

Audited Financial Statements



**SOCIAL AND
ENVIRONMENTAL
ENTREPRENEURS**

December 31, 2018

Quigley & Miron

Social & Environmental Entrepreneurs
Audited Financial Statements
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December 31, 2018

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Independent Auditor's Report

Board of Directors
Social & Environmental Entrepreneurs
Calabasas, California

We have audited the accompanying financial statements of Social & Environmental Entrepreneurs (SEE), a nonprofit organization, which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Social & Environmental Entrepreneurs as of December 31, 2018 and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Los Angeles, California
November 15, 2019

A handwritten signature in black ink that reads "Ziegler & Miron". The signature is written in a cursive, flowing style.

Social & Environmental Entrepreneurs
Statement of Financial Position
December 31, 2018

Assets

Current Assets

Cash and cash equivalents	\$ 10,323,298
Grants and contributions receivable—Note 3	2,255,346
Investments—Note 4	1,214,014
Other current assets	<u>67,187</u>

Total Assets \$ 13,859,845

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	<u>\$ 361,851</u>
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Total Liabilities 361,851

Commitments and Contingencies—Note 5

Net Assets

Without donor restrictions	1,173,172
With donor restrictions—Note 6	<u>12,324,822</u>

Total Net Assets 13,497,994

Total Liabilities and Net Assets \$ 13,859,845

See notes to financial statements.

Social & Environmental Entrepreneurs
Statement of Activities
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Support			
Contributions	\$ 55,657	\$ 21,940,955	\$ 21,996,612
Total Support	55,657	21,940,955	21,996,612
Net assets released from restrictions	19,536,840	(19,536,840)	
Total Support and Net Assets Released from Restrictions	19,592,497	2,404,115	21,996,612
Expenses			
Fiscal sponsorship services	18,286,612		18,286,612
Management and general	935,383		935,383
Total Expenses	19,221,995		19,221,995
Change in Net Assets From Operations	370,502	2,404,115	2,774,617
Nonoperating Activities			
Investment return, net		86,392	86,392
Total Nonoperating Activities		86,392	86,392
Change in Net Assets	370,502	2,490,507	2,861,009
Net Assets at Beginning of Year	802,670	9,834,315	10,636,985
Net Assets at End of Year	\$ 1,173,172	\$ 12,324,822	\$ 13,497,994

See notes to financial statements.

Social & Environmental Entrepreneurs
Statement of Functional Expenses
Year Ended December 31, 2018

Expenses	Fiscal Sponsorship Services	Management and General	Total
Salaries and wages	\$ 4,978,147	\$ 537,161	\$ 5,515,308
Payroll taxes	423,930	40,374	464,304
Workers' compensation insurance and other employee benefits	332,249	43,331	375,580
Total Personnel	5,734,326	620,866	6,355,192
Advertising and promotion	64,679	180	64,859
Community relations	102,257		102,257
Contractor and professional fees	4,932,451	141,760	5,074,211
Equipment purchases, rental and maintenance	209,533	7,606	217,139
Grants made:			
To Peer-2-Peer Fund supported organizations	420,000		420,000
To project-based collaborative organizations	1,024,155		1,024,155
To spun-off and transferred projects	773,298		773,298
From donor-advised funds	2,095,075		2,095,075
Insurance	17,117	51,352	68,469
Occupancy	415,843	41,624	457,467
Postage and shipping	15,511	5,188	20,699
Printing and publications	60,558	4,242	64,800
Supplies and miscellaneous	508,020	24,656	532,676
Telephone	152,610	13,915	166,525
Travel, conferences, and meetings	1,761,179	23,994	1,785,173
Total Non-Personnel	12,552,286	314,517	12,866,803
Total Expenses	\$ 18,286,612	\$ 935,383	\$ 19,221,995

See notes to financial statements.

Social & Environmental Entrepreneurs
Statement of Cash Flows
Year Ended December 31, 2018

Cash Flows from Operating Activities

Change in net assets	\$ 2,861,009
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Loss on investments	449
Changes in operating assets and liabilities:	
Grants and contributions receivable	(1,112,374)
Other current assets	(59,871)
Accounts payable and accrued expenses	76,707

Net Cash Provided by Operating Activities 1,765,920

Cash Flows from Investing Activities

Purchases of investments	(353,618)
Proceeds from sales of investments	2,461,504

Net Cash Provided by Investing Activities 2,107,886

Net Increase in Cash and Cash Equivalents 3,873,806

Cash and Cash Equivalents
at Beginning of Year

6,449,492

Cash and Cash Equivalents at End of Year \$ 10,323,298

Supplementary Disclosures

Cash paid during the year for:

Income taxes	\$ -
Interest	\$ -

See notes to financial statements.

Social & Environmental Entrepreneurs
Notes to Financial Statements
Year Ended December 31, 2018

Note 1—Organization and Summary of Significant Accounting Policies

Organization—Social & Environmental Entrepreneurs (SEE) was initiated in 1994 as a nonprofit administrative structure for grassroots projects. In addition to providing necessary administrative services, this structure is a model of activist empowerment and mutual support. Through the years, SEE has grown to encompass over 150 projects, from one-person, start-up volunteer efforts to full-scale, long-term operations.

SEE's projects are funded primarily by grants from foundations, corporations, and government agencies, contributions from individuals, and earnings on investments. The management and general operations of SEE are funded primarily by administrative fees charged on project revenues.

Financial Statement Presentation—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. SEE has adopted ASU No. 2016-14 for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. SEE's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of SEE and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of SEE. These net assets may be used at the discretion of SEE's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of SEE and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit SEE to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Since the contributions relate to the various projects of SEE, essentially all contributions are net assets with donor restrictions. When a donor restriction expires, as the monies are spent, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as released from restrictions. Net assets with donor restrictions at December 31, 2018 consisted of amounts restricted to funding specific expenses in future periods.

Social & Environmental Entrepreneurs
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to SEE’s ongoing fiscal sponsorship services and interest and dividends earned investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more usual or nonrecurring nature.

Income Taxes—SEE is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, SEE has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘*more likely than not*’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2018. Generally, SEE’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—SEE considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash consists of balances in checking and savings accounts at banks.

Grants and Contributions Receivable—Grants and contributions receivable that are expected to be collected within one year are recorded at net realizable value upon receipt of the award. Grants and contributions receivable that are expected to be collected in future years are recorded at fair value at the time of the award. SEE measures fair value of contributions receivable in more than one year as the present value of expected future cash flows. Amortization of the associated discount is included in contributions revenue. Management provides for probably uncollectible amounts based on its assessment of recent collection history and current donor relationships.

Conditional contributions are not included as support until the conditions on which they depend are substantially met.

Contributions—Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Investments—Investments are valued at fair market value. Investment income, gains, and losses are reported as unrestricted income unless use of the earnings is restricted by the donor.

Social & Environmental Entrepreneurs
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Property and Equipment—Property, furniture, and equipment are stated at cost. Acquisitions in excess of \$3,000 are capitalized. Property, furniture, and equipment are depreciated on the straight-line method using useful lives ranging from five to 31.5 years. At December 31, 2018, SEE had no capitalized property and equipment.

Concentration of Credit Risk—Financial instruments which potentially subject SEE to concentrations of credit risk consist of cash and cash equivalents, and grants receivable. SEE places its cash and cash equivalents with two high quality financial institutions, where accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such cash and cash equivalent balances are in excess of the FDIC/SIPC insurance limits. At December 31, 2018, cash balances exceeded the FDIC insurance limits by approximately \$9,894,140. Management regularly reviews the financial stability of its cash and money market fund depositories and deems the risk of loss due to these concentrations to be minimal.

Grants and contributions receivable consist of balances from foundations, businesses, and individuals. Collection losses related to contributions receivable have historically been immaterial and management has concluded that, based on its review of balances outstanding, a valuation allowance from selected receivable balances is not necessary.

Revenue Recognition—Revenues from grants are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as contributions receivable. Amounts received in excess of amounts expended are recorded as temporarily restricted net assets.

Functional Expenses—The financial statements report all categories of expenses directly either to a fiscally sponsored project as part of the program services function or to SEE operations as part of the management and general supporting services function.

Donated Services—A substantial number of volunteers have donated a significant number of hours devoted to SEE's program services, management and general, and fundraising activities. However, these donated services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under current accounting standards.

Use of Estimates—The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Social & Environmental Entrepreneurs
Notes to Financial Statements—Continued

Note 2—Availability and Liquidity

The following represents the availability and liquidity of SEE's financial assets at December 31, 2018 to cover operating expenses for the next fiscal year:

Financial assets		
Cash and cash equivalents	\$	10,323,298
Grants and contributions receivable		2,255,346
Investments		1,214,014
		<hr/>
	Total Financial Assets	13,792,658
Less amounts not available to be used within one year:		
Net assets with donor restrictions		
Restricted due to purpose		
Animal welfare projects		(311,530)
Civic engagement projects		(1,160,001)
Community development projects		(2,675,200)
Donor-advised funds		(709,643)
Environmental sustainability projects		(1,856,238)
Health and food projects		(1,090,970)
Human rights projects		(3,276,892)
Youth development projects		(1,244,348)
		<hr/>
	Total Amounts Not Available to be Used Within One Year	(12,324,822)
		<hr/>
	Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$ 1,467,836

SEE's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$250,000). SEE operates within a prudent range of financial soundness and stability to support the ongoing fulfillment of its mission.

Note 3—Grants and Contributions Receivable

Grants and contributions receivable at December 31, 2018 consist of the following:

<u>Year Ending December 31,</u>		
2019	\$	1,800,346
2020		455,000
		<hr/>
Total	\$	2,255,346

Social & Environmental Entrepreneurs
Notes to Financial Statements—Continued

Note 3—Grants and Contributions Receivable—Continued

There was no allowance for doubtful accounts at December 31, 2018. The present value discount at December 31, 2018, was considered to not be material by management and, thus, not recorded.

Grants and contributions receivable at December 31, 2018 by both funder and net asset categories consist of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Foundations and other nonprofit organizations	\$	\$ 1,998,668	\$ 1,998,668
Businesses, individuals, and government agencies	5,300	251,378	256,678
Totals	<u>\$ 5,300</u>	<u>\$ 2,250,046</u>	<u>\$ 2,255,346</u>

For detail on the composition of net assets with donor restrictions, see Note 6.

Note 4—Investments and Fair Value Measurements

In determining the fair value of investments, SEE, in accordance with ASU No. 2015-07, utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. SEE determines fair value based on assumption that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the Organization at the measurement date.

Level 2—Valuations based on observable inputs (other than Level 1) such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment. SEE had no Level 3 assets or liabilities at December 31, 2018.

SEE may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by SEE to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. At December 31, 2018, SEE had no investments for which fair value was estimated at NAV.

Social & Environmental Entrepreneurs
Notes to Financial Statements—Continued

Note 4—Investments and Fair Value Measurements—Continued

Fair values of assets and liabilities on a recurring basis at December 31, 2018 consist of investments, detailed as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 817,684	\$	\$ 817,684
Mutual funds			
Bond funds			
Intermediate Government	53,603	53,603	
Short-term	47,144	47,144	
World	197,940	197,940	
Equity funds			
Diversified emerging markets	12,956	12,956	
Foreign large blend	15,089	15,089	
Foreign small/mid value	4,958	4,958	
Global real estate	13,366	13,366	
Large blend	46,350	46,350	
Small value	4,924	4,924	
Totals	<u><u>\$ 1,214,014</u></u>	<u><u>\$ 396,330</u></u>	<u><u>\$ 817,684</u></u>

Note 5—Commitments and Contingencies

SEE leases office facilities in Calabasas, California under two separate non-cancellable rental agreements which expired May 31, 2019 and September 30, 2019, respectively. In 2019, SEE negotiated extensions to each rental agreement resulting in new expiration dates of May 31, 2024 and September 30, 2021, respectively. The future minimum annual rental commitments by year for these leases are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 39,290
2020	40,324
2021	37,390
2022	25,615
2023	26,639
Thereafter	<u>11,281</u>
Total	<u><u>\$ 180,539</u></u>

Office facilities rental expense for the year ended December 31, 2018 was approximately \$38,000.

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting a grant and its terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

Social & Environmental Entrepreneurs
Notes to Financial Statements—Continued

Note 6—Net Assets with Donor Restrictions

Net assets with donor restrictions for the year ended December 31, 2018 are as follows:

Subject to expenditure for specified purpose:

Fiscal sponsorship services	
Animal welfare projects	\$ 306,780
Civic engagement projects	867,989
Community development projects	2,045,465
Donor-advised funds	709,643
Environmental sustainability projects	1,774,851
Health and food projects	699,770
Human rights projects	2,565,726
Youth development projects	1,104,552

Promises to give, the proceeds from which have been restricted by donors for:

Fiscal sponsorship services	
Animal welfare projects	4,750
Civic engagement projects	292,012
Community development projects	629,735
Environmental sustainability projects	81,387
Health and food projects	391,200
Human rights projects	711,166
Youth development projects	139,796

Total Subject to Expenditure for Specified Purpose \$ 12,324,822

Net assets released from donor restrictions for the year ended December 31, 2018 are as follows:

Satisfaction of purpose restrictions:

Fiscal sponsorship services	
Animal welfare projects	\$ 213,224
Civic engagement projects	3,284,440
Community development projects	2,885,422
Donor-advised funds	2,071,671
Environmental sustainability projects	3,744,195
Health and food projects	1,218,759
Human rights projects	4,476,841
Youth development projects	1,642,288

Total \$ 19,536,840

SEE administers various “donor-advised funds.” A donor-advised fund is a separately-identified fund established by a donor or group of donors with an instrument of gift describing the general or specific purposes of the funds; is owned and controlled by a sponsoring organization (SEE); and allows a donor, or person designated by the donor, advisory privileges with respect to the distribution of the charitable funds.

Social & Environmental Entrepreneurs
Notes to Financial Statements—Continued

Note 7—Recent Accounting Pronouncements

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for SEE in 2020; early adoption is permitted. SEE is currently evaluating the impact that the adoption of ASU No. 2016-02 will have on its financial statements.

Cash Classification—In August 2016, FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 addresses various classification issues related to the statements of cash flows. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. SEE is currently evaluating the impact that the adoption of ASU No. 2016-15 will have on its financial statements.

Restricted Cash—In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities will be required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. SEE is currently evaluating the impact that the adoption of ASU No. 2016-15 will have on its financial statements.

Contributions—In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) will account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation (“simultaneous release” option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU No. 2018-08 is effective for resource recipients with fiscal years beginning after December 15, 2018, and for resource providers with fiscal years beginning after December 15, 2019; early adoption is permitted. SEE is currently evaluating the impact that the adoption of ASU No. 2018-08 will have on its financial statements.

Social & Environmental Entrepreneurs
Notes to Financial Statements—Continued

Note 8—Subsequent Events

Management evaluated all activities of SEE through November 15, 2019, which is the date the financial statements were available to be issued. In 2019, SEE negotiated extensions to two office facilities rental agreements, described in Note 5. Management has determined that there were no other material subsequent events that would require recognition in the financial statements or disclosure in the notes to the financial statements.