

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**  
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2018**

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	Page
INDEPENDENT AUDITOR'S REPORT	3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Fund Balances	5
Consolidated Statement of Revenue and Expenditures	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 13



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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of: ERDO (Emergency Relief and Development Overseas)

We have audited the accompanying consolidated financial statements of ERDO (Emergency Relief and Development Overseas) and its controlled entities, which comprise the consolidated statement of financial position as at September 30, 2018 and the consolidated statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended, and the related notes, which comprise 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 consolidated financial statements in accordance with Canadian accounting standards for not for profit organizations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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 the 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 the auditor's 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, the auditor considers 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ERDO (Emergency Relief and Development Overseas) and its controlled entities as at September 30, 2018 and the results of their operations and their cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

A handwritten signature in black ink that reads 'RLB LLP'.

Guelph, Ontario  
January 30, 2019

Chartered Professional Accountants  
Licensed Public Accountants

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2018**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 446,494	\$ 399,672
Restricted cash	858,684	1,223,075
Restricted term deposits (note 6)	4,075,000	2,975,000
Accounts receivable	119,034	154,316
Prepaid expenses	<u>32,771</u>	<u>34,604</u>
	5,531,983	4,786,667
<b>CFGB ACCOUNT</b> (note 5)	687,932	1,149,673
<b>INTANGIBLE ASSETS</b> (note 7)	8,442	17,652
<b>CAPITAL ASSETS</b> (note 8)	<u>-</u>	<u>4,361</u>
	<u>\$ 6,228,357</u>	<u>\$ 5,958,353</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (note 9)	\$ 107,125	\$ 132,206
Due to the PAOC (notes 4 and 9)	<u>83,638</u>	<u>37,627</u>
	<u>190,763</u>	<u>169,833</u>
<b>FUND BALANCES</b>		
<b>OPERATIONS - UNRESTRICTED</b>	356,898	362,105
<b>INTERNALLY RESTRICTED</b>	599,261	599,261
<b>EXTERNALLY RESTRICTED - DESIGNATED FUNDS</b>	4,393,503	3,677,481
<b>CFGB ACCOUNT</b> (note 5)	<u>687,932</u>	<u>1,149,673</u>
	<u>6,037,594</u>	<u>5,788,520</u>
	<u>\$ 6,228,357</u>	<u>\$ 5,958,353</u>

**APPROVED BY THE BOARD OF DIRECTORS:**



Len Hummel - Audit and Finance  
Committee Chair



Murray Cornelius - Board Chair

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**  
**CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Operations	Internally restricted	Designated funds	CFGB Account (note 5)	Total 2018  (12 months)	Total 2017 (note 13)  (9 months)
<b>FUND BALANCES, beginning of year</b>	\$ 362,105	\$ 599,261	\$ 3,677,481	\$ 1,149,673	\$ 5,788,520	\$ 5,842,860
(Deficiency) Excess of revenue over expenditures for the year	(17,707)	-	728,522	(461,741)	249,074	(54,340)
Interfund transfers (note 12)	<u>12,500</u>	<u>-</u>	<u>(12,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<b><u>\$ 356,898</u></b>	<b><u>\$ 599,261</u></b>	<b><u>\$ 4,393,503</u></b>	<b><u>\$ 687,932</u></b>	<b><u>\$ 6,037,594</u></b>	<b><u>\$ 5,788,520</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**  
**CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Operations (note 4)	Designated funds	CFGB Account (note 5)	Total 2018 (12 months)	Total 2017 (note 13) (9 months)
<b>REVENUE</b>					
Child sponsorships	\$ 680,378	\$ 3,722,611	\$ -	\$ 4,402,989	\$ 2,923,821
Donations	718,073	2,152,122	-	2,870,195	1,843,072
Cash and grain contributions	-	-	387,074	387,074	152,595
GAC grants and other	62,369	-	2,156,866	2,219,235	1,837,859
Incoming transfers within CFGB account	-	-	565,743	565,743	222,149
Bequests	34,145	26,411	-	60,556	121,737
Other	<u>122,620</u>	<u>10,517</u>	<u>-</u>	<u>133,137</u>	<u>84,259</u>
	<u>1,617,585</u>	<u>5,911,661</u>	<u>3,109,683</u>	<u>10,638,929</u>	<u>7,185,492</u>
<b>EXPENDITURES</b>					
Child sponsorships disbursed	176,693	3,749,687	-	3,926,380	2,590,447
Crisis response	23,554	499,848	-	523,402	621,566
Community development	43,993	933,604	-	977,597	368,190
CFGB projects (including GAC grants)	-	-	2,934,118	2,934,118	2,038,531
Outgoing transfers within CFGB account	<u>-</u>	<u>-</u>	<u>637,306</u>	<u>637,306</u>	<u>606,860</u>
	244,240	5,183,139	3,571,424	8,998,803	6,225,594
Resource development (note 10)	836,546	-	-	836,546	582,888
Support services (note 10)	<u>554,506</u>	<u>-</u>	<u>-</u>	<u>554,506</u>	<u>431,350</u>
	<u>1,635,292</u>	<u>5,183,139</u>	<u>3,571,424</u>	<u>10,389,855</u>	<u>7,239,832</u>
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>	<u>\$ (17,707)</u>	<u>\$ 728,522</u>	<u>\$ (461,741)</u>	<u>\$ 249,074</u>	<u>\$ (54,340)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<b>2018</b> <i>(12 months)</i>	<b>2017</b> <i>(9 months)</i>
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenditures for the year	\$ 249,074	\$ (54,340)
Items not involving cash		
Amortization of capital and intangible assets	13,571	10,178
Income from CFGB's ERDO-PAOC equity account, net of transfers from ERDO	<u>461,741</u>	<u>432,788</u>
	724,386	388,626
Net change in working capital		
Accounts receivable	35,282	291,012
Prepaid expenses	1,833	(8,328)
Due to the PAOC	46,011	129,849
Accounts payable and accrued liabilities	<u>(25,081)</u>	<u>(142,658)</u>
	<u>782,431</u>	<u>658,501</u>
<b>INVESTING ACTIVITIES</b>		
Transfers from ERDO to CFGB account	-	(714,225)
Changes in restricted cash	364,391	(463,391)
Changes in restricted term deposits	<u>(1,100,000)</u>	<u>300,000</u>
	<u>(735,609)</u>	<u>(877,616)</u>
<b>CHANGE IN CASH DURING THE YEAR</b>	46,822	(219,115)
<b>CASH, BEGINNING OF YEAR</b>	<u>399,672</u>	<u>618,787</u>
<b>CASH, END OF YEAR</b>	<u>\$ 446,494</u>	<u>\$ 399,672</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**1. PURPOSE OF ORGANIZATION**

ERDO (Emergency Relief and Development Overseas), or 'the organization', was established to provide compassionate response internationally to basic human needs where there is poverty, disaster and injustice. Its primary activities are:

- Crisis response;
- A child sponsorship program, known as ChildCARE Plus;
- Community development

Funds for some crisis response and community development programs are generated by Canadian farm-based growing projects and the organization's partnership with Canadian Foodgrains Bank Association Inc. (CFGB). This partnership gives access to funds from Global Affairs Canada (GAC), which enhances the capacity for effective food assistance and food security overseas.

The organization is governed by an elected board of directors. The board directs and monitors organizational performance and is responsible for its strategic direction, policy decisions and financial accountability. The board reports to its corporate members on an annual basis to ensure the agreed upon organizational outcomes are being fulfilled.

**2. CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements include ERDO, SIPHO, ERDO Foundation and ERDO Services Inc., together operating as ERDO (Emergency Relief and Development Overseas). ERDO, SIPHO and ERDO Foundation are not for profit corporations without share capital, incorporated under the laws of Canada in 2003 and registered as Canadian charities with the Canada Revenue Agency. As such, they are exempt from income taxes under the Income Tax Act (Canada). ERDO Services Inc. is a not for profit corporation without share capital, incorporated under the laws of Canada in 2003.

Historically, ERDO operated as a department of the Pentecostal Assemblies of Canada (PAOC) - International Missions Division. Effective December 1, 2005, ERDO began to operate as a corporate entity distinct from the PAOC and its related assets were transferred from the PAOC to ERDO. These consolidated financial statements include the results of ERDO's operations for the year ended September 30, 2018. Currently, SIPHO, ERDO Foundation and ERDO Services Inc. are inactive.

ERDO's international program work involves the receipt of designated donations, followed by the design and implementation of effective program responses to facilitate the disbursement of those donations. Depending on timing, amounts from one fiscal period can be carried over for disbursement in a subsequent fiscal period, producing a surplus in one period followed by a deficit in a subsequent period.

The partnership interest in CFGB joint arrangement is accounted for using the equity method.

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not for profit organizations (ASNPO) (Part III of the Chartered Professional Accountants of Canada (CPA Canada) Handbook, as issued by the Canadian Accounting Standards Board). The consolidated financial statements include the following significant accounting policies:

(a) FUND ACCOUNTING

The organization's funds are comprised of the following:

- The operations fund consists of donations, other revenues and related expenditures pertaining to the operations of the organization, which are not included in designated funds or in the CFGB fund. The fund also reports the assets, revenue and expenditures related to ERDO's capital and intangible assets.
- The internally restricted fund accounts for activities for which the use of the funds is restricted by the board. The internally restricted fund may only be used for strategic initiatives with specific approval from the board of directors.
- Designated funds include donations designated by contributors for specific projects, child sponsorships and gifts for children and related program expenditures.
- CFGB Account reports cash and grain contributions, as well as GAC grants and other revenue and related program expenditures pertaining to the organization's partnership with the CFGB.

(b) REVENUE RECOGNITION

ERDO follows the restricted fund method of accounting for contributions. Child sponsorships, donations, and bequests are recognized as revenue in the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

GAC grants relating to CFGB are recognized as received or receivable when the related funds are expended.

(c) RESTRICTED CASH AND TERM DEPOSITS

Restricted cash and term deposits consist of funds in the internally restricted and the designated fund balances.

(d) CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. The amortization method and the estimate of the useful life of a capital asset are reviewed on a regular basis. Amortization commences in the year the asset is purchased and the cost is amortized over the estimated useful lives on a straight-line basis as follows:

Computer hardware	2 year straight-line
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The organization follows a minimum capitalization threshold of \$5,000.

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

(e) INTANGIBLE ASSETS

Intangible assets acquired individually or as a part of a group of other assets are initially recognized and measured at cost. The amortization methods and estimated useful lives of intangible assets are reviewed annually. ERDO's intangible assets consist of computer software. Amortization commences in the year the asset is purchased or put in use and the cost is amortized over the estimated useful lives on a straight line basis as follows:

Computer software	3 year straight-line
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The organization follows a minimum capitalization threshold of \$5,000.

(f) IMPAIRMENT OF LONG-LIVED ASSETS

An impairment charge is recognized for long-lived assets whenever an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the assets and the carrying value.

(g) FOREIGN OPERATIONS, ASSETS AND MEASUREMENT UNCERTAINTY

The organization has consistently followed the policy of expensing all costs for overseas operations, and property and equipment, through its overseas project expenditures, unless these amounts represent advances that are to be repaid to the organization. This policy is based on the practice that such assets, while generally redeployable under the direction of the organization's board, are not always accessible for redeployment due to foreign property titling regulations and international fund transfer and foreign currency exchange limitations. While the organization may specifically assign title to national overseas partners, it generally retains control of title while considering an orderly transfer of assets to stable national overseas partners. Accordingly, these assets and operations are not included in the consolidated financial statements.

(h) CONTRIBUTED SERVICES

The value of contributed services is not reflected in these consolidated financial statements as the fair value of these services cannot be reasonably estimated.

(i) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The organization initially measures its financial assets and financial liabilities at fair value. The organization subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired.

Transaction costs relating to financial assets and liabilities not carried at fair value are capitalized and amortized on a straight-line basis over the useful life of the related financial instrument.

Financial assets and financial liabilities measured at amortized cost include cash and restricted cash, restricted term deposits, due to the PAOC, accounts receivable and accounts payable and accrued liabilities.

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

(j) USE OF ESTIMATES

The preparation of consolidated financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates as additional information becomes available in the future.

**4. RELATED PARTY TRANSACTIONS**

Due to (from) the PAOC

The organization is related to the PAOC through the membership level of the organization. In addition, two of the members of the board of directors of the organization are also Executive Officers of the PAOC. The organization has a covenant/partnership agreement with the PAOC that identifies mutually agreed on goals and defines a scope of services provided by the PAOC.

The amounts due to the PAOC are unsecured, non-interest bearing, with no set terms of repayment. The payable balance as at September 30, 2018 (payable balance as at September 30, 2017) represents the net of donations collected by the PAOC on behalf of ERDO and the amounts owed to the PAOC for expenses incurred on behalf of ERDO.

Included in expenditures is \$190,782 (September 2017 - \$176,221) paid by the organization to the PAOC in fulfillment of the services agreed on in the partnership agreement.

Term deposits held with Pentecostal Financial Services Group

There are \$2.85 million (September 2017 - \$2.35 million) of term deposits held with Pentecostal Financial Services Group (PFSG), a wholly owned subsidiary of PAOC. PFSG is the financial arm of the PAOC that assists churches to fund their capital projects. PFSG obtains its funding through interest bearing certificate loans that are offered to private investors. These on demand loans have maturity dates ranging from October 1, 2018 to February 1, 2023 and interest rates ranging from 2.52% to 3.75% and are secured by first mortgages and preferred shares issued by the PAOC.

The above transactions are recorded at their exchange amount, which is the amount agreed on by the two parties.

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**5. CANADIAN FOODGRAINS BANK ASSOCIATION INC.**

The organization is one of 15 members in Canadian Foodgrains Bank (CFGB). ERDO has a 4.60% equity interest in the internally restricted member funds held in CFGB at September 30, 2018 (September 30, 2017 - 8.81%). CFGB, with support from its partners and GAC, provides support to developing countries. The amount in the CFGB account is maintained under the guidance and control of the mandate of CFGB as a registered Canadian charity in partnership with the Canadian government for international food assistance. As part of the operating agreement, should the organization ever cease to be a member, the balance with CFGB is non-refundable and remains with CFGB, to be directed to other equity partners as project needs arise.

The objective is to create an equity account for each member which is used for food programming and projects that would suit the organization's purposes alongside the PAOC Mission's focus. For approved food assistance programming based on compliance with government standards, the organization typically receives matching funds from GAC. This requires the organization to invest other resources in necessary staffing as CFGB equity cannot be used for the organization's own staffing or organizational costs.

The CFGB account represents residual funds held by CFGB for the organization. The balance and results of operations related to CFGB were extracted from the September 30, 2018 internal records of CFGB. CFGB has a year end of March 31 and the most recent auditor report offered an unqualified opinion. The accounting policies followed by CFGB are consistent with the accounting policies followed by ERDO, except for the revenue recognition of GAC grants, which are recorded as revenue when the related funds are expended.

**6. RESTRICTED TERM DEPOSITS**

Restricted term deposits are comprised of the following:

	<b>2018</b>	<b>2017</b>
Pentecostal Financial Services Group (note 4)	\$ 2,850,000	\$ 2,350,000
Restricted term deposits, maturity dates ranging from October 2018 to July 2019, interest ranging from 1.05% to 1.95%	<u>1,225,000</u>	<u>625,000</u>
	<u>\$ 4,075,000</u>	<u>\$ 2,975,000</u>

**7. INTANGIBLE ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2018</b>	<b>Net 2017</b>
Computer software	\$ <u>74,625</u>	\$ <u>66,183</u>	\$ <u>8,442</u>	\$ <u>17,652</u>

**8. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net 2018</b>	<b>Net 2017</b>
Computer hardware	\$ <u>8,722</u>	\$ <u>8,722</u>	\$ <u>-</u>	\$ <u>4,361</u>

**9. GOVERNMENT REMITTANCES PAYABLE**

At year end, the organization had remittances payable to the government of \$21,500 (September 2017 - \$18,718), where \$19,900 (September 2017 - \$17,319) is included in due from/to PAOC and \$1,600 (September 2017 - \$1,399) is included in accounts payable and accrued liabilities.

**ERDO (EMERGENCY RELIEF AND DEVELOPMENT OVERSEAS)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**10. ALLOCATION OF EXPENSES**

The organization is engaged in providing international assistance programs. The costs of each program include the costs of personnel and other expenses that relate to providing the programs. In addition, the organization allocates the amortization and administration service costs from the PAOC (note 4) based on the head count of ERDO employees who are directly involved in providing the program services.

	<b>2018</b> <i>(12 months)</i>	<b>2017</b> <i>(9 months)</i>
Resource development		
Amortization of capital and intangible assets	\$ 11,390	\$ 8,542
Administration services	<u>92,862</u>	<u>66,083</u>
	<u>\$ 104,252</u>	<u>\$ 74,625</u>
Support services		
Amortization of capital and intangible assets	\$ 1,174	\$ 881
Administration services	<u>47,278</u>	<u>35,583</u>
	<u>\$ 48,452</u>	<u>\$ 36,464</u>

**11. FINANCIAL RISK MANAGEMENT**

The main risks to which the organization's financial instruments are exposed are as follows:

Foreign exchange risk

Foreign exchange risk arises from the difference between the Canadian dollar and the operating currency of the foreign country in which the organization carries out its activities. The risk in this area is considered to be low.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk primarily through its term deposits with various financial institutions and PFSG (note 6). Management considers the credit risk to be low as the organization only places its investments with reputable and financially stable organizations.

Liquidity risk

The organization believes it has low to moderate liquidity risk given the makeup of its accounts payable and accrued liabilities.

Interest rate risk

The term deposits bear interest at a fixed rate and, as such, are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. Management believes the risk is low.

**12. INTERFUND TRANSFERS**

The organization had material interfund transfers during the period which resulted in \$12,500 being transferred from the designated fund to the operations fund.

**13. COMPARATIVE FIGURES**

Certain figures presented for comparative purposes have been reclassified to conform to the current year's presentation.