

Brooklyn RISE Charter School

Financial Statements

June 30, 2023 and 2022

Independent Auditors' Report

Board of Trustees Brooklyn RISE Charter School

Opinion

We have audited the accompanying financial statements of Brooklyn RISE Charter School (the "School") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Policy

As discussed in Note 2 to the financial statements, the School adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of a right of use asset and related lease liability effective July 1, 2022. Our opinion is not modified with respect to that matter.

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 the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 the School'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 the School'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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Harrison, New York
_____, 2023

Brooklyn RISE Charter School

Statements of Financial Position

	June 30,	
	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash	\$ 20,214	\$ 359,759
Grants and contracts receivable	88,525	961,363
Prepaid expenses	<u>35,662</u>	<u>20,537</u>
Total Current Assets	144,401	1,341,659
Right of use asset - operating lease, net	3,174,527	-
Property and equipment, net	588,681	241,930
Security deposit	400,399	400,399
Restricted cash	<u>75,032</u>	<u>75,017</u>
	<u>\$ 4,383,040</u>	<u>\$ 2,059,005</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 57,450	\$ 243,448
Accrued payroll and payroll taxes	242,661	192,057
Operating lease liability, current portion	1,475,591	-
Refundable advances	<u>14,300</u>	<u>-</u>
Total Current Liabilities	1,790,002	435,505
Operating lease liability, net current portion	1,934,220	-
Net assets, without donor restrictions	<u>658,818</u>	<u>1,623,500</u>
	<u>\$ 4,383,040</u>	<u>\$ 2,059,005</u>

See notes to financial statements

Brooklyn RISE Charter School

Statements of Activities

	Year Ended June 30,	
	2023	2022
REVENUE AND SUPPORT		
State and local per pupil operating revenue	\$ 4,388,215	\$ 3,288,763
State and local per pupil facilities funding	1,090,545	658,000
Federal grants	106,551	1,063,411
Federal IDEA	35,719	32,670
Other revenue	<u>17,241</u>	<u>4,962</u>
Total Revenue and Support	<u>5,638,271</u>	<u>5,047,806</u>
EXPENSES		
Program Services		
Regular education	4,256,874	2,918,861
Special education	<u>989,630</u>	<u>582,458</u>
Total Program Services	5,246,504	3,501,319
Supporting Services		
Management and general	<u>1,356,449</u>	<u>949,266</u>
Total Expenses	<u>6,602,953</u>	<u>4,450,585</u>
Change in Net Assets	(964,682)	597,221
NET ASSETS, WITHOUT DONOR RESTRICTIONS		
Beginning of year	<u>1,623,500</u>	<u>1,026,279</u>
End of year	<u>\$ 658,818</u>	<u>\$ 1,623,500</u>

See notes to financial statements

Brooklyn RISE Charter School

Statement of Functional Expenses Year Ended June 30, 2023

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	11	\$ 282,597	\$ 70,649	\$ 353,246	\$ 468,256	\$ 821,502
Instructional personnel	29	1,678,667	358,081	2,036,748	25,784	2,062,532
Total Personnel Services Costs	<u>40</u>	<u>1,961,264</u>	<u>428,730</u>	<u>2,389,994</u>	494,040	<u>2,884,034</u>
Fringe benefits and payroll taxes		381,801	83,461	465,262	96,175	561,437
Retirement		32,241	7,048	39,289	8,122	47,411
Legal fees		-	-	-	40,945	40,945
Accounting/audit services		-	-	-	42,000	42,000
Other purchased/professional/consulting services		151,178	37,795	188,973	280,392	469,365
Building and land rent / lease		901,777	225,444	1,127,221	198,921	1,326,142
Repairs and maintenance		73,828	18,457	92,285	16,286	108,571
Insurance		26,116	6,529	32,645	5,761	38,406
Utilities		48,586	12,147	60,733	10,718	71,451
Supplies and materials		171,982	42,995	214,977	-	214,977
Equipment/furnishings		7,154	1,788	8,942	-	8,942
Staff development		77,190	19,298	96,488	1,316	97,804
Marketing/recruitment		17,206	4,301	21,507	4,633	26,140
Technology		26,042	6,510	32,552	-	32,552
Student services		231,010	57,752	288,762	-	288,762
Office expense		796	199	995	75,473	76,468
Depreciation and amortization		148,039	37,010	185,049	32,656	217,705
Bad debt expense		-	-	-	17,445	17,445
Other		664	166	830	31,566	32,396
 Total Expenses		 <u>\$ 4,256,874</u>	 <u>\$ 989,630</u>	 <u>\$ 5,246,504</u>	 <u>\$ 1,356,449</u>	 <u>\$ 6,602,953</u>

See notes to financial statements

Brooklyn RISE Charter School

Statement of Functional Expenses Year Ended June 30, 2022

	No. of Positions	Program Services			Management and General	Total
		Regular Education	Special Education	Total		
Personnel Services Costs						
Administrative staff personnel	8	\$ 202,952	\$ 50,738	\$ 253,690	\$ 336,288	\$ 589,978
Instructional personnel	<u>22</u>	<u>1,324,278</u>	<u>211,520</u>	<u>1,535,798</u>	<u>13,793</u>	<u>1,549,591</u>
Total Personnel Services Costs	<u>30</u>	<u>1,527,230</u>	<u>262,258</u>	<u>1,789,488</u>	<u>350,081</u>	<u>2,139,569</u>
Fringe benefits and payroll taxes		323,926	55,625	379,551	74,252	453,803
Retirement		30,047	5,160	35,207	6,887	42,094
Legal fees		-	-	-	23,477	23,477
Accounting/audit services		-	-	-	20,500	20,500
Other purchased/professional/consulting services		114,170	28,543	142,713	211,753	354,466
Building and land rent / lease		447,984	111,996	559,980	98,820	658,800
Repairs and maintenance		28,799	7,200	35,999	6,352	42,351
Insurance		39,313	9,828	49,141	8,672	57,813
Utilities		28,100	7,024	35,124	6,199	41,323
Supplies and materials		189,810	47,453	237,263	-	237,263
Equipment/furnishings		13,187	3,297	16,484	-	16,484
Staff development		71,228	17,807	89,035	1,214	90,249
Marketing/recruitment		18,995	4,748	23,743	5,114	28,857
Technology		10,012	2,503	12,515	-	12,515
Student services		16,890	4,223	21,113	-	21,113
Office expense		670	168	838	63,603	64,441
Depreciation and amortization		57,245	14,311	71,556	12,628	84,184
Other		<u>1,255</u>	<u>314</u>	<u>1,569</u>	<u>59,714</u>	<u>61,283</u>
 Total Expenses		 <u>\$ 2,918,861</u>	 <u>\$ 582,458</u>	 <u>\$ 3,501,319</u>	 <u>\$ 949,266</u>	 <u>\$ 4,450,585</u>

See notes to financial statements

Brooklyn RISE Charter School

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (964,682)	\$ 597,221
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	217,705	84,184
Amortization of right of use asset, operating lease	1,158,661	-
Bad debt expense	17,445	-
Changes in operating assets and liabilities		
Grants and contracts receivable	855,393	(871,962)
Prepaid expenses	(15,125)	(18,465)
Security deposit	-	(200,000)
Accounts payable and accrued expenses	(185,998)	157,423
Accrued payroll and payroll taxes	50,604	57,731
Refundable advances	14,300	-
Operating lease liability	(923,377)	-
Net Cash from Operating Activities	224,926	(193,868)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchases of property and equipment	(564,456)	(178,330)
Net Change in Cash and Restricted Cash	(339,530)	(372,198)
CASH AND RESTRICTED CASH		
Beginning of year	434,776	806,974
End of year	\$ 95,246	\$ 434,776
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,035,958	-
ROU assets recognized upon adoption of new lease guidance	4,333,188	-

Brooklyn RISE Charter School

Notes to Financial Statements
June 30, 2023 and 2022

1. Organization and Tax Status

Brooklyn RISE Charter School (the "School") is a New York State, not-for-profit educational corporation that was incorporated on November 6, 2018 to operate a charter school pursuant to Article 56 of the Education Law of the State of New York. The School was granted a provisional charter on November 6, 2018 valid for a term of five years and renewable upon expiration by the Board of Regents of the University of the State of New York. The charter expires on June 30, 2024. The School's mission is to build knowledge, habits and mindsets for academic success, ensuring all Kindergarten through fifth grade students are on the path to college. The School provided education to approximately 206 students in Kindergarten through fourth grade during the 2022-2023 academic year.

The School is related to Friends of Brooklyn RISE, Inc. a New York State not-for-profit corporation, by common management. There were no transactions with the School during the years ended June 30, 2023 and 2022.

The New York City Department of Education provides free lunches and transportation directly to some of the School's students. Such costs are not included in these financial statements. The School covers a portion of the cost of lunches for children not entitled to the free lunches.

Except for taxes that may be due for unrelated business income, the School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Pronouncement

Leases

The School adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases* ("Topic 842"), using the effective date method with July 1, 2022, as the date of initial adoption, with certain practical expedients available.

The School elected the available practical expedients to account for its existing operating leases as operating leases, under the new guidance, without reassessing whether the contracts contain leases under the new standard, whether classification of capital (now finance) leases or operating leases would be different in accordance with the new guidance, or whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

Brooklyn RISE Charter School

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

Adoption of New Accounting Pronouncement (continued)

Leases (continued)

The adoption of Topic 842 had a material impact on the School's statement of financial position but did not have a material impact on its statements of activities and cash flows. The most significant impact was the recognition of ROU asset and lease liability for operating lease.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions - consist of resources available for the general support of the School's operations. Net assets without donor restrictions may be used at the discretion of the School's management and/or the Board of Trustees.

Net assets with donor restrictions – represents amounts restricted by donors for specific activities of the School or to be used at a future date. The School records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The School had no net assets with donor restrictions as of June 30, 2023 and 2022.

Restricted Cash

Under the provisions of its Charter, the School established an escrow account to pay for legal and audit expenses that would be associated with a dissolution, should it occur.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the amounts presented in the statements of cash flows as of June 30:

	2023	2022
Cash	\$ 20,214	\$ 359,759
Restricted cash	75,032	75,017
	<u>\$ 95,246</u>	<u>\$ 434,776</u>

Brooklyn RISE Charter School

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Property and Equipment

The School follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$5,000 and a useful life in excess of one year. Leasehold improvements are amortized over the shorter of the term of the lease inclusive of all renewal periods, which is reasonably assured, or the estimated useful life of the asset which is four years. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Furniture and fixtures	5 years
Computers and equipment	3 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes, or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2023, and 2022.

Leases

The School accounts for leases under Topic 842. The School determines if an arrangement is a lease at inception. Operating and finance leases are included in operating and finance ROU asset and lease liability in the statements of financial position. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the School made the short-term lease election.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. When leases do not provide an implicit borrowing rate, the School uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The School's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The School has lease agreements with lease and non-lease components, which are generally accounted for separately. The School's lease agreements do not contain any variable lease components.

Brooklyn RISE Charter School

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Leases (continued)

The School applies the short-term lease exemption to all of its classes of underlying assets. For the year ended June 30, 2022, U.S. GAAP guidance stated rent shall be charged to expense over the lease term as it became payable. If rental payments are not made on a straight-line basis, rental expense shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. The difference between the straight-line rent expense and rent paid is reflected as a deferred rent liability in the statement of financial position as of June 30, 2022.

Refundable Advances

The school records contain government operating revenue of refundable advances until related services are performed, of which time they are recognized as revenue.

Revenue and Support

Revenue from the state and local governments resulting from the School's charter status and based on the number of students enrolled is recorded when services are performed in accordance with the charter agreement. Federal and other state and local funds are recorded when expenditures are incurred and billable to the government agency.

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Grants and other contributions of cash are reported as net assets with donor restrictions support if they are received with donor stipulations. Contributions and grants that are made to support the School's current year activities are recorded as net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Marketing and Recruitment

Marketing and recruitment costs are expensed as incurred for staff and student recruitment. Marketing and recruitment expenses for the years ended June 30, 2023, and 2022 was \$26,140 and \$28,857.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses such as personnel services costs, fringe benefits and payroll taxes, and building and land rent have been allocated among program and supporting services classifications on the basis of periodic time and expense studies and other basis as determined by management of the School to be appropriate.

Brooklyn RISE Charter School

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (*continued*)

Accounting for Uncertainty in Income Taxes

The School recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the School had no uncertain tax positions that would require financial statement recognition or disclosure. The School is no longer subject to examination by the applicable taxing jurisdictions for years prior to June 30, 2020.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is _____, 2023.

3. Grants and Contracts Receivable

Grants and contracts receivable consist of federal, state, city entitlements and grants. The School expects to collect these receivables within one year. Management has assessed the need for an allowance and has determined that such an allowance is not necessary.

4. Property and Equipment

Property and equipment, net consists of the following at June 30,

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 136,856	\$ 99,821
Computer equipment	310,586	196,829
Leasehold improvements	541,979	-
Construction in progress	<u>-</u>	<u>128,315</u>
	989,421	424,965
Accumulated depreciation and amortization	<u>(400,740)</u>	<u>(183,035)</u>
	<u>\$ 588,681</u>	<u>\$ 241,930</u>

Construction in progress at June 30, 2022 consists of soft cost and renovations associated with new office and classroom facilities. The facilities was placed in service during the year ended June 30, 2023.

Brooklyn RISE Charter School

Notes to Financial Statements
June 30, 2023 and 2022

5. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30,

	<u>2023</u>	<u>2022</u>
Cash	\$ 20,214	\$ 359,759
Grants and contracts receivable	88,525	961,363
	<u>\$ 108,739</u>	<u>\$ 1,321,122</u>

As part of the School's liquidity management plan, the status of grants and contracts receivable is monitored regularly, and any excess cash is held in liquid instruments until it is required for operational use. The School will continue to rely on funding received from the New York City Department of Education to cover its future operating costs (see Note 7).

6. Concentration of Credit Risk

Financial instruments that potentially subject the School to concentrations of credit and market risk consist principally of cash and restricted cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The School does not believe that a significant risk of loss due to the failure of a financial institution presently exists. As of June 30, 2023, there was no cash in excess of FDIC limit and in 2022 approximately \$185,000 of cash was maintained with an institution in excess of FDIC limits.

7. Concentration of Revenue and Support

The School receives a substantial portion of its revenue and support from the New York City Department of Education. For the years ended June 30, 2023 and 2022, the School received approximately 97% and 80% of its total revenue and support from the New York City Department of Education. If the charter school laws were modified, reducing or eliminating these revenues, the School's finances could be materially adversely affected.

8. Commitment

On May 16, 2019, the School signed a sublease agreement with Clarimar Kids Corp. to lease office and classroom space under a non-cancelable lease and paid a security deposit in the amount of \$40,000. The School moved into this space on August 1, 2019 and the lease expired on July 31, 2022. The School paid a security deposit of \$160,399 for new office and classroom facilities to 222 45 VAEG LLC in anticipation of moving into this facility during the 2022-2023 Academic year. However, the School never moved to this facility and is seeking a refund for the security deposit. On April 8, 2022, the School signed a lease agreement with CA 522 Fulton LLC to lease office and classroom space and paid a security deposit in the amount of \$200,000. The lease term commenced on September 1, 2022 and is set to expire on August 31, 2025. The School is responsible for utilities, insurance, custodial services, and maintenance.

Brooklyn RISE Charter School

Notes to Financial Statements
June 30, 2023 and 2022

8. Commitment (*continued*)

ROU asset consist of the following at June 30, 2023:

ROU asset	\$ 4,333,188
Accumulated amortization	<u>1,158,661</u>
	<u>\$ 3,174,527</u>

Weighted average remaining lease term	3 years
Weighted average discount rate	3.54%

The future minimum lease payments under the current lease is as follows for the years ending June 30:

2024	\$ 1,568,848
2025	1,688,443
2026	<u>283,222</u>
Total minimum lease payments	3,540,513
Present value discount	<u>(130,702)</u>
Present value of lease liability	3,409,811
Current portion	<u>(1,475,591)</u>
Lease liability, less current portion	<u>\$ 1,934,220</u>

Building land rent/lease expense for the years ended June 30, 2023, and 2022 was \$1,326,142 and \$658,800.

9. Contingency

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.
