

**Financial Statements and Report of Independent
Certified Public Accountants**

Cincinnati Works, Inc.

December 31, 2013 and 2012

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Report of Independent Certified Public Accountants

Board of Trustees
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We have audited the accompanying financial statements of Cincinnati Works, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cincinnati Works, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Grant Thornton LLP'.

Cincinnati, Ohio
March 21, 2014

CINCINNATI WORKS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

ASSETS	2013	2012
Assets:		
Cash and cash equivalents	\$ 733,224	\$ 462,574
Investments	1,267,909	1,557,928
Prepaid expenses and other assets	46,499	40,932
Contributions receivable, net	1,723,046	969,598
Furniture and equipment, net	28,912	40,870
Restricted investments	<u>43,274</u>	<u>36,985</u>
Total assets	<u><u>\$ 3,842,864</u></u>	<u><u>\$ 3,108,887</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 8,371	\$ 11,439
Accrued expenses	<u>93,439</u>	<u>71,162</u>
Total liabilities	<u>101,810</u>	<u>82,601</u>
 Net Assets:		
Unrestricted	1,790,729	1,867,569
Temporarily restricted	1,920,950	1,129,342
Permanently restricted	<u>29,375</u>	<u>29,375</u>
Total net assets	<u>3,741,054</u>	<u>3,026,286</u>
Total liabilities and net assets	<u><u>\$ 3,842,864</u></u>	<u><u>\$ 3,108,887</u></u>

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.
STATEMENTS OF ACTIVITIES

For the years ended December 31, 2013 and 2012

CHANGES IN UNRESTRICTED NET ASSETS	2013	2012
Revenues, gains and other support:		
Contributions and grants	\$ 491,227	\$ 613,406
Investment return	162,502	126,647
Contributed goods and services	99,708	98,452
Other income	112,670	61,701
Net assets released from restrictions	<u>1,155,928</u>	<u>1,011,838</u>
Total revenues and other support	<u>2,022,035</u>	<u>1,912,044</u>
Expenses:		
Job readiness program	692,910	718,513
Advancement program	186,923	157,792
Capacity building	79,515	58,616
Next Step	80,418	82,373
Phoenix	218,304	203,687
City Link	<u>230,768</u>	<u>51,679</u>
Total program services	<u>1,488,838</u>	<u>1,272,660</u>
Management and general	232,585	289,535
Fundraising	264,070	202,958
Other costs	<u>113,382</u>	<u>87,674</u>
Total support services	<u>610,037</u>	<u>580,167</u>
Total expenses	<u>2,098,875</u>	<u>1,852,827</u>
Change in unrestricted net assets	<u>(76,840)</u>	<u>59,217</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Revenues and other support:		
Contributions and grants	1,947,536	656,315
Net assets released from restrictions	<u>(1,155,928)</u>	<u>(1,011,838)</u>
Change in temporarily restricted net assets	<u>791,608</u>	<u>(355,523)</u>
Change in net assets	714,768	(296,306)
Net assets, beginning of year	<u>3,026,286</u>	<u>3,322,592</u>
Net assets, end of year	<u><u>\$ 3,741,054</u></u>	<u><u>\$ 3,026,286</u></u>

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2013 and 2012

	<u>Job Readiness</u>	<u>Advancement</u>	<u>Capacity Building</u>	<u>Next Step</u>	<u>Phoenix</u>	<u>City Link</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Other Costs</u>	<u>Total</u>
2013										
Salaries, wages and benefits	\$ 523,533	\$ 147,547	\$ 70,988	\$ 61,159	\$ 165,770	\$ 192,865	\$ 190,369	\$ 200,481	\$ 19,982	\$ 1,572,694
Occupancy and utilities	66,915	14,547	-	8,728	21,820	8,460	23,275	10,183	-	153,928
Equipment and supplies	22,093	4,803	-	2,882	7,204	3,392	7,684	3,362	-	51,420
Professional services	44,255	11,719	6,118	4,494	14,959	17,201	11,570	23,084	93,400	226,800
Direct job seeker and advancement expenses	23,087	4,528	312	1,787	3,862	3,380	-	-	-	36,956
Marketing	-	-	-	-	-	-	-	23,497	-	23,497
Other	13,027	3,779	2,097	1,368	4,689	5,470	(313)	3,463	-	33,580
Total expenses	<u>\$ 692,910</u>	<u>\$ 186,923</u>	<u>\$ 79,515</u>	<u>\$ 80,418</u>	<u>\$ 218,304</u>	<u>\$ 230,768</u>	<u>\$ 232,585</u>	<u>\$ 264,070</u>	<u>\$ 113,382</u>	<u>\$ 2,098,875</u>
2012										
Salaries, wages and benefits	\$ 535,986	\$ 113,919	\$ 55,479	\$ 61,077	\$ 150,781	\$ 38,821	\$ 224,106	\$ 125,758	\$ 22,350	\$ 1,328,277
Occupancy and utilities	60,402	12,858	-	7,053	17,425	-	24,611	13,163	-	135,512
Equipment and supplies	19,768	4,203	-	2,291	5,656	3,081	8,128	4,388	-	47,515
Professional services	67,128	19,402	2,895	7,970	19,634	9,073	27,810	29,589	65,324	248,825
Direct job seeker and advancement expenses	12,148	2,570	242	1,376	3,490	704	4,880	2,667	-	28,077
Marketing	-	-	-	-	-	-	-	27,393	-	27,393
Other	23,081	4,840	-	2,606	6,701	-	-	-	-	37,228
Total expenses	<u>\$ 718,513</u>	<u>\$ 157,792</u>	<u>\$ 58,616</u>	<u>\$ 82,373</u>	<u>\$ 203,687</u>	<u>\$ 51,679</u>	<u>\$ 289,535</u>	<u>\$ 202,958</u>	<u>\$ 87,674</u>	<u>\$ 1,852,827</u>

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 714,768	\$ (296,306)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	18,881	14,936
Donated equipment	(1,400)	(1,187)
Net realized and unrealized gain on investments	(105,509)	(89,412)
Donated investments	(63,460)	(26,386)
Changes in assets and liabilities:		
Contributions receivable	(753,448)	216,454
Prepaid expenses and other assets	(5,567)	(19,093)
Accounts payable	(3,068)	3,524
Accrued expenses	22,277	1,506
	(176,526)	(195,964)
Net cash used in operating activities	(176,526)	(195,964)
 Cash flows from investing activities:		
Purchases of furniture and equipment	(5,523)	(18,439)
Purchases of investments	(210,230)	(571,879)
Sales and maturities of investments	664,256	476,968
Purchases of restricted investments	(1,327)	(494)
	447,176	(113,844)
Net cash provided by (used in) investing activities	447,176	(113,844)
Net increase (decrease) in cash and cash equivalents	270,650	(309,808)
Cash and cash equivalents at beginning of year	462,574	772,382
Cash and cash equivalents at end of year	\$ 733,224	\$ 462,574

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE A – NATURE OF OPERATIONS

Cincinnati Works, Inc. (the “Organization”) is a not-for-profit corporation serving the Greater Cincinnati community, whose mission is to partner with all willing and capable people living in poverty to assist them in advancing to economic self-sufficiency through employment. The Organization’s revenue and other support are derived principally from contributions and grants.

The Organization serves the Greater Cincinnati community through the Job Readiness Program and the Advancement Program. The Job Readiness Program provides job seekers with soft skills to be successful, promotable employees. This program focuses on job acquisition and retention. The Advancement Program provides assistance to workers striving to increase wages and meet career goals. This program is targeted at workers earning below self-sufficiency wages.

Capacity building is a strategic initiative designed to reach more people living in poverty in the Greater Cincinnati Region. The Phoenix Program is designed to reach individuals most at risk of becoming victims or offenders of gun violence primarily as a result of gang interaction. The goal is to rescue young people from the streets, allowing them to become contributing citizens. The Next Step Program focuses on foster youth who find they are “aging out” of the foster care system, and in need of help transitioning to a stable future as young adults. The Organization provides workforce development services to City Link, which is a non-profit that offers the poor/working poor a path to self-sufficiency through a program of bundled services.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The financial statements of the Organization are presented on the accrual basis of accounting. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization, the passage of time, or an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”).

Permanently restricted – Net assets subject to donor imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general purposes.

Contributions and grants are recorded in the appropriate net asset class when the promise to give is received. When a donor stipulated time or purpose restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted gifts and investment income with donor-imposed restrictions for which the restriction is met in the same period are recorded as temporarily restricted and then released from restriction.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013 and 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Basis of Presentation (continued)

Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and the creditworthiness of the donor. No allowance was recorded in 2013 or 2012.

Contributions of services are recognized as revenue at their estimated fair value only when the services received require specialized skills possessed by the individuals providing the service and their service would typically need to be purchased if not donated. Recorded contributed services are primarily related to counseling services and are recorded in salaries and wages. Significant contributions for public service announcements were made in 2013 and 2012, but have not been recorded, because they do not meet these requirements. In 2013 and 2012, donated goods and services benefited the Job Readiness program by \$54,065 and \$54,053, the Advancement program by \$11,522 and \$4,504, the Next Step program by \$5,318 and \$9,009, the Phoenix program by \$10,636 and \$22,522, the Capacity Building program by \$7,090 and \$0, General and Administrative by \$6,708 and \$7,177 and Fundraising by \$4,370 and \$0, respectively. Donated equipment of \$1,400 and \$1,187 was capitalized in 2013 and 2012, respectively.

2. Use of 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 revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2013 and 2012, cash equivalents consisted of money market funds, which generally invest in highly liquid commercial paper. At December 31, 2013 and 2012, there was no cash held in excess of federally insured limits. Investments in money market funds are not insured or guaranteed by the U.S. government and totaled \$633,901 and \$404,433 at December 31, 2013 and 2012, respectively.

4. Furniture and Equipment

The Organization's policy is to capitalize furniture and equipment purchased or donated having a cost in excess of \$1,000. All items are recorded at cost less accumulated depreciation. Computer equipment, software and licenses are depreciated on a straight-line basis over a three-year period. Furniture is depreciated on a straight-line basis over a five-year period.

Furniture of \$16,227 and \$16,227 and equipment of \$53,223 and \$46,300 were recorded as assets at December 31, 2013 and 2012, respectively. Accumulated depreciation totaled \$40,538 and \$21,657 at December 31, 2013 and 2012, respectively. Depreciation expense was \$18,881 and \$14,936 for 2013 and 2012, respectively.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013 and 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Investments and Investment Return

Investments are reported at fair value, except for certificates of deposit, which are valued at amortized cost. Fair value is 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. See Note E for discussion of fair value measurements.

Investment return for 2013 and 2012 included interest and dividend income of \$56,993 and \$37,235, respectively, and net realized and unrealized gains of \$105,509 and \$89,412, respectively.

Unrestricted investments are summarized as follows at year end:

	2013		2012
Certificates of deposit	\$ 251,665	\$	251,741
Asset-backed securities	14,579		15,222
U.S. government and agency obligations	25,790		127,429
Corporate bonds	128,199		257,210
Mutual funds	710,493		767,568
International bonds	98,447		53,218
Exchange-traded funds	38,736		85,540
	<u>\$ 1,267,909</u>	<u>\$</u>	<u>1,557,928</u>

Restricted investments amounting to \$43,274 and \$36,985 at December 31, 2013 and 2012, respectively, consist primarily of mutual funds. These investments are restricted as they represent permanently restricted contributions and accumulated investment earnings, which is recorded as unrestricted net assets or temporarily restricted net assets according to donor stipulations.

6. Other Income

Other income consists of reimbursements by other not-for-profit organizations for employment assistance services provided by the Organization's employees.

7. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization may be subject to federal income tax on any unrelated business income.

As required by the uncertain tax position guidance in FASB Accounting Standards Codification ("ASC") 740, *Income Taxes*, the Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization applied the uncertain tax position guidance in ASC 740 to all tax positions for which the statute of limitations remained open. The Organization did not recognize any liabilities for unrecognized tax benefits in 2013 or 2012. Open tax years include 2012, 2011 and 2010.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013 and 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the benefited programs and supporting services based on direct identification, time studies and other methods. Other costs relate to leadership training and consulting for workshop redesign.

9. Reclassifications

Certain 2012 amounts have been reclassified to conform with the 2013 presentation.

10. Risks and Uncertainties

The Organization holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk and uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value may occur in the near term and such changes could materially affect the financial statements.

NOTE C – CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at December 31, consisted of the following:

	2013	2012
Due within one year	\$ 636,694	\$ 774,461
Due in one to five years	1,150,000	202,500
	<u>1,786,694</u>	<u>976,961</u>
Less unamortized discount	(63,648)	(7,363)
	<u>\$ 1,723,046</u>	<u>\$ 969,598</u>

Discount rates, which are based on 5-year U.S. Treasury rates, were approximately 1.75% and 0.72% for 2013 and 2012, respectively.

At December 31, 2013 and 2012, approximately 85% and 72%, respectively, of total contributions receivable are due from five contributors. During 2013 and 2012, approximately 63% and 32%, respectively, of the Organization's total contributions and grants were provided by five and three contributors, respectively.

NOTE D – NET ASSETS

1. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. The income on which is expendable to support any activity of the Organization if appropriated for expenditure by the Board of Trustees.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013 and 2012

NOTE D – NET ASSETS (continued)

2. Temporarily Restricted Net Assets

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

	2013	2012
Use in future years	\$ 1,332,380	\$ 628,101
Facilities and equipment	1,946	7,192
Advancement program	453,073	290,723
Next Step program	15,000	70,010
City Link program	55,220	75,000
Staff development	23,061	23,061
Other	40,270	35,255
	\$ 1,920,950	\$ 1,129,342

3. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time. A summary of restrictions satisfied is as follows:

	2013	2012
Time restriction expired	\$ 392,500	\$ 353,167
Facilities and equipment	5,246	14,365
Staff development	-	10,534
Technology	2,513	7,188
Job readiness program	246,369	194,829
Advancement program	183,270	201,540
Next Step program	58,510	79,513
Phoenix program	36,500	110,728
City Link program	175,000	30,000
Other	56,020	9,974
	\$ 1,155,928	\$ 1,011,838

NOTE E – FAIR VALUE MEASUREMENTS

Financial instruments measured at fair value on a recurring basis using quoted prices for identical instruments in an active market (or level 1 inputs) includes exchange-traded funds, mutual funds, and some corporate and international bonds. Financial instruments measured at fair value using inputs based on quoted market prices for similar instruments in active markets (or level 2 inputs) include asset-backed securities, some corporate and international bonds, and U.S. government and agency obligations. The Organization does not hold any financial instruments measured at fair value on a recurring basis using significant unobservable inputs (or level 3 inputs).

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013 and 2012

NOTE E – FAIR VALUE MEASUREMENTS (continued)

Investments in cash equivalents are carried at amortized cost of \$253,691 and \$253,602 at December 31, 2013 and 2012, respectively. These investments do not qualify as securities, thus the fair value disclosures required by ASC 820, *Fair Value Measurements*, are not provided.

The following tables summarize financial instruments measured at fair value on a recurring basis in the statement of financial position at December 31, 2013 and 2012.

	Balances at December 31, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments and restricted investments:				
Corporate bonds	\$ 128,199	\$ -	\$ 128,199	\$ -
U.S. government and agency obligations	25,790	-	25,790	-
Asset-backed securities	14,579	-	14,579	-
International bonds	98,447	46,269	52,178	-
Mutual funds:				
Large cap global and domestic	207,554	207,554	-	-
Small and mid-cap domestic	128,799	128,799	-	-
Developing International	135,483	135,483	-	-
Emerging Markets	84,020	84,020	-	-
Alternative strategies	61,206	61,206	-	-
Other	134,679	134,679	-	-
Exchange-traded funds - real estate	38,736	38,736	-	-
	<u>\$ 1,057,492</u>	<u>\$ 836,746</u>	<u>\$ 220,746</u>	<u>\$ -</u>

	Balances at December 31, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments and restricted investments:				
Corporate bonds	\$ 257,210	\$ 51,690	\$ 205,520	\$ -
U.S. government and agency obligations	127,429	-	127,429	-
Asset-backed securities	15,222	-	15,222	-
International bonds	53,218	-	53,218	-
Mutual funds:				
Large cap global and domestic	332,360	332,360	-	-
Small and mid-cap domestic	97,709	97,709	-	-
Developing International	49,696	49,696	-	-
Emerging Markets	114,547	114,547	-	-
Alternative strategies	148,763	148,763	-	-
Other	59,617	59,617	-	-
Exchange-traded funds - real estate	85,540	85,540	-	-
	<u>\$ 1,341,311</u>	<u>\$ 939,922</u>	<u>\$ 401,389</u>	<u>\$ -</u>

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013 and 2012

NOTE F – OFFICE LEASE

The Organization leases its office space under a noncancelable operating lease which is subject to terms of renewal and escalation clauses. Rent expense for 2013 and 2012 amounted to \$92,813 each year. Future minimum lease payments are as follows:

Year ending December 31,	
2014	\$ 95,481
2015	98,345
2016	101,295
2017	104,334
2018	107,464
Thereafter	110,688

During 2013 and 2012, a board member subleased certain office space and reimbursed the Organization for this and certain other office expenses totaling approximately \$7,800 and \$9,000, respectively.

NOTE G – RETIREMENT PLAN

The Organization has a defined contribution plan (the “Plan”) covering substantially all employees. Under the terms of the Plan, the Organization has the discretion to make contributions to the Plan. In addition, employees may elect to participate in the salary deferral portion of the Plan. Participants vest in employer contributions 20% each year and are fully vested after five years. Retirement Plan expenses amounted to \$65,323 and \$67,820 for 2013 and 2012, respectively.

NOTE H – SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2013 financial statements for subsequent events through March 21, 2014, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.