

**Boys and Girls Club of Hollywood**  
**Audited Financial Statements**  
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**December 31, 2015**

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## Independent Auditor's Report

Board of Directors  
**Boys and Girls Club of Hollywood**  
Hollywood, California

We have audited the accompanying financial statements of the Boys and Girls Club of Hollywood, a nonprofit organization, which comprise the statement of financial position 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 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.

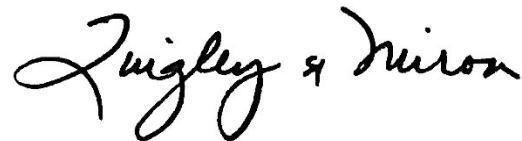
### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boys and Girls Club of Hollywood as of December 31, 2015, 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.

**Report on Summarized Comparative Information**

We have previously audited the financial statements of the Boys and Girls Club of Hollywood as of December 31, 2014, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Los Angeles, California  
May 26, 2016

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

**Boys and Girls Club of Hollywood**  
**Statement of Financial Position**  
**December 31, 2015**  
**(with comparative totals for 2014)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 392,548	\$ 919,242	\$ 1,311,790	\$ 1,019,132
Investments—Note 2	188,608		188,608	289,778
Grants receivable—Note 4		10,000	10,000	1,610,000
Contracts receivable—Note 4	60,932		60,932	225,473
Other current assets	6,757		6,757	811
<b>Total Current Assets</b>	<b>648,845</b>	<b>929,242</b>	<b>1,578,087</b>	<b>3,145,194</b>
<b>Property and Equipment, Net—Note 5</b>	<b>7,171,102</b>		<b>7,171,102</b>	<b>4,343,274</b>
<b>Total Assets</b>	<b><u>\$ 7,819,947</u></b>	<b><u>\$ 929,242</u></b>	<b><u>\$ 8,749,189</u></b>	<b><u>\$ 7,488,468</u></b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 340,872	\$	\$ 340,872	\$ 255,845
Employee benefits payable	82,586		82,586	78,960
Deposits	5,500		5,500	5,500
<b>Total Current Liabilities</b>	<b>428,958</b>		<b>428,958</b>	<b>340,305</b>
<b>Net Assets</b>	<b>7,390,989</b>	<b>929,242</b>	<b>8,320,231</b>	<b>7,148,163</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 7,819,947</u></b>	<b><u>\$ 929,242</u></b>	<b><u>\$ 8,749,189</u></b>	<b><u>\$ 7,488,468</u></b>

See notes to financial statements.

Boys and Girls Club of Hollywood  
Statement of Activities  
Year Ended December 31, 2015  
(with comparative totals for 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b>Public Support</b>				
Contributions and grants	\$ 722,715	\$ 523,339	\$ 1,246,054	\$ 500,716
Government grants	739,589		739,589	333,912
Foundation grants				2,600,000
Fundraising events, net—Note 6	131,567		131,567	109,877
<b>Total Public Support</b>	<b>1,593,871</b>	<b>523,339</b>	<b>2,117,210</b>	<b>3,544,505</b>
<b>Revenue</b>				
Rental income—Note 7	152,145		152,145	118,815
Membership income	75,372		75,372	99,971
Investment gains (losses), net —Note 2	(2,544)		(2,544)	8,271
Interest and dividends	3,754		3,754	5,916
Other income	1,611		1,611	1,447
<b>Total Revenue</b>	<b>230,338</b>		<b>230,338</b>	<b>234,420</b>
<b>Net Assets Released from Restrictions</b>	<b>1,966,804</b>	<b>(1,966,804)</b>		
<b>Total Public Support and Revenue Reclassifications</b>	<b>3,791,013</b>	<b>(1,443,465)</b>	<b>2,347,548</b>	<b>3,778,925</b>
<b>Expenses</b>				
Program services	960,584		960,584	945,636
Supporting services				
Management and administration	142,325		142,325	119,306
Fund development	72,571		72,571	72,924
<b>Total Expenses</b>	<b>1,175,480</b>		<b>1,175,480</b>	<b>1,137,866</b>
<b>Change in Net Assets</b>	<b>2,615,533</b>	<b>(1,443,465)</b>	<b>1,172,068</b>	<b>2,641,059</b>
<b>Net Assets at Beginning of Year</b>	<b>4,775,456</b>	<b>2,372,707</b>	<b>7,148,163</b>	<b>4,507,104</b>
<b>Net Assets at End of Year</b>	<b>\$ 7,390,989</b>	<b>\$ 929,242</b>	<b>\$ 8,320,231</b>	<b>\$ 7,148,163</b>

See notes to financial statements.

**Boys and Girls Club of Hollywood  
Statement of Functional Expenses  
Year Ended December 31, 2015  
(with comparative totals for 2014)**

	<u>Supporting Services</u>			<u>2015 Total</u>	<u>2014 Total</u>
	<u>Program Services</u>	<u>Management and Admin- istration</u>	<u>Fund Development</u>		
Salaries	\$ 610,364	\$ 70,308	\$ 37,488	\$ 718,160	\$ 712,373
Employee benefits	67,553	7,781	4,149	79,483	72,437
Payroll taxes	44,703	5,149	2,746	52,598	52,945
<b>Total Personnel Expenses</b>	<b>722,620</b>	<b>83,238</b>	<b>44,383</b>	<b>850,241</b>	<b>837,755</b>
Professional and consulting fees	4,406	31,721	25,502	61,629	65,444
Repairs and maintenance	50,622	343	211	51,176	35,494
Depreciation and amortization	39,385	267	164	39,816	38,782
Program expense	35,341			35,341	42,496
Utilities	34,828	236	145	35,209	30,198
Insurance	26,912	2,326	112	29,350	27,165
Property taxes		16,631		16,631	12,964
Equipment rental	11,720	79	49	11,848	12,888
Staff development	9,807	1,129	603	11,539	8,638
Telephone	7,662	883	471	9,016	8,826
Supplies	7,181	827	441	8,449	5,754
Conferences and meetings	5,925	683	364	6,972	1,382
Bank charges		3,484		3,484	3,228
Payroll processing	2,052	237	126	2,415	5,023
Marketing	1,738			1,738	75
Contributions	385			385	920
Miscellaneous		241		241	429
Interest					407
<b>Total Expenses</b>	<b>\$ 960,584</b>	<b>\$ 142,325</b>	<b>\$ 72,571</b>	<b>\$ 1,175,480</b>	<b>\$ 1,137,868</b>

See notes to financial statements.

**Boys and Girls Club of Hollywood**  
**Statement of Cash Flows**  
**Year Ended December 31, 2015**  
**(with comparative totals for 2014)**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,172,068	\$ 2,641,059
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	39,817	38,782
Investment (gains) losses	890	(10,605)
Changes in operating assets and liabilities:		
Receivables	1,764,541	(1,784,482)
Other current assets	(5,946)	574
Accounts payable and accrued expenses	85,027	237,030
Employee benefits payable	3,626	15,434
	<u>3,060,023</u>	<u>1,137,792</u>
<b>Net Cash Provided by Operating Activities</b>	<b>3,060,023</b>	<b>1,137,792</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(2,867,645)	(542,052)
Purchase of investments	(18,058)	(55,581)
Proceeds from sales of investments	118,338	144,067
	<u>(2,767,365)</u>	<u>(453,566)</u>
<b>Net Cash Used in Investing Activities</b>	<b>(2,767,365)</b>	<b>(453,566)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>292,658</b>	<b>684,226</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,019,132</u>	<u>334,906</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 1,311,790</u></u>	<u><u>\$ 1,019,132</u></u>
<b>Supplementary Disclosures</b>		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>2,089</u>	<u>2,089</u>

See notes to financial statements.

**Boys and Girls Club of Hollywood**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(with comparative totals for 2014)**

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

Organization—The Boys and Girls Club of Hollywood (Club) is a California not-for-profit public benefit corporation and a member of the Boys and Girls Club of America, Inc. The Club offers academic and youth development services to boys and girls at a facility located in Hollywood, California. The Club's principal funding sources are contributions, grants, government contracts, rentals and investment earnings.

The Club is affiliated with the Boys and Girls Club of Hollywood Foundation (Foundation), however, the Club does not have an economic interest in or control of the Foundation, and therefore the financial statements are not consolidated or combined. During the years ended December 31, 2015 and 2014, the Club received \$120,000 and \$125,500, respectively, in donations from the Foundation.

Program Service Accomplishments—The Boys and Girls Club of Hollywood contributes to the future of the community by building the leaders of tomorrow and preparing students for the workforce. Academic success is the cornerstone of the Club's programs and services. The Club provides its students a safe place to enjoy learning opportunities, promoting excellence in the areas of technology, math, science, fine arts and leadership. The Club ensures that its students advance to the next grade level on time, are prepared to graduate high school and have a plan for their future.

In 2014, The Boys and Girls Club of Hollywood served over 1,400 students. The following positive outcomes were achieved:

- 1,092 students received daily academic assistance
- 553 students gained technology skills, including robotics
- 995 students participated in sports, health and fitness programs
- 310 students participated in leadership development and community service projects
- 37,562 free snacks/meals were served to students

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Club recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Club and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Club.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Club and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support. Temporarily restricted net assets at December 31, 2015 and 2014 consisted principally of amounts restricted to the ongoing renovation and enhancement project of the Club's facilities.



**Boys and Girls Club of Hollywood**  
**Notes to Financial Statements—Continued**

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

Permanently restricted net assets—Net assets that are restricted by the donors for investment in perpetuity. Generally, the investment income generated from these funds is available for general support of the Club's programs and operations or other specific purposes. At December 31, 2015 and 2014, the Club had no permanently restricted net assets.

Income Taxes—The Club is a nonprofit entity, exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes in the financial statements. In addition, the Club has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue 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, 2015 and 2014. Generally, the Club'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 Equivalents—The Club considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments—Investments are recorded at fair market value.

Property and Equipment—Property and equipment are stated at cost when purchased, or estimated fair market value at the date of gift or bequest. Depreciation is provided on the straight-line method over the following estimated useful lives:

Building and improvements	39 years
Furniture and equipment	5 years
Computer equipment and software	3 years

Individual property items valued at less than \$1,000 are expensed when purchased or donated.

Concentration of Credit Risk—Financial instruments which potentially subject the Club to concentrations of credit risk consist of cash and cash equivalents, receivables, and investments. The Club places its cash and cash equivalent balances with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. In the normal course of operations, such cash balances may exceed the FDIC insurance limits. Receivables are due from well-known charitable organizations with substantial assets, government entities and other entities well-known to the Club. The Club's management has assessed the credit risk associated with the cash and cash equivalents balances and receivables outstanding at December 31, 2015 and 2014 and has determined that an allowance for potential uncollectible amounts is not necessary. The Club's investments are principally managed by a large broker-dealer. The Club's management has assessed the credit risk associated with the investments held at December 31, 2015 and 2014 and has determined that an allowance for potential losses due to credit risk is not necessary.

**Boys and Girls Club of Hollywood**  
**Notes to Financial Statements—Continued**

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

Donated Services—A substantial number of volunteers have donated significant amounts of time to the Club and its programs. These donated services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under current accounting standards.

Allocation of Functional Expenses—The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefitted based on actual labor hours incurred with respect to the various programs and supporting services benefitted.

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

Comparative Totals for 2014—The accompanying financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Club's audited financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Reclassifications—Certain amounts in 2014 have been reclassified to conform with the 2015 financial statement presentation.

**Note 2—Investments**

Investments consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Corporate bonds	\$ 105,263	\$ 161,075
Common stocks	75,700	113,999
California tax-exempt mutual fund	7,645	14,204
Other		500
<b>Totals</b>	<b><u>\$ 188,608</u></b>	<b><u>\$ 289,778</u></b>

**Boys and Girls Club of Hollywood**  
**Notes to Financial Statements—Continued**

**Note 2—Investments—Continued**

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Investment gains (losses)	\$ (890)	\$ 10,605
Investment expenses	<u>(1,654)</u>	<u>(2,334)</u>
<b>Investment Gains (Losses), Net</b>	<b>(2,544)</b>	<b>8,271</b>
Interest and dividends	<u>3,754</u>	<u>5,916</u>
<b>Total Investment Return</b>	<b><u>\$ 1,210</u></b>	<b><u>\$ 14,187</u></b>

**Note 3—Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs that can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination for which category within the fair value hierarchy is appropriate is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Boys and Girls Club of Hollywood**  
**Notes to Financial Statements—Continued**

**Note 3—Fair Value Measurements—Continued**

Fair values of assets and liabilities measured on a recurring basis at December 31, 2015 and 2014 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>2015:</b>				
Investments	\$ 188,608	\$ 75,700	\$ 112,908	\$
<b>2014:</b>				
Investments	\$ 289,778	\$ 114,499	\$ 175,279	\$

**Note 4—Receivables**

Grants receivable at December 31, 2015 and 2014 consist of amounts pledged by charitable organizations toward Club programs.

Contracts receivable at December 31, 2015 and 2014 consist of amounts due from various government agencies under contract agreements for services provided by the Club, as well as for partial funding of the renovation of Club facilities.

**Note 5—Property and Equipment, Net**

Net property and equipment consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 1,467,420	\$ 1,467,420
Furniture and other equipment	145,758	140,747
Computer equipment	122,271	113,151
Computer software	16,265	15,815
	<u>1,751,714</u>	<u>1,737,133</u>
Less accumulated depreciation and amortization	(883,293)	(843,476)
	<u>868,421</u>	<u>893,657</u>
<b>Net Depreciable Property and Equipment</b>	<b>868,421</b>	<b>893,657</b>
Construction in progress	5,323,681	2,470,617
Land	979,000	979,000
	<u>6,301,102</u>	<u>4,343,274</u>
<b>Net Property and Equipment</b>	<b>\$ 7,171,102</b>	<b>\$ 4,343,274</b>

**Boys and Girls Club of Hollywood**  
**Notes to Financial Statements—Continued**

**Note 5—Property and Equipment, Net—Continued**

Construction in progress houses the accumulated costs of the on-going renovation and enhancement project of the Club’s facilities (Project). The Project is partially funded through a \$2,500,000 State of California grant (Grant), all of which has been billed and received at December 31, 2015. The most recent amendment of the Grant includes, as a condition of funding, a deed restriction on the Club property requiring that it be used for youth activities through June 30, 2031. Should this Grant covenant be violated through change of service or sale of the property, the entire Grant becomes due and payable. The Project is scheduled to be completed by June 30, 2016.

**Note 6—Fundraising Events, Net**

Net fundraising events income for the years ended December 31, 2015 and 2014 consists of the following:

	<u>Golf Tournament</u>	<u>Other Events</u>	<u>Total</u>
<b>2015:</b>			
Income	\$ 111,395	\$ 50,846	\$ 162,241
Expenses	(26,268)	(4,406)	(30,674)
<b>Net</b>	<u><u>\$ 85,127</u></u>	<u><u>\$ 46,440</u></u>	<u><u>\$ 131,567</u></u>
	<u>Golf Tournament</u>	<u>Other Events</u>	<u>Total</u>
<b>2014:</b>			
Income	\$ 120,605	\$ 36,490	\$ 157,095
Expenses	(41,955)	(5,263)	(47,218)
<b>Net</b>	<u><u>\$ 78,650</u></u>	<u><u>\$ 31,227</u></u>	<u><u>\$ 109,877</u></u>

**Boys and Girls Club of Hollywood**  
**Notes to Financial Statements—Continued**

**Note 7—Rental Income**

In May 2014, the Club signed a 21-month lease as lessor to a tenant for storage space. The terms of this lease call for a monthly payment of \$3,000 plus property taxes and insurance. The Club also leases to an additional tenant on a month-to-month basis. Rental income associated with these leases amounted to \$152,145 and \$118,815 for the years ended December 31, 2015 and 2014, respectively.

**Note 8—Pension Plan**

A defined contribution pension plan of the Boys and Girls Clubs of America (Plan) provides pension coverage to participating Boys and Girls Clubs in the United States of America. The Plan covers qualified full-time and part-time employees with more than one year of service. Contributions are made to the Plan based upon a board-approved contribution rate applied to each employee's qualified salaries and wages. The contribution rate was 3% for each of the years ended December 31, 2015 and 2014. Plan contribution expense for the years ended December 31, 2015 and 2014 amounted to \$20,820 and \$15,116, respectively.

**Note 9—Leases**

The Club leases a variety of office equipment under noncancellable operating leases. As of December 31, 2015, future minimum annual rental payments payable under the lease agreements with remaining terms in excess of one year are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 5,130
2017	5,130
2018	2,993
<b>Total</b>	<b><u>\$ 13,253</u></b>

Rental expense related to all operating leases for the years ended December 31, 2015 and 2014 amounted to \$8,454 and \$8,342, respectively.

**Note 10—Commitments and Contingencies**

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 it is considered a possibility, the Board deems the contingency remote, since by accepting the gifts and their terms, it has accommodated the objectives of the grantor under the provisions of the gift.

**Boys and Girls Club of Hollywood**  
**Notes to Financial Statements—Continued**

**Note 11—Subsequent Events**

Subsequent events were evaluated through May 26, 2016, which is the date the financial statements were available to be issued, and it was concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.