



BBB Wise Giving Alliance

Financial Statements and Independent Auditor's Report

For the Years Ended December 31, 2020 and 2019

BBB Wise Giving Alliance

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BBB Wise Giving Alliance

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Independent Auditor's Report

Board of Directors
BBB Wise Giving Alliance
Arlington, Virginia

Opinion

We have audited the financial statements of BBB Wise Giving Alliance (BBB WGA), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BBB WGA as of December 31, 2020 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 required to be independent of BBB WGA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BBB WGA's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 BBB WGA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BBB WGA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Other Matter

Prior Period Financial Statements

The financial statements of BBB Wise Giving Alliance as of and for the year ended December 31, 2019 were audited by Hertzbach & Company, P.A. (Hertzbach), whose Maryland partners and professional staff joined BDO USA, LLP as of November 16, 2020. Hertzbach expressed an unmodified opinion on those financial statements in its report dated September 22, 2020.

BDO USA, LLP

Potomac, Maryland
January 27, 2022

Financial Statements

BBB Wise Giving Alliance
Statements of Financial Position

<i>December 31,</i>	2020	2019
Assets		
Cash	\$ 1,556,761	\$ 1,400,938
Accounts receivable, net	41,135	69,653
Prepaid expenses	25,480	23,799
Other assets	8,170	8,170
Equipment and software, net	109,802	78,140
Total assets	\$ 1,741,348	\$ 1,580,700
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 106,035	\$ 32,799
Contract liabilities	705,888	637,561
Total liabilities	811,923	670,360
Commitments and Contingencies		
Net assets		
Without donor restrictions	929,425	910,340
Total net assets	929,425	910,340
Total liabilities and net assets	\$ 1,741,348	\$ 1,580,700

See accompanying notes to the financial statements.

BBB Wise Giving Alliance

Statements of Activities

<i>Year Ended December 31,</i>	2020	2019
Revenues, gains, and other support		
Charity seal license fees	\$ 1,783,648	\$ 1,847,359
Grants and contributions	178,224	215,107
Grant - PPP loan	195,055	-
Publications	9,980	19,124
Interest income	90	-
Total revenues, gains, and other support	2,166,997	2,081,590
Expenses		
Program services:		
Charity reporting services	1,710,422	1,432,107
Other programs	143,482	402,308
Total program services	1,853,904	1,834,415
Supporting services:		
Management and general	229,484	125,911
Fundraising	64,524	45,853
Total supporting services	294,008	171,764
Total expenses	2,147,912	2,006,179
Change in net assets	19,085	75,411
Net assets, beginning of the year	910,340	834,929
Net assets, end of the year	\$ 929,425	\$ 910,340

See accompanying notes to the financial statements.

BBB Wise Giving Alliance

Statements of Functional Expenses

<i>Year Ended December 31, 2020</i>	Program Services		Supporting Services		Total
	Charity Reporting Services	Other Programs	Management and General	Fundraising	
Salaries and benefits	\$ 1,352,236	\$ 31,141	\$ 58,252	\$ 27,340	\$ 1,468,969
Professional services	72,666	6,802	82,615	781	162,864
Marketing	39,117	72,781	-	658	112,556
Information technology	71,206	1,587	47,135	1,440	121,368
Depreciaton and amortization	35,909	11,768	2,042	975	50,694
Occupancy	46,251	1,066	2,027	967	50,311
Wise Giving guide	49,457	-	-	-	49,457
Office expenses	18,514	670	17,717	1,372	38,273
Direct mail	-	-	-	30,741	30,741
Dues and subscriptions	17,715	1,873	10,888	224	30,700
Insurance	-	13,439	-	-	13,439
State registration fees	-	-	8,309	-	8,309
Storage	5,237	1,268	26	26	6,557
Conferences and events	1,183	957	460	-	2,600
Advertising and promotion	517	130	13	-	660
Travel	414	-	-	-	414
Total expenses	\$ 1,710,422	\$ 143,482	\$ 229,484	\$ 64,524	\$ 2,147,912

See accompanying notes to the financial statements.

BBB Wise Giving Alliance

Statements of Functional Expenses

<i>Year Ended December 31, 2019</i>	Program Services		Supporting Services		Total
	Charity Reporting Services	Other Programs	Management and General	Fundraising	
Salaries and benefits	\$ 1,079,927	\$ 230,308	\$ 26,896	\$ 27,275	\$ 1,364,406
Professional services	10,634	58,364	49,523	1,075	119,596
Marketing	50,241	44,244	95	-	94,580
Information technology	48,088	14,293	13,199	632	76,212
Depreciaton and amortization	57,932	12,426	1,451	1,472	73,281
Occupancy	41,593	11,349	1,188	1,072	55,202
Wise Giving guide	64,122	-	-	-	64,122
Office expenses	34,593	11,875	11,556	704	58,728
Direct mail	1,053	-	-	13,170	14,223
Dues and subscriptions	9,256	4,442	424	203	14,325
Insurance	9,619	2,393	1,177	250	13,439
State registration fees	-	-	10,270	-	10,270
Storage	3,707	329	-	-	4,036
Conferences and events	1,987	5,802	5,394	-	13,183
Advertising and promotion	12,530	-	-	-	12,530
Travel	6,825	6,483	4,738	-	18,046
Total expenses	\$ 1,432,107	\$ 402,308	\$ 125,911	\$ 45,853	\$ 2,006,179

See accompanying notes to the financial statements.

BBB Wise Giving Alliance

Statements of Cash Flows

<i>Year Ended December 31,</i>	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 19,085	\$ 75,411
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	50,694	73,281
Non-cash Paycheck Protection Program forgiveness reported as Grant	(195,055)	-
Change in operating assets:		
Accounts receivable	28,518	(45,340)
Prepaid expenses	(1,681)	315
Change in operating liabilities:		
Accounts payable and accrued expenses	73,236	8,586
Due to affiliate	-	(170,919)
Contract liabilities	68,327	(172,863)
Net cash provided by (used in) operating activities	43,124	(231,529)
Cash flows from investing activities		
Purchases of equipment and software	(82,356)	(35,188)
Net cash used in investing activities	(82,356)	(35,188)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program	195,055	-
Net cash provided by financing activities	195,055	-
Net change in cash	155,823	(266,717)
Cash, beginning of year	1,400,938	1,667,655
Cash, end of year	\$ 1,556,761	\$ 1,400,938

See notes to the accompanying financial statements.

BBB Wise Giving Alliance

Notes to the Financial Statements

1. Nature of Organization

BBB Wise Giving Alliance (BBB WGA) was incorporated under the laws of the District of Columbia on November 14, 1975, and is located in Arlington, Virginia. The mission of BBB WGA is to provide information to donors to assist them in making knowledgeable choices about their giving practices. BBB WGA helps the donating public verify the trustworthiness of charities by completing rigorous evaluations in relation to the holistic BBB Standards for Charity Accountability (BBB Charity Standards). There is no charge to charities to be the subject of a BBB Charity Report, which reports are available to the public for free on the BBB WGA website at Give.org.

Charities that meet all 20 BBB Charity Standards are identified as BBB Accredited Charities. BBB Accredited Charities have the option of licensing a BBB Charity Seal for a fee. The BBB Accredited Charity Seal can be displayed on the charity's website and fundraising material. Charity evaluations are updated every two years. Any BBB Charity Seal holder that fails to meet the BBB Charity Standards is terminated from the BBB Charity Seal program.

Other Programs include: the Advancing Collaboration project which encourages charities to seek out new partnerships as a way to grow larger audiences and share risk, the GiveSafely.io donation platform for BBB Accredited Charities which seeks to protect donors' personal data by the use of the Ardor Blockchain and enable donors to donate cryptocurrency, and the Heart of Giving Podcast which involves a series of detailed discussions with charity sector leaders on the motivations behind why we give and other charity-related topics.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Revenues are recognized in the period in which they are earned, and expenses are recognized when the obligation is incurred.

Accounts Receivable

Accounts receivable consists primarily of amounts owed from licensees for BBB Charity Seal revenue. Accounts receivable are presented at the net realizable amount due. BBB WGA management periodically reviews the status of all accounts receivable balances for collectability. Receivables that are deemed to be uncollectable are typically reserved in an allowance for doubtful accounts. Management is of the opinion that all accounts receivable are fully collectible and therefore no allowance for doubtful accounts is provided.

Equipment and Software

Equipment and software are stated at cost. The cost of repairs and maintenance is charged to operations when incurred. Major renewals, betterments, and additions in excess of \$5,000 are capitalized. When assets are sold or otherwise disposed of, the cost of the asset and related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss is credited or charged to revenue. Depreciation and amortization are computed using the straight-line method over three-to-five years.

BBB Wise Giving Alliance

Notes to the Financial Statements

Contract Liabilities

Contract liabilities primarily consists of BBB WGA Charity Seal fees received in advance of the subscription period. Subscription revenue is recognized ratably over the life of the subscription period thus decrease the contract liability.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of BBB WGA are classified in the following two classes:

- Net assets without donor restrictions represents funds that are available for support of the operations of BBB WGA, and that are not subject to donor restrictions.
- Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit BBB WGA to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. The Organization did not have any net assets with donor restrictions during the years ended December 31, 2020 and 2019.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. Donor-imposed restrictions are initially reported in the net assets with donor restrictions class, even if it is anticipated such restrictions will be met in the current reporting period.

Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose by board resolution. For the years ended December 31, 2020 and 2019, BBB WGA had not board-designated net assets.

Revenue Recognition

Charity seal license fees are reported at the amount that reflects the consideration BBB WGA expects to receive in exchange for the services provided. Charity seal license fees are based on anniversary date and exclusive benefits are provided continuously over the course of the membership period. Revenue is recognized on a straight-line basis over the one-year term.

Unconditional promises to give are recognized as revenue in the period pledged. Grant revenue is recorded as expenses are incurred unless the grant is unconditional.

BBB WGA produces magazines three times per year. Publications are reported at the amount that reflects the consideration BBB WGA expects to receive in exchange of the product provided. These publications are recognized as revenue at a point in time when the sale occurs.

BBB Wise Giving Alliance Notes to the Financial Statements

Disaggregation of Revenue

BBB WGA's charity seal license fees and publications are recognized over time or at a point in time based on the performance obligation of each contract. Various economic factors affect revenues and cash flows. All customers are in the United States. Revenue from each source is typically collected within ninety days.

The following table disaggregates BBB WGA's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2020:

	Services transferred over time	Services transferred at a point in time	Total
Charity seal license fees	\$ 1,783,648	\$ -	\$ 1,783,648
Publications	-	9,980	9,980
Total	\$ 1,783,648	\$ 9,980	\$ 1,793,628

The following table disaggregates BBB WGA's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2019:

	Services transferred over time	Services transferred at a point in time	Total
Charity seal license fees	\$ 1,847,359	\$ -	\$ 1,847,359
Publications	-	19,124	19,124
Total	\$ 1,847,359	\$ 19,124	\$ 1,866,483

Functional Expenses

The costs of providing various programs and supporting services are summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of time records and other support, or by estimates made by management. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of BBB WGA. Those expenses include professional services, information technology services, marketing services, depreciation and occupancy expenses. All such costs are allocated based on estimates of time and specific utilization.

Advertising

Advertising costs are expensed when incurred. BBB WGA has no significant nondirect-response advertising. Advertising expense for the years ended December 31, 2020 and 2019 were \$659 and \$12,530, respectively.

BBB Wise Giving Alliance

Notes to the Financial Statements

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Measure of Operations

BBB WGA defines operations as all programs and supporting services activities undertaken. Revenues and support that result from these activities and their related expenses are reported as operating activities that produce changes in net assets for operations. Gain from extinguishment of debt or other revenues and expenses that result from ancillary activities are reported as non-operating activities.

Income Taxes

BBB WGA is a nonprofit organization and is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the years ended December 31, 2020 and 2019, as BBB WGA had no significant net unrelated business income.

BBB WGA follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more likely than not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. BBB WGA has determined that there are not material uncertain tax positions that require recognition or disclosure in the financial statements. As of December 31, 2020, the statute of limitations for tax year 2017 through 2019 remain open with the U.S. federal jurisdiction or the various states and local jurisdictions in which BBB WGA files tax returns.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This standard relates to leasing for both lessees and lessors. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This standard was updated in 2018, 2019 and 2020, with the last update deferring the effective date for private companies and certain not-for profit entities to fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its financial statements.

Reclassifications

Certain prior year amounts have been reclassified in the financial statements and accompanying notes to conform to the current year presentation.

BBB Wise Giving Alliance
Notes to the Financial Statements

3. Concentration of Credit Risk

BBB WGA maintains its cash balances at a financial institution and at times these balances may exceed the federal insured limits. BBB WGA has not experienced any losses with respect to its bank balances in excess of government provided insurance and management believes there is no significant concentration of credit risk as a result of maintaining these accounts. Non-interest and interest-bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020, cash exceeded federally insured limits by \$1,304,457.

4. Equipment and Software

Equipment and software at December 31, 2020 and 2019 consist of the following:

	2020	2019
Equipment and software	\$ 480,055	\$ 397,699
Accumulated depreciation and amortization	(370,253)	(319,559)
Total equipment and software, net	\$ 109,802	\$ 78,140

During the years ended December 31, 2020 and 2019, BBB WGA recorded depreciation and amortization expense related to equipment and software of \$50,694 and \$73,281, respectively.

5. Commitments and Contingencies

On September 4, 2018, BBB WGA entered into a non-cancellable operating lease for office space in Arlington, Virginia effective January 1, 2019. The lease auto-renews every January unless otherwise terminated. The lease calls for monthly payments of \$4,590 during 2021. Rent expense for the years ended December 31, 2020 and 2019 was \$50,311 and \$55,202, respectively.

In the course of normal business operations, BBB WGA is faced with routine legal matters. In the opinion of management, all matters are adequately covered by insurance or the costs have been accrued.

6. Retirement Plan

On January 1, 2019, BBB WGA established a 401(k) defined contribution retirement plan that covers all employees who completed six months of service. Employees are immediately vested in deferred salary and employer matching contributions. Employer matching contributions included in the statements of activities was \$84,393 and \$63,619 for the years ended December 31, 2020 and 2019, respectively.

BBB Wise Giving Alliance
Notes to the Financial Statements

7. Liquidity Analysis

The following reflects BBB WGA's financial assets as of December 31:

<i>Financial assets as of December 31,</i>	2020	2019
Cash	\$ 1,556,761	\$ 1,400,938
Accounts receivable, net	41,135	69,653
Total financial assets	\$ 1,597,896	\$ 1,470,591
Financial assets available to meet cash needs for general expenditure within one year:	\$ 1,597,896	\$ 1,470,591

As part of BBB WGA's liquidity management, BBB WGA has a policy to structure its financial assets to be available and liquid as its obligations become due. BBB WGA has no debt on the statement of financial position as of December 31, 2020 and typically pays its obligations using cash. As of December 31, 2020, BBB WGA has financial assets equal to approximately nine months of operating expenses.

8. COVID-19 and CARES Act

On January 30, 2020, the World Health Organization (WHO) announced a new strain of coronavirus. As a result of the risks to the international community as the virus has spread globally beyond its point of origin, on March 11, 2020, the WHO declared the novel coronavirus a global pandemic.

In order to further limit health risks associated with the COVID-19 virus, BBB WGA has required staff to work remotely, and program activities have been transitioned to a virtual environment. BBB WGA is complying with State health officials, WHO recommendations, to do its part in reducing the impact on its employees.

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of BBB WGA will depend on certain developments, including the duration and spread of the outbreak. Prolonged social gathering restrictions could negatively impact the fiscal outlook for BBB WGA. The fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to BBB WGA, its performance, and its financial results.

On March 27, 2020, the President of the United States, signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act". The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small business harmed by COVID-19.

BBB Wise Giving Alliance

Notes to the Financial Statements

BBB WGA continues to examine the impact that the COVID-19 and CARES Act may have on its business. Currently, BBB WGA is unable to determine the impact that the COVID-19 and CARES Act will have on its financial condition, results of operations, or liquidity.

9. Grant - PPP Loan

During the year ended December 31, 2020, BBB WGA received \$195,055 under the Paycheck Protection Program (the “PPP”) of the Coronavirus Aid Relief and Electronic Security (CARES) Act, which was enacted March 27, 2020. The PPP Loans were evidenced by a promissory note in favor of a financial institution (the Lender), which bore interest at the rate of 1.00% per annum. No payments of principal or interest were due under the note until the date on which the amount of loan forgiveness (if any) under the CARES Act, which could be up to 10 months after the end of the related notes covered period (which is defined as 24 weeks after the date of the loan) (the “Deferral Period”). The note could be prepaid at any time prior to maturity with no prepayment penalties.

Funds from the PPP Loans were to be used only for payroll and related costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations that were incurred prior to February 15, 2020 (the “Qualifying Expenses”). Under the terms of the PPP Loans, certain amounts thereunder could be forgiven if they were used for Qualifying Expenses as described in and in compliance with the CARES Act.

During the year ended December 31, 2020, BBB WGA received notice from the lender and the Small Business Administration that their PPP loan in the amount of \$195,055 had been fully forgiven. As a result, in accordance with U.S. GAAP, BBB WGA wrote off the PPP loan liability and recognized non-cash grant income totaling \$195,055.

10. Subsequent Events

On March 11, 2021, the American Rescue Plan Act of 2021 (the 2021 Act) was passed, a \$1.9 trillion stimulus relief package that is intended to provide support to individuals and businesses affected by COVID-19. BBB WGA is currently evaluating the impact of the 2021 Act.

BBB WGA has evaluated subsequent events through January 27, 2022 which is the date the financial statements were available to be issued. There were no other events noted that required adjustments to, or disclosure in, these financial statements.