

**ALZHEIMER'S FOUNDATION
OF AMERICA**

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2015

ALZHEIMER'S FOUNDATION OF AMERICA

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**Board of Directors
Alzheimer's Foundation of America**

Report on the Financial Statements

We have audited the accompanying statement of financial position of Alzheimer's Foundation of America as of December 31, 2015, 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 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. 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 Alzheimer's Foundation of America as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As further described in Note 1 to the financial statements, on September 30, 2015, Alzheimer's Foundation of America and Long Island Alzheimer's Foundation, Inc. agreed to rescind and unwind the transaction entered into on August 1, 2014, so as to put each corporation in the same status of separation and independence as existed immediately prior to the consummation of the transaction.

Loeb & Troper LLP

August 22, 2016

ALZHEIMER'S FOUNDATION OF AMERICA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS

Cash and cash equivalents	\$ 7,946,782
Investments (Note 2)	335,602
Contributions receivable - current	281,162
Prepaid expenses	57,304
Security deposits	20,433
Fixed assets - net (Note 3)	<u>102,462</u>
Total assets	<u><u>\$ 8,743,745</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 324,111
Vacation payable	41,377
Deferred revenue	<u>51,000</u>
Total liabilities	<u>416,488</u>
Net assets (Exhibit B)	
Unrestricted	7,205,891
Temporarily restricted (Note 4)	671,366
Permanently restricted (Note 4)	<u>450,000</u>
Total net assets	<u>8,327,257</u>
Total liabilities and net assets	<u><u>\$ 8,743,745</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S FOUNDATION OF AMERICA

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support				
Contributions	\$ 6,419,408	\$ 116,438		\$ 6,535,846
Special events	\$ 199,870			
Less direct cost of special events	<u>(75,054)</u>	124,816		124,816
Membership dues	71,200			71,200
Investment income (Note 2)	20,772	32		20,804
Program income	78,581			78,581
Grants	143,720			143,720
In-kind contributions	4,311,272			4,311,272
Net assets released from restrictions (Note 4)	<u>726,429</u>	<u>(726,429)</u>		
Total revenues, gains and other support	<u>11,896,198</u>	<u>(609,959)</u>		<u>11,286,239</u>
Expenses (Exhibit C)				
Program services - public awareness and support Alzheimer's Foundation of America	<u>8,728,787</u>			<u>8,728,787</u>
Supporting services				
Management and general	750,014			750,014
Fund raising	<u>462,964</u>			<u>462,964</u>
Total supporting services	<u>1,212,978</u>			<u>1,212,978</u>
Total expenses	<u>9,941,765</u>			<u>9,941,765</u>

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ALZHEIMER'S FOUNDATION OF AMERICA

EXHIBIT B

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Change in net assets before other changes	\$ 1,954,433	\$ (609,959)		\$ 1,344,474
Other changes				
Demerger of net assets of Long Island Alzheimer's Foundation, Inc. (Note 1)	<u>(1,131,613)</u>	<u>(20,000)</u>		<u>(1,151,613)</u>
Change in net assets (Exhibit D)	822,820	(629,959)		192,861
Net assets - beginning of year	<u>6,383,071</u>	<u>1,301,325</u>	\$ <u>450,000</u>	<u>8,134,396</u>
Net assets - end of year (Exhibit A)	<u>\$ 7,205,891</u>	<u>\$ 671,366</u>	<u>\$ 450,000</u>	<u>\$ 8,327,257</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S FOUNDATION OF AMERICA

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services - Public			Direct Costs of Special Events	
	Awareness and Support	Management and General	Fund Raising		Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Salaries	\$ 1,340,319	\$ 156,799	\$ 149,069		\$ 1,646,187
Payroll taxes and benefits	231,826	27,121	25,784		284,731
Professional fees	533,752	334,557	8,071		876,380
Grant expense	779,580				779,580
Resource materials	253,743				253,743
Rent (Note 5)	109,088	46,926	12,121		168,135
Printing and postage	214,047	11,400	67,521		292,968
Advertising	594,490	15,725	148,622		758,837
Office expenses	62,252	29,517	9,004		100,773
Conferences	34,511				34,511
Utilities	7,801	963	867		9,631
Travel	46,999		2,474		49,473
Dues and subscriptions	20,874	1,263	26,778		48,915
Computer expense	59,790	7,382	6,643		73,815
Telephone	18,820	2,091	2,324		23,235
Catering and fees				\$ 75,054	75,054
Repairs and maintenance		24,217			24,217
Insurance	26,456	3,266	2,939		32,661

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ALZHEIMER'S FOUNDATION OF AMERICA

EXHIBIT C

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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services - Public Awareness and Support	Management and General	Fund Raising	Direct Costs of Special Events	Total
Bank charges and fees		\$ 68,413			\$ 68,413
In-kind media	\$ 4,311,272				4,311,272
Depreciation and amortization		19,544			19,544
Miscellaneous	83,167	830	\$ 747		84,744
Total expenses	8,728,787	750,014	462,964	\$ 75,054	10,016,819
Less expenses deducted directly from revenues on the statement of activities					
Direct cost of special events				(75,054)	(75,054)
Total expenses as reported by function in the statement of activities (Exhibit B)	\$ 8,728,787	\$ 750,014	\$ 462,964	\$ -	\$ 9,941,765

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S FOUNDATION OF AMERICA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 192,861
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	19,544
Net realized and unrealized gains	(11,953)
Net activity from demerger of net assets of Long Island Alzheimer's Foundation, Inc.	1,151,613
Decrease (increase) in assets	
Contributions receivable	(9,971)
Prepaid expenses	107,531
Security deposits	(500)
Increase in liabilities	
Accounts payable	88,490
Vacation payable	1,139
Deferred revenue	23,500
	<u>1,562,254</u>
Net cash provided by operating activities	<u>1,562,254</u>
Cash flows from investing activities	
Purchase of fixed assets	(52,545)
Purchase of investments	(116,325)
Proceeds from sales of investments	3,541
	<u>(165,329)</u>
Net cash used by investing activities	<u>(165,329)</u>
Net change in cash and cash equivalents	1,396,925
Cash and cash equivalents - beginning of year*	<u>6,549,857</u>
Cash and cash equivalents - end of year	<u>\$ 7,946,782</u>

* Excludes \$212,722 of cash and cash equivalents of Long Island Alzheimer's Foundation, Inc.

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ALZHEIMER'S FOUNDATION OF AMERICA

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

Supplemental disclosure of demerger of net assets of Long Island Alzheimer's Foundation, Inc.	
Cash and cash equivalents	\$ 212,722
Accounts and program receivables	113,900
Prepaid expenses	3,308
Fixed assets - net	930,995
Other assets	1,633
Liabilities disposed	
Accounts payable	(82,941)
Line of credit	<u>(28,004)</u>
Total net assets	\$ <u><u>1,151,613</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1 - NATURE OF ORGANIZATION

Alzheimer's Foundation of America (AFA) is a non-profit foundation comprised of member and associate member organizations across the United States dedicated to meeting the educational, social and emotional needs of individuals with Alzheimer's disease and their families and caregivers, as well as raising public awareness about the disease and lending expertise to healthcare professionals. The organization's primary sources of support are contributions.

Founded in 1988, Long Island Alzheimer's Foundation, Inc. (the "Organization") provides innovative support services for individuals with Alzheimer's disease and related dementias and their family caregivers in Nassau, Suffolk and Queens. The Organization's services include social adult day care programs, support groups for diagnosed individuals and caregivers, information and referral services, in-home respite services, brain fitness programs and Alzheimer's awareness, education and training. The Organization's primary sources of support are program income, contributions, grants and special events.

Effective August 1, 2014, Long Island Alzheimer's Foundation, Inc. entered into an agreement with Alzheimer's Foundation of America to become a subsidiary of AFA.

On September 30, 2015, Alzheimer's Foundation of America and Long Island Alzheimer's Foundation, Inc. entered into a contractual agreement for the best interest of each charity and their respective beneficiaries to rescind and unwind the transaction entered into on August 1, 2014, so as to put each corporation in the same status of separation and independence as existed immediately prior to the consummation of the transaction.

The Internal Revenue Service has determined that AFA and the Organization are exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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ALZHEIMER'S FOUNDATION OF AMERICA**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash and cash equivalents - Cash and cash equivalents consist of cash and highly liquid investments with maturity dates, when acquired, of three months or less.

Investments - Investments are recorded at fair value. AFA invests in various investment securities. These securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with the investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the market's fluctuations, and that such changes could materially affect AFA's financial statements.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which promises are received. Amortization of the discounts is included in contribution revenue. AFA determines whether an allowance for uncollectibles should be provided for contributions receivable. Such estimates are based upon management's assessment of the aging of its receivables, current economic conditions, subsequent receipts and historical information. Conditional promises to give are not included as support until the conditions are substantially met. There was no allowance as of December 31, 2015.

Fixed assets - Fixed assets in excess of \$500 with an estimated useful life of greater than one year are capitalized. Depreciation is taken on the straight-line method over the assets' estimated useful life of five years. Amortization of leasehold improvements is computed over the lesser of their estimated useful lives or the terms of the lease.

Deferred revenue - Prepayments for events in the upcoming year are reflected as deferred revenue and are recognized in the period they are earned. All deferred revenue is expected to be earned in the next fiscal year.

In-kind contributions/expenses - In-kind contributions consist of donated media which is recorded at its fair value at the date of donation as revenue and an equal amount of expense based upon market value as provided by the media vendors.

Net assets - Unrestricted net assets are those whose use by AFA has not been restricted by donors. Temporarily restricted net assets are those whose use by AFA has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by AFA in perpetuity.

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ALZHEIMER'S FOUNDATION OF AMERICA**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Grants and contributions - Unconditional grants and contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily restricted or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program income - Program income is recorded when services are provided.

Grants expense - Grants are expensed once approved by management.

Membership dues - Revenue for membership dues are recognized over the membership period.

Operating leases - Operating leases are straight-lined over the term of the lease. Deferred rent is recorded when there are material differences between the fixed payment and the rent expense. At December 31, 2015, no deferred rent was recorded.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services for which the costs have been incurred.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that AFA has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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ALZHEIMER'S FOUNDATION OF AMERICA**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements (continued)***

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 as compared to those used at December 31, 2014.

Common stock and exchange traded funds - Valued at the closing price reported on an active market on which the individual securities are traded.

Corporate bonds - Valued using pricing models maximizing the use of observable inputs for similar securities.

Mutual funds - Valued at the net asset value ("NAV") of shares held at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while AFA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the assets at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Corporate bonds		\$ <u>20,333</u>	\$ <u>20,333</u>
Common stock	\$ 39,569		
Consumer goods	8,715		
Media	36,182		
Financial	27,500		
Healthcare	16,469		
Transportation	21,487		
Industrials	35,431		
Technology	48,139		
Utilities	<u> </u>		
Total common stock	<u>233,492</u>		
Mutual funds - growth and income fund	29,129		
Exchange traded funds			
U.S. Small Cap	<u>27,662</u>		
Total investments reported on the fair value hierarchy	<u>\$ 290,283</u>	<u>\$ 20,333</u>	310,616
Cash and cash equivalents			<u>24,986</u>
Total investments			<u>\$ 335,602</u>

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Fair Value Measurements (continued)*

Investment income consists of:

Interest and dividend income	\$ 8,851
Net realized and unrealized gains	<u>11,953</u>
Total investment income	<u>\$ 20,804</u>

Advertising - Advertising costs are expensed as incurred.

Uncertainty in income taxes - AFA has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2012 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through August 22, 2016, which is the date the financial statements were available to be issued.

NOTE 3 - FIXED ASSETS

Leasehold improvements	\$ 43,569
Furniture and equipment	<u>289,318</u>
	332,887
Accumulated depreciation and amortization	<u>(230,425)</u>
	<u>\$ 102,462</u>

NOTE 4 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are those assets whose use has been limited by donors for a specific time or purpose.

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 4 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**(continued)**

Temporarily restricted net assets at December 31, 2015 are available for the following purposes:

National Memory Day Screening	\$ 2,889
Research grants	666,779
Unappropriated endowment earnings	<u>1,698</u>
	<u>\$ 671,366</u>

Net assets were released from donor restrictions by incurring expenses satisfying the following temporarily restricted purposes:

National Memory Day Screening	\$ 212,186
Leaders Engaged on Alzheimer's Disease	<u>514,243</u>
	<u>\$ 726,429</u>

Endowments - Permanently Restricted Net Assets

General - AFA's endowment consists of one donor-restricted endowment fund established to support activities of the organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

Management of AFA adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. AFA is governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7% of the average of its previous five years' balance. As a result of this interpretation, AFA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by AFA in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 4 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS
(continued)*Endowments - Permanently Restricted Net Assets (continued)***Changes in Endowment Net Assets for the Year Ended December 31, 2015**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,666	\$ 450,000	\$ 451,666
Interest	<u>32</u>	<u> </u>	<u>32</u>
Endowment net assets, end of year	<u>\$ 1,698</u>	<u>\$ 450,000</u>	<u>\$ 451,698</u>

Return Objectives, Strategies Employed and Spending Policy

AFA's current objective is to develop an investment policy that would protect the corpus of the endowment fund while earning investment income. As of December 31, 2015, AFA has maintained the funds in their money market funds while the policy is being formulated.

The earnings on endowments are recorded in the temporarily restricted fund until appropriated for expenditure.

Endowment Net Asset Composition by Type of Fund as of December 31, 2015

Investments to be held in perpetuity are as follows:

Operating purposes	\$ 450,000
Unappropriated earnings thereon	<u>1,698</u>
Total	<u>\$ 451,698</u>

Funds with Deficiencies

There are no funds with deficiencies.

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ALZHEIMER'S FOUNDATION OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 5 - LEASE COMMITMENTS

AFA leases space for its office under an operating lease which will expire April 30, 2020. AFA also leases satellite offices for storage space on a month-to-month basis. Rent expense for the year ended December 31, 2015 was \$168,135. AFA's future minimum rental commitments as of December 31, 2015 are as follows:

2016	\$ 194,454
2017	199,315
2018	204,298
2019	209,406
2020	214,641
Thereafter	<u>220,007</u>
	<u>\$ 1,242,121</u>

NOTE 6 - CONCENTRATIONS

Financial instruments which potentially subject AFA to a concentration of credit risk are cash and accounts in excess of FDIC insurance limits.

NOTE 7 - EMPLOYEE RETIREMENT PLAN

AFA has a 403(b) pension plan available to eligible employees. No contributions were made by the employer in 2015.

NOTE 8 - CONTINGENCY

There is pending litigation between Alzheimer's Disease and Related Disorders Association, Inc. (AA) and Alzheimer's Foundation of America of which the outcome is uncertain at this time. No accruals have been reflected in the financial statements.