that date have been capitalized at cost. The cost of assets constructed over time includes materials and labour costs directly attributable to the construction activity. No amortization is recorded for assets under construction.

Amortization of the building is provided for on the straight-line basis over 40 years. All purchases of equipment, furniture and fixtures are capitalized and amortized at 20% per year on a declining balance basis.

Collection of paintings and works of art

The Gallery's collection of paintings and works of art is recorded at a nominal amount. Costs relating to the acquisition of works of art for the collection are included in expenses and proceeds from disposal of any items in the collection are included in revenue in the period in which they are incurred or sold. Proceeds from disposals are held in the Acquisition Fund for the purpose of funding future acquisitions for the collection.

Deferred contributions for property and equipment

Government assistance towards the acquisition of capital assets is deferred and amortized to revenue over the same period as asset to which it relates

Revenue recognition

Beaverbrook Art Gallery follows the deferral method of accounting for 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.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Restricted investment income is recognized on the accrual basis as earned.

Cash and cash equivalents

The Gallery considers cash on hand, short-term deposits and balances with banks, net of overdrafts as cash or cash equivalents. Included in cash and cash equivalents is a working capital reserve funded by the NB Foundation for the Arts of \$100,000.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

BEAVERBROOK ART GALLERY

Notes to Financial Statements

Year Ended December 31, 2024

3. FINANCIAL INSTRUMENTS

The Gallery is exposed to the following risks through its financial instruments:

Credit risk

The Gallery is exposed to credit risk with regards to its cash, accounts receivable and fixed income investments. Credit risk is the risk that a party may default on their financial obligations to the Gallery. The Gallery manages this risk by diversifying its fixed income investments by issuer and sector, dealing with major chartered banks and related institutions as well as other reputable institutions.

Liquidity risk

Liquidity risk is the risk that the Gallery will not be able to meet a demand for cash or fund its obligations as they come due. The Gallery is exposed to liquidity risk and manages that risk through monitoring, budgeting and maintaining sufficient reserves to offset any foreseeable demand for liquidity.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk. The Gallery is exposed to the three components of market risk through its portfolio investments and manages these risks by investing in a diversified portfolio through balanced pooled funds as well as on-going monitoring of those funds.

Interest rate risk

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

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

4. ACCOUNTS RECEIVABLE

	<u>2024</u>	<u>2023</u>
Other	\$ 70,316	\$ 533,403
HST receivable	30,540	496,804
Deaccessioning proceeds receivable	-	8,747,053
	<u>\$ 100,856</u>	<u>\$ 9,777,260</u>

5. LONG TERM INVESTMENTS

	<u>2024</u>	<u>2023</u>
		<i>Restated</i>
C.E. Baker Trust Fund	\$ 596,598	\$ 551,331
Aquisition Fund	-	155,776
Senator Richard Hatfield Memorial Fund	5,548,721	4,934,757
Endowment Fund	15,403,707	4,721,071
	<u>\$ 21,549,026</u>	<u>\$ 10,362,935</u>

BEAVERBROOK ART GALLERY

Notes to Financial Statements

Year Ended December 31, 2024

6. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2024 Net book value</u>	<u>2023 Net book value</u>
Land	\$ 1	\$ -	\$ 1	\$ -
Building	39,101,178	12,010,622	27,090,556	27,450,982
Equipment	269,312	248,267	21,045	16,708
	<u>\$ 39,370,491</u>	<u>\$ 12,258,889</u>	<u>\$ 27,111,602</u>	<u>\$ 27,467,690</u>

7. COLLECTION OF PAINTINGS AND OTHER WORKS OF ART

The Gallery holds an extensive collection of historical and contemporary artwork with a particular focus on British, Canadian and Indigenous works. During the year, disposals of items included in the collection resulted in proceeds of \$88,654 (2023 - \$12,284,514).

8. BANK INDEBTEDNESS

	<u>2024</u>	<u>2023</u>
Royal Bank of Canada operating line of credit to a maximum of \$2,900,000. Interest payable monthly at the bank's prime rate plus 0%, secured by a general security agreement.	<u>\$ 290,000</u>	<u>\$ 1,135,000</u>

9. REVENUE - FEES, SALES, DONATIONS AND OTHER REVENUE

	<u>2024</u>	<u>2023</u>
Admissions	\$ 229,173	\$ 172,076
Donations	358,269	495,419
Education program	65,574	51,820
Fundraising and special events	334,192	137,442
Gift shop	140,161	95,780
Membership fees	102,826	74,954
Miscellaneous	750	5,250
Photography	6,009	4,897
Rentals	122,474	124,311
	<u>\$ 1,359,428</u>	<u>\$ 1,161,949</u>

10. REVENUE - GRANTS AND CONTRIBUTIONS

	<u>2024</u>	<u>2023</u>
Canada Council for the Arts	\$ 122,000	\$ 122,000
City of Fredericton	85,000	32,500
Federal wage subsidies	38,557	76,217
Private sector and foundations	5,000	322,500
Province of New Brunswick	1,268,910	965,136
	<u>\$ 1,519,467</u>	<u>\$ 1,518,353</u>

BEAVERBROOK ART GALLERY

Notes to Financial Statements

Year Ended December 31, 2024

11. CONTRIBUTIONS DEFERRED FOR PROPERTY AND EQUIPMENT

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 21,473,052	\$ 21,478,220
Additions	18,168	679,365
Amortization	<u>(679,987)</u>	<u>(684,533)</u>
Balance, end of year	<u>\$ 20,811,233</u>	<u>\$ 21,473,052</u>

12. EXPENSES - ADMINISTRATION

	<u>2024</u>	<u>2023</u>
Information technology	\$ 48,655	\$ 51,079
Insurance	99,820	105,098
Gift shop - cost of sales	83,745	45,307
Interest and bank charges	13,181	18,044
Miscellaneous	11,659	3,764
Office	11,338	7,667
Postage	3,180	1,282
Printing	-	830
Professional fees	248,670	147,578
Telephone	22,062	21,890
Travel and conferences	<u>25,812</u>	<u>23,239</u>
	<u>\$ 568,122</u>	<u>\$ 425,778</u>

13. EXPENSES - BUILDING MAINTENANCE AND REPAIRS

	<u>2024</u>	<u>2023</u>
Building and equipment repairs	\$ 236,334	\$ 238,827
Electricity	143,086	125,340
Steam heat/water	<u>14,039</u>	<u>10,475</u>
	<u>\$ 393,459</u>	<u>\$ 374,642</u>

14. TRANSFERS BETWEEN FUNDS

Amounts transferred from the Acquisition Fund, the Senator Richard Hatfield Memorial Fund, C.E. Baker Fund and the Endowment Fund to the Operating Fund are for the purpose of funding operations as allowed within the terms of each fund.

BEAVERBROOK ART GALLERY

Notes to Financial Statements

Year Ended December 31, 2024

15. NET CHANGE IN NON-CASH WORKING CAPITAL

	<u>2024</u>	<u>2023</u>
Decrease (increase) in accounts receivable	\$ 9,676,404	\$ (9,349,165)
Decrease (increase) in inventory	4,174	(15,308)
Decrease (increase) in prepaid expenses	(20,438)	28,948
Increase (decrease) in accounts payable and accrued liabilities	83,364	(94,099)
Increase (decrease) in deferred revenue	45,000	(185,499)
	<u>\$ 9,788,504</u>	<u>\$ (9,615,123)</u>

16. INVESTMENT INCOME - RESTRICTED FUNDS

	<u>2024</u>	<u>2023</u>
Senator Richard Hatfield Memorial Fund	\$ 636,478	\$ 360,225
Endowment Fund	1,568,428	356,068
C.E. Baker Trust Fund	57,659	39,073
	<u>\$ 2,262,565</u>	<u>\$ 755,366</u>

17. COMPARATIVE FIGURES

Certain 2023 figures presented for comparative purposes have been reclassified on order to conform with the presentation adopted for the 2024 fiscal year. Effective January 1, 2024, management has elected to discontinue the use of the fund accounting method for financial statement presentation.

18. PRIOR PERIOD ADJUSTMENTS

December 31, 2023 figures have been restated for the following events:

Historical deferred revenue balances:

Prior year deferred revenue balances included \$204,185 of deferred revenue relating to funding that is no longer restricted. These balances have all been received and all appropriate reporting requirements completed with funding partners and have no anticipated future costs or repayment. Prior year deferred revenue was overstated by \$204,185 and prior year net assets were understated by \$204,185.

The 2023 opening net assets were increased by \$204,185 for this adjustment.

Unrecorded investment fund:

Prior year investments did not include an investment holding with RBC related to the C.E. Baker trust fund. Estimated investment value as of December 31, 2023 that was not previously recorded was \$551,331 and investment value as of December 31, 2022 was \$518,368.

The 2023 opening net assets were increased by \$518,368 for this adjustment.
