

LA LECHE LEAGUE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

MARCH 31, 2015

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
LA LECHE LEAGUE INTERNATIONAL, INC.
35 E Wacker Drive, Suite 850
Chicago, IL 60602

We have audited the accompanying financial statements of LA LECHE LEAGUE INTERNATIONAL, INC., which comprise the statement of financial position as of March 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 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 organization'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 organization'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 LA LECHE LEAGUE INTERNATIONAL, INC. as of March 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.

PORTE BROWN LLC
Certified Public Accountants

Handwritten signature of Porte Brown LLC in cursive script.

Elk Grove Village, Illinois
November 10, 2015

LA LECHE LEAGUE INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2015

ASSETS

	<u>2015</u>
<u>CURRENT ASSETS</u>	
Cash and cash equivalents	\$ 269,720
Certificate of deposit	11,686
Accounts receivable	49,651
Inventory	28,506
Prepaid expenses	52,016
	<u>\$ 411,579</u>
 <u>FIXED ASSETS</u>	
Property and equipment	\$ 661,435
Less: Accumulated depreciation	(263,739)
	<u>\$ 397,696</u>
 <u>OTHER ASSETS</u>	
Deposits	\$ 27,083
	<u>\$ 27,083</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 836,358</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>	
Accounts payable	\$ 61,141
Accrued expenses	42,609
Deferred revenue	54,783
	<u>\$ 158,533</u>
 <u>NET ASSETS</u>	
Unrestricted	\$ 553,439
Temporarily restricted	113,386
Permanently restricted	11,000
	<u>\$ 677,825</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 836,358</u>

The accompanying notes are an integral part of these financial statements.

LA LECHE LEAGUE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>REVENUES AND SUPPORT</u>				
Contributions	\$ 510,744	\$ -	\$ 1,000	\$ 511,744
Contributions - in-kind	10,575	-	-	10,575
Membership dues	310,751	-	-	310,751
Publications	166,872	-	-	166,872
Product sales	38,910	-	-	38,910
Royalties	58,980	-	-	58,980
Investment income	721	-	-	721
Rental income	11,660	-	-	11,660
Other income	144	-	-	144
Net assets released from restrictions	40,728	(40,728)	-	-
Total Support and Revenue	<u>\$ 1,150,085</u>	<u>\$ (40,728)</u>	<u>\$ 1,000</u>	<u>\$ 1,110,357</u>
<u>EXPENSES</u>				
Program services	\$ 453,483	\$ -	-	\$ 453,483
Management and general	608,434	-	-	608,434
Fundraising	112,869	-	-	112,869
Total Expenses	<u>\$ 1,174,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,174,786</u>
<u>CHANGE IN NET ASSETS</u>	\$ (24,701)	\$ (40,728)	\$ 1,000	\$ (64,429)
<u>NET ASSETS</u>				
Beginning of year	578,140	154,114	10,000	742,254
End of year	<u>\$ 553,439</u>	<u>\$ 113,386</u>	<u>\$ 11,000</u>	<u>\$ 677,825</u>

The accompanying notes are an integral part of these financial statements.

LA LECHE LEAGUE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MARCH 31, 2015

	2015			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 45,699	\$ -	\$ 45,699
Bad debts	-	28,893	-	28,893
Depreciation	-	45,743	-	45,743
Facilities	3,211	28,902	-	32,113
Governance	-	13,597	-	13,597
Information technology	2,674	24,066	-	26,740
Insurance	15,019	32,037	-	47,056
Loss on disposition of assets	-	11,117	-	11,117
Management fee	4,975	54,082	23,651	82,708
Office expenses	9,355	84,192	-	93,547
Meetings, programs, and services	86,867	-	46,907	133,774
Professional fees	-	14,647	-	14,647
Publications	175,623	-	-	175,623
Repairs and maintenance	6,733	60,593	-	67,326
Salaries and benefits	114,018	131,778	42,204	288,000
Travel	887	33,088	107	34,082
Website	34,121	-	-	34,121
<u>TOTAL EXPENSES</u>	<u>\$ 453,483</u>	<u>\$ 608,434</u>	<u>\$ 112,869</u>	<u>\$ 1,174,786</u>

The accompanying notes are an integral part of these financial statements.

LA LECHE LEAGUE INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2015

	<u>2015</u>
<u>OPERATING ACTIVITIES</u>	
Change in net assets	\$ (64,429)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	45,743
Loss on disposition of assets	11,117
Changes in:	
Accounts receivable	99,726
Inventory	85,995
Prepaid expenses	2,933
Deposits	(27,083)
Accounts payable	(68,268)
Accrued expenses	(51,329)
Deferred revenue	54,783
	<u>89,188</u>
Net cash provided by operating activities	\$ <u>89,188</u>
<u>INVESTING ACTIVITIES</u>	
Proceeds from sale of fixed assets	\$ 7,045
Purchase of certificate of deposit	<u>(11,686)</u>
	<u>(4,641)</u>
Net cash used by investing activities	\$ <u>(4,641)</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	\$ 84,547
<u>BEGINNING CASH AND CASH EQUIVALENTS</u>	<u>185,173</u>
<u>ENDING CASH AND CASH EQUIVALENTS</u>	<u>\$ 269,720</u>
<u>SUPPLEMENTAL INFORMATION TO CASH FLOWS</u>	
Cash paid during the year for:	
Income taxes	\$ -
Interest	-
Noncash investing activities:	
Decrease in fair value of investments	49

The accompanying notes are an integral part of these financial statements.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF OPERATIONS

La Leche League International, Inc. (the "Organization") is an Illinois not-for-profit, nonsectarian membership organization. It was formed in 1956 for the purpose of offering encouragement, information, and support to women who choose to breastfeed their babies and, in so doing, to foster good mothering through breastfeeding. The major services provided to support members and others are educational in nature. Funding for these services is derived primarily from publication and product sales, contributions, and membership dues. The Organization's services and products are provided to members and others throughout the world.

Individuals have formed various autonomous local groups which have associated with the Organization. These groups are issued a certificate of affiliation, contribute annual membership fees, and agree to conduct their affairs in accordance with the general bylaws of the Organization. These groups operate independently and, therefore, the activity of such groups is not presented in the financial statements of the Organization.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2015, the date the financial statements were available to be issued.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

FINANCIAL STATEMENT PRESENTATION

In accordance with FASB ASC 958-205, "Not-for-Profit Entities Presentation of Financial Statements," the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2015

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

RENTAL INCOME

The Organization receives rental income on a portion of the space in the building it owns and was previously used for operations. Terms of the lease provided for an annual rental income of \$12,720. The lease expired January 31, 2015 and continues on a month-to-month basis.

REVENUE RECOGNITION

In accordance with FASB ASC 958-605-25 "Not-for-Profit Entities Revenue Recognition," contributions received, including unconditional promises to give, are recognized as revenues in the period in which contribution or promise is received at their fair market values. Conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met. In addition, FASB ASC 958-605-25 requires not-for-profit organizations to distinguish between contributions received that increase unrestricted, temporarily restricted, and permanently restricted net assets. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire.

DONOR IMPOSED RESTRICTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted increases to those net asset classes.

Temporarily restricted net assets are available for the following purposes:

Leader Accreditation Development	\$ 19,018
Cy-Près – Breastfeeding Awareness Projects	50,749
Executive Director Discretionary	500
Editor Stipends	1,400
Isdell-Zambia Projects	38,050
Medela	2,489
800 Spanish Line	<u>1,180</u>
Total Temporarily Restricted Net Assets at March 31, 2015	<u>\$ 113,386</u>

Permanently restricted net assets consist of an endowment fund of \$10,000, with income to be used to support general operating expenses.

Net assets released from restrictions during the year ended March 31, 2015 were as follows:

Cy-Près – Breastfeeding Awareness Projects	\$ 37,652
Isdell-Zambia Projects	20
Miscellaneous Restricted	<u>3,056</u>
Total restrictions released	<u>\$ 40,728</u>

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2015

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

CONTRIBUTIONS

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CONTRIBUTED SERVICES

During the current period, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

IN-KIND DONATIONS

During the current period, the Organization received in-kind donations of \$10,575. These donations were travel expenditures paid by board members on behalf of the Organization.

FUNCTIONAL EXPENSES

The Organization allocates its expenses on a functional basis among its various programs and supporting activities. Expenses that can be identified with a specific program or supporting activity are allocated directly according to their natural expenditure classification.

CASH EQUIVALENTS

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK

The Organization has cash and cash equivalents in excess of federally insured limits of \$250,000 at one banking institution. These amounts potentially subject the Organization to credit risk if the banking institution fails.

ACCOUNTS RECEIVABLE

Accounts receivable consists of royalties, dues, and other payments due to the Organization. The Organization considers accounts receivable to be fully collectible. The receivables are valued at management's estimate of the amount that will ultimately be collected.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2015

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

INVENTORY

Inventory, which primarily consists of books on breastfeeding, is valued on a first-in, first-out method. An allowance of \$57,600 has been booked as of March 31, 2015 to allow for a reduction in the value of inventory.

PREPAID EXPENSES

Prepaid expenses consist of the following:

Royalties	\$ 33,022
Payroll advance	12,182
Licensing and software fees	6,353
Unemployment taxes	459
	<u>\$ 52,016</u>

FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost. The Organization capitalizes fixed asset additions over \$500. Depreciation is calculated on a straight-line basis over the estimated lives of the related assets.

Major classifications of property and equipment and their respective lives are summarized below:

<u>Type</u>	<u>Amount</u>	<u>Depreciable Lives in Years</u>
Building	\$ 502,728	30
Land	15,000	-
Building improvements	89,742	5-20
Office equipment and furniture	53,965	5-10
TOTAL	<u>\$ 661,435</u>	

The Organization owns the building and land out of which its operations were centered. In connection with its transition to an association management company, in the fall of 2014, the Organization obtained a "Broker Opinion of Value" from CBRE, Inc., a commercial real estate company. The value, based on a square foot allocation within the report, reflected a substantially lower value than book value, so an impairment loss of \$147,272 was recorded in the year ended March 31, 2014. No additional impairment was determined necessary in the year ended March 31, 2015. Since the building was no longer being used for operations, the building and the land having a net book value of \$338,978 were put on the market for sale.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2015

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

ADVERTISING

The Organization expenses advertising costs as incurred. Total advertising expense for the year ended March 31, 2015 was \$30,424.

NOTE B. INVESTMENT INCOME

Investments at March 31, 2015, are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Certificates of deposit	<u>\$ 11,686</u>	<u>\$ 11,686</u>	<u>\$ -</u>
	<u>\$ 11,686</u>	<u>\$ 11,686</u>	<u>\$ -</u>

Investment income includes the following for the year ended March 31, 2015:

Interest and dividends	\$ 639
Realized gain on sales of investments	131
Unrealized loss on investments	<u>(49)</u>
Total Investment Return	<u>\$ 721</u>

NOTE C. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That 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 under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan 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.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2015

NOTE C. 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at March 31, 2015.

Certificate of deposits and money market funds: Valued at fair value based on similar instruments with comparable durations and considering the credit-worthiness of the issuer.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

The following details the level within the fair value hierarchy of the Organization's assets at fair value as of March 31, 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 11,686	\$ -	\$ 11,686
Money market funds	-	<u>12,406</u>	-	<u>12,406</u>
Total	<u>\$ -</u>	<u>\$ 24,092</u>	<u>\$ -</u>	<u>\$ 24,092</u>

NOTE D. INCOME TAXES

The Organization is generally exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state statutes. Under current Internal Revenue Service regulations, revenue from advertising in its publication is subject to income tax. Income tax expense was \$0 for the year ended March 31, 2015.

The Organization has adopted the provisions of ASC Topic 740, Income Taxes, relating to the accounting for uncertainty in income taxes. The Organization files income tax returns in the U.S. federal jurisdiction. With few exceptions, management believes the Organization is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2011.

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2015

NOTE E. SIGNIFICANT CONTRACTS

The Organization has entered into a management contract with Bostrom Corporation. The agreement will continue until terminated by written notice at least six months in advance. The agreement provides for a base monthly fee of \$27,083. The base fee paid to Bostrom Corporation for the year ended March 31, 2015 was \$82,708, including the \$15,000 transition fee. Additional costs are billed for staff time and miscellaneous expenses as incurred.

The Organization has entered into a royalty agreement with LZG, Inc. to pay commissions based on a percentage of net product royalty revenues. The original agreement expired on March 31, 2011 with provisions for a decreasing royalty percentage after the expiration date. The percentage in effect for the year ended March 31, 2015 and future periods is 20 percent.

NOTE F. ENDOWMENT

Interpretation of Relevant Law

The governing body has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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 unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2015

NOTE F. ENDOWMENT: (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that will, at a minimum, preserve and maintain the relative stability of the principal, with income the primary objective and growth secondary.

Strategies Employed for Achieving Objectives

To satisfy its objectives, the Organization holds 100% of its endowment investments in cash or certificates of deposit.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization holds its endowment assets in a separate bank account. Any income earned is therefore segregated from other investment income. Due to the nature of the investment, any amounts earned by the principal are available for spending. In establishing this policy, the Organization considered the long-term expected return and preservation of principal on its endowment. Therefore, these funds may tend toward a more “conservative” investment strategy. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide investment return.

Endowment Net Asset Composition by Type of Fund at March 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Fund	\$ -	\$ -	\$ 11,000	\$ 11,000
Total Funds	\$ -	\$ -	\$ 11,000	\$ 11,000

LA LECHE LEAGUE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2015

NOTE F. ENDOWMENT: (Continued)

Changes in Endowment Net Assets for the fiscal year ending March 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Beginning of year	\$ -	\$ -	\$ 10,000	\$ 10,000
Investment return:				
Investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investment return	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	1,000	1,000
Appropriation of Endowment Assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,000</u>	<u>\$ 11,000</u>

NOTE G. CONTINGENT LIABILITY

In the normal course of business, disputes have occurred which could potentially create additional liabilities to the Organization. In the opinion of management, these disputes will not have a material adverse effect on the Organization's financial position or results of operations.