

LIFE TOWN, INC. AND FRIENDSHIP CIRCLE NEW JERSEY, INC.
Combined Financial Statements
June 30, 2024 and 2023
With Independent Auditor's Report

Life Town, Inc. and Friendship Circle New Jersey, Inc.
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June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Life Town, Inc. and Friendship Circle New Jersey, Inc.:

Opinion

We have audited the combined financial statements of Life Town, Inc. and Friendship Circle New Jersey, Inc. (the "Organization"), which comprise the combined statements of financial position as of June 30, 2024 and 2023, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Organization as of June 30, 2024 and 2023, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization, 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.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.


In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Organization'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental combining statements of financial position and combining statements of activities and changes in net assets (the “supplementary information”) are presented for the purpose of additional analysis and are not a required part of the basic combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated in all material respects in relation to the combined financial statements as a whole.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

February 14, 2025

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Combined Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash	\$ 1,050,611	\$ 1,172,274
Pledges receivable, net	242,874	1,395,662
Certificates of deposit	512,286	500,000
Other current assets	<u>23,482</u>	<u>20,618</u>
Total current assets	1,829,253	3,088,554
Property and equipment, net	16,605,183	16,243,300
Pledges receivable, noncurrent	50,000	-
Investments	<u>1,438,837</u>	<u>258,004</u>
Total assets	<u>\$ 19,923,273</u>	<u>\$ 19,589,858</u>
Liabilities and Net Assets		
Current liabilities		
Line of credit	\$ 94	\$ 200,096
Current portion of long-term debt	126,978	79,813
Accounts payable and accrued expenses	<u>439,902</u>	<u>175,172</u>
Total current liabilities	566,974	455,081
Long-term debt, net of current portion	<u>1,048,235</u>	<u>1,919,479</u>
Total liabilities	<u>1,615,209</u>	<u>2,374,560</u>
Net assets		
Without donor restrictions	15,828,466	14,901,952
With donor restrictions	<u>2,479,598</u>	<u>2,313,346</u>
Total net assets	<u>18,308,064</u>	<u>17,215,298</u>
Total liabilities and net assets	<u>\$ 19,923,273</u>	<u>\$ 19,589,858</u>

The Notes to Combined Financial Statements are an integral part of these statements.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Combined Statements of Activities and Changes in Net Assets
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions of cash and other financial assets	\$ 1,436,037	\$ 1,680,711	\$ 3,116,748	\$ 1,088,669	\$ 1,327,809	\$ 2,416,478
Grants	82,500	-	82,500	102,321	-	102,321
Fundraising events, net	1,117,465	-	1,117,465	1,565,896	-	1,565,896
Program income	479,549	-	479,549	296,625	-	296,625
Investment income	13,770	108,833	122,603	542	17,492	18,034
Rental income	44,325	-	44,325	12,845	-	12,845
Other income	9,049	-	9,049	6,949	-	6,949
	3,182,695	1,789,544	4,972,239	3,073,847	1,345,301	4,419,148
Net assets released from restriction	1,623,292	(1,623,292)	-	702,395	(702,395)	-
Total support and revenue	4,805,987	166,252	4,972,239	3,776,242	642,906	4,419,148
Expenses						
Program services	3,105,883	-	3,105,883	2,696,718	-	2,696,718
Management and general	521,652	-	521,652	408,346	-	408,346
Fundraising	251,938	-	251,938	261,924	-	261,924
Total expenses	3,879,473	-	3,879,473	3,366,988	-	3,366,988
Changes in net assets	926,514	166,252	1,092,766	409,254	642,906	1,052,160
Net assets						
Beginning of year	14,901,952	2,313,346	17,215,298	14,492,698	1,670,440	16,163,138
End of year	\$ 15,828,466	\$ 2,479,598	\$ 18,308,064	\$ 14,901,952	\$ 2,313,346	\$ 17,215,298

The Notes to Combined Financial Statements are an integral part of these statements.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Combined Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Changes in net assets	\$ 1,092,766	\$ 1,052,160
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net present value adjustment on pledges receivable	-	(2,834)
Bad debt expense	41,152	-
Depreciation	450,403	452,179
Realized and unrealized gains on investments	(102,784)	(16,727)
Donated investments	(10,000)	(10,000)
Changes in operating assets and liabilities		
Pledges receivable	1,061,636	(735,234)
Other current assets	(2,864)	(11,308)
Accounts payable and accrued expenses	264,730	12,134
Proceeds from contributions restricted for construction and endowment	<u>(1,359,309)</u>	<u>(326,809)</u>
Net cash provided by operating activities	<u>1,435,730</u>	<u>413,561</u>
Investing activities		
Purchase of certificates of deposit and reinvestment of interest	(512,286)	(500,000)
Maturity of certificates of deposit	500,000	-
Purchases of property and equipment	(812,286)	(574,464)
Purchases of investments	<u>(1,068,049)</u>	<u>(40,265)</u>
Net cash used in investing activities	<u>(1,892,621)</u>	<u>(1,114,729)</u>
Financing activities		
Change in line of credit	(200,002)	200,000
Proceeds from contributions restricted for construction	287,309	287,309
Proceeds from contributions restricted for endowment	1,072,000	39,500
Payments on long-term debt	<u>(824,079)</u>	<u>(61,967)</u>
Net cash provided by financing activities	<u>335,228</u>	<u>464,842</u>
Net change in cash	(121,663)	(236,326)
Cash		
Beginning of year	<u>1,172,274</u>	<u>1,408,600</u>
End of year	<u>\$ 1,050,611</u>	<u>\$ 1,172,274</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 102,906</u>	<u>\$ 86,880</u>

The Notes to Combined Financial Statements are an integral part of these statements.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Combined Statements of Functional Expenses
Years Ended June 30, 2024 and 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 721,469	\$ 211,526	\$ 33,960	\$ 966,955	\$ 560,346	\$ 193,768	\$ 33,960	\$ 788,074
Payroll taxes and fringe benefits	308,437	50,155	39,462	398,054	281,554	46,561	36,072	364,187
Professional fees	165,329	85,375	-	250,704	112,454	43,992	-	156,446
Repairs and maintenance	176,771	9,821	9,821	196,413	154,645	8,591	8,591	171,827
Occupancy	33,724	1,874	2,536	38,134	32,540	1,808	1,808	36,156
Office expense, printing and postage	155,876	49,920	7,486	213,282	138,921	67,448	9,416	215,785
Interest expenses	64,870	34,432	3,604	102,906	78,192	4,344	4,344	86,880
Depreciation	405,837	22,283	22,283	450,403	407,999	22,090	22,090	452,179
Insurance	45,692	12,859	2,300	60,851	40,236	13,507	2,635	56,378
Capital campaign expenses	-	-	-	-	-	-	2,919	2,919
Advertising and promotion	24,301	-	130,199	154,500	8,171	2,750	139,409	150,330
Travel	7,216	2,255	287	9,758	10,388	3,487	680	14,555
Programmatic supplies and client assistance	996,361	-	-	996,361	871,272	-	-	871,272
Bad debt expense	-	41,152	-	41,152	-	-	-	-
	<u>\$ 3,105,883</u>	<u>\$ 521,652</u>	<u>\$ 251,938</u>	<u>\$ 3,879,473</u>	<u>\$ 2,696,718</u>	<u>\$ 408,346</u>	<u>\$ 261,924</u>	<u>\$ 3,366,988</u>

The Notes to Combined Financial Statements are an integral part of these statements.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
June 30, 2024 and 2023

1. ORGANIZATION AND PURPOSE OF CORPORATION

Life Town, Inc. ("Life Town") was incorporated in 2012 in New Jersey as a nonprofit corporation. Life Town's primary function is to create a center for therapeutic services and life-skills training to engage children and teens, including those with special needs, in a thoroughly enriching experience through extensive recreational, educational and therapeutic programs; develop independence for people with disabilities through role-play in Life Village, a real-life town square; be a resource for special education schools into an inclusive setting and greater involvement in the general community and to provide them with much needed respite and support; and to motivate, inspire and enrich teen and adult volunteers through sharing of themselves with others.

Friendship Circle was founded in 1996 as a project of the Rabbinical College of America. On June 18, 2013, it was incorporated in New Jersey as its own entity, Friendship Circle New Jersey, Inc. ("FCNJ"), a nonprofit corporation. FCNJ is a primary resource for families who have children or teens with special needs. Participants and their families benefit from a wide array of innovative respite, social and recreational programs. The parents enjoy some much-needed respite, secure in the knowledge that their children are in a safe, warm and welcoming environment. FCNJ's distinctive approach of pairing participants with teen volunteers, motivates, inspires and enriches everyone involved. At the heart of all FCNJ programming is the belief that each and every individual can be a productive member of the community and benefit from inclusive programming. FCNJ also provides other educational programs and services.

Chabad of Livingston, Inc. was incorporated in New Jersey on October 27, 2014 and established as a Type III supporting organization, parent organization, and Sole Member to support Friendship Circle New Jersey, Inc. and Life Town, Inc. and is an exempt organization in accordance with IRS section 501(c)(3). There was no activity for Chabad of Livingston, Inc. during the years ended June 30, 2024 and 2023.

The Organization receives significant involvement from volunteers. The value of these services has not been reflected in the combined financial statements as they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America ("US GAAP").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Combination

The combined financial statements include the accounts of Life Town and FCNJ. The entities are affiliated by means of overlapping boards of directors and common management. Collectively, the two organizations are referred to in the combined financial statements as the "Organization." All significant intercompany accounts and transactions have been eliminated in combination.

Basis of Presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with US GAAP. Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. Based on the existence or absence of donor-imposed restrictions, the Organization classifies resources into two categories:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
June 30, 2024 and 2023

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Net assets received and spent in the same reporting period are reflected as net assets without restrictions.

Estimates

The preparation of combined financial statements in conformity with US GAAP 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the calculation of depreciation, the allowance for doubtful accounts on pledges receivable and the allocation of functional expenses. Accordingly, actual results may differ from those estimates.

Income Taxes

Life Town and FCNJ are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and state income taxes under similar provisions. They are required to file charitable registrations in states where they solicit contributions. Accordingly, no provision or liability for income taxes has been recorded in the combined financial statements. There were no uncertain tax positions at June 30, 2024 and 2023. Life Town and FCNJ did not have any income tax related penalties or interest for the years ended June 30, 2024 and 2023.

Revenue and Support Recognition

Contributions and Grants

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right to return, are not recognized in revenue until the conditions on which they depend have been substantially met. Contributions, net assets and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. Revenue from government and private grant and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as refundable advances. Grant funds expended in advance of reimbursement from the funding source are classified as grants and contracts receivable in the combined statements of financial position. The Organization had no conditional awards at June 30, 2024 and 2023.

Fundraising Events

Fundraising revenue is comprised of payments received from third parties (individuals and corporations) to support and/or attend fundraising events. Fundraising revenue includes an exchange transaction component for the value of the goods or services received, which follows revenue recognition guidance under ASC Topic 606. The amount paid by individuals and corporations that is above the value of goods or services received is considered a contribution. Revenue is recognized at the point in time the fundraising event occurs.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
June 30, 2024 and 2023

Fee for Service

The Organization's fee for service revenues, including program fees and relate to contracts with consumers in which the performance obligation is to provide certain counseling and related services. The Organization recognizes revenues in the period in which obligations to provide such services are satisfied and reports the amount that reflects the consideration to which the Organization is expected to be entitled. The Organization's performance obligations are generally satisfied over time. The Organization is paid for program services under the state of New Jersey Medicaid program for certain services. State regulations provide certain adjustments to current and prior years' payment rates, based on published rates. Generally, the Organization bills the fee for service revenue to the state of New Jersey through the Medicaid program on a weekly basis.

Laws and regulations governing the Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates could change by a material amount if, under audit, charges are disallowed. Management periodically reviews recorded amounts receivable from, or payable to third- party payors and adjusts these balances as new information becomes available.

Functional Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the combined statements of functional expenses. Costs that can be identified with a specific program or support service are charged directly to that program or support service. Accordingly, certain costs have been allocated among program services, management and general and fundraising functions. Such allocations are determined by management on an equitable basis.

The expenses that are allocated and the method of allocation are as follows:

<u>Expense Category</u>	<u>Allocation Methodology</u>
Salaries and fringe benefits	Time and effort
Occupancy	Square footage
Depreciation	Square footage
Interest	Square footage
Repairs and maintenance	Square footage
Office expense, printing and postage	Salaries
Insurance	Salaries
Travel	Salaries

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Organization did not have cash equivalents at June 30, 2024 and 2023.

Certificates of Deposit

The Organization had certificates of deposit amounting to \$512,286 and \$500,000 at June 30, 2024 and 2023, respectively. Certificates of deposit are valued at cost plus accrued interest. Such interest-bearing deposits in banks have original maturities of 6 months, with penalties for early withdrawal. The interest rate was approximately 5% as of June 30, 2024 and 2023. In accordance with US GAAP, interest is recorded when earned. The certificate of deposit at June 30, 2024 matures in fiscal 2025.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
June 30, 2024 and 2023

Investments

The Organization's investments in equity securities with readily determinable fair values and all investments in traded debt securities are reported at fair value. Security transactions and related expenses are accounted for on a trade date basis. Realized and unrealized gains and losses are included in investment income (loss) in the accompanying combined statements of activities and changes in net assets. Investment expenses, including direct internal and external investment expenses, are shown net of investment income (loss). Investment income (loss) is allocated between with and without donor restrictions based on state law.

Fair Value Measurements

The Organization applies fair value accounting for all financial assets and liabilities that are recognized at fair value in the combined financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair values should be based on the assumptions market participants use when pricing an asset.

US GAAP establishes a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to the Organization's assumptions (unobservable inputs). The Organization groups assets at fair value in their levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Quoted market prices in active markets for identical assets and liabilities to the extent possible.

Level 2 - Other observable inputs, including quoted market prices of similar assets and liabilities in active and inactive markets, quoted prices for identical or similar assets in non-active markets, and other inputs.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

The Organization's investment assets consist of investments in pooled funds and bonds. Bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2. Investments in pooled funds are treated using the practical expedient for net asset value. Investments maintained in an investment pool are valued using the practical expedient of net asset value as fair value. Income and losses arising from the ownership or disposition of pooled investments are allocated to the various funds based on the percentage of ownership-interest of such funds in the investment pool.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
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Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation, except for donated items which are recorded at fair value based on the assessed value at the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restricted support. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The depreciable years utilized by major asset categories are as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Building	40
Building improvements	10
Equipment	5
Website	3

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor renewals are charged to operations as incurred.

Valuation of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Impairment is present when the sum of undiscounted estimated future cash flows expected to result from use of the assets is less than carrying value. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. Management has determined that no impairment charge was required for the years presented in these combined financial statements.

Advertising Expenses

Advertising expenses are expensed in the period incurred. Advertising expenses amounted to \$154,500 and \$150,330 at June 30, 2024 and 2023, respectively.

Contributions of Nonfinancial Assets

The Organization records non-cash donations of occupancy and services at the fair market value of those items. The Organization received no contributions of nonfinancial assets for the years ended June 30, 2024 and 2023.

Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of twelve months or less are not recorded on the combined statements of financial position. The Organization had no finance leases during 2024 and 2023.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
June 30, 2024 and 2023

New Accounting Pronouncement Adopted in Current Year

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Instruments*, which is effective for fiscal years beginning after December 15, 2022, and requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Organization adopted this standard using a modified prospective approach and the adoption had no effect on the combined financial statements.

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2024 and 2023, the Organization's liquidity resources and financial assets available within one year for general expenditures, such as operating expenses, payment of accounts payable and other expenditures, were as follows:

	<u>2024</u>	<u>2023</u>
Financial assets		
Cash	\$ 1,050,611	\$ 1,172,274
Pledges receivable, net	292,874	1,395,662
Certificates of deposit	512,286	500,000
Investments	<u>1,438,837</u>	<u>258,004</u>
	3,294,608	3,325,940
Less: Net assets with donor restrictions (see Note 9)	(2,479,598)	(2,313,346)
Plus: Available line of credit	<u>999,906</u>	<u>799,904</u>
Financial assets and liquidity resources available within one year	<u>\$ 1,814,916</u>	<u>\$ 1,812,498</u>

The Organization receives funding from individual donors and program fees. The majority of the fundraising activities are used to pay for operating expenditures. Bills are paid as they come due, and a line of credit is available and will be utilized in the event of a cash flow shortfall (Note 7).

4. PLEDGES RECEIVABLE

Pledges are recognized when the donor's commitment is received. The pledges are recognized at the estimated present value of future cash flows. Pledges receivable at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Due in one year or less	\$ 289,116	\$ 1,441,904
Due between one and five years	<u>50,000</u>	<u>-</u>
Pledges receivable, gross	339,116	1,441,904
Allowance for uncollectible pledges	<u>(46,242)</u>	<u>(46,242)</u>
Pledges receivable, net	<u>\$ 292,874</u>	<u>\$ 1,395,662</u>

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
June 30, 2024 and 2023

5. INVESTMENTS

Carrying value of investments was as follows as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Investments in pooled funds	\$ 1,428,837	\$ 248,004
Bonds	<u>10,000</u>	<u>10,000</u>
	<u>\$ 1,438,837</u>	<u>\$ 258,004</u>

Net investment return related to the pooled investments was comprised of the following for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Realized gains	\$ 47,647	\$ 3,560
Unrealized gains	55,137	13,167
Interest and dividends	31,263	3,397
Investment fees	<u>(11,444)</u>	<u>(2,090)</u>
	<u>\$ 122,603</u>	<u>\$ 18,034</u>

Investments at fair value are as follows at June 30, 2024 and 2023:

		<u>2024</u>				
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Asset Value</u>	<u>Total</u>
Investments in pooled funds	\$ -	\$ -	\$ -	\$ -	\$ 1,428,837	\$ 1,428,837
Bonds	-	-	10,000	-	-	10,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 1,428,837</u>	<u>\$ 1,438,837</u>
		<u>2023</u>				
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Asset Value</u>	<u>Total</u>
Investments in pooled funds	\$ -	\$ -	\$ -	\$ -	\$ 248,004	\$ 248,004
Bonds	-	-	10,000	-	-	10,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 248,004</u>	<u>\$ 258,004</u>

The follow information relates to the investments in pooled funds at net asset value:

<u>Category of Investment</u>	<u>Investment Strategy</u>	<u>Amount June 30, 2024</u>	<u>Amount June 30, 2023</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Pooled fund	Long-Term Growth	\$ 1,428,837	\$ 248,004	None	None	None

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
June 30, 2024 and 2023

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 775,000	\$ 775,000
Building	17,700,191	16,882,026
Building improvements	172,787	149,336
Equipment	40,649	40,650
Website	55,233	55,233
Construction in progress	<u>504,437</u>	<u>533,766</u>
Total property and equipment, at cost	19,248,297	18,436,011
Less: Accumulated depreciation	<u>2,643,114</u>	<u>2,192,711</u>
Total property and equipment, net	<u>\$ 16,605,183</u>	<u>\$ 16,243,300</u>

Depreciation expense amounted to \$450,403 and \$452,179 for the years ended June 30, 2024 and 2023, respectively.

Construction in progress represents renovations to the building which is expected to be placed in service in fiscal year 2025.

7. LINE OF CREDIT

Life Town has a \$1,000,000 line of credit, bearing interest at the prevailing prime rate (8.50% and 8.25% at June 30, 2024 and 2023, respectively), as published in the *Wall Street Journal*, plus 1.50% with a floor of 5%. The line of credit has a maturity date of June 2025. The line of credit is secured by the building located at 10 Microlab Road, Livingston, NJ. The outstanding line of credit balance at June 30, 2024 and 2023 was \$94 and \$200,096, respectively.

8. LONG-TERM DEBT

A summary of long-term debt obligations at June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Mortgage note collateralized by building of Life Town. The note bears interest at 5.375% per annum for a term of 25 years through July 2038. Monthly payment including interest is \$12,127.	\$ 675,213	\$ 1,499,292
Loan payable - \$500,000 from the Small Business Administration ("SBA"), an agency of the U.S. Government, through the Economic Injury Disaster Loan program. The loan is payable in monthly installments of principal and interest of \$2,202 beginning in December 15, 2022 for a term of 30 years at an interest rate of 2.75%.	500,000	500,000
	1,175,213	1,999,292
Less: Current portion of long-term debt	<u>126,978</u>	<u>79,813</u>
	<u>\$ 1,048,235</u>	<u>\$ 1,919,479</u>

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
June 30, 2024 and 2023

Maturities of the long-term debt in each of the next five years are as follows:

2025	\$ 126,978
2026	134,378
2027	142,223
2028	150,539
2029	159,356
Thereafter	461,739
	<u>\$ 1,175,213</u>

9. NET ASSETS

Components of net assets with donor restrictions at June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Time restrictions	<u>\$ 112,500</u>	<u>\$ 1,000,000</u>
Purpose restrictions		
Building Fund	938,261	1,056,752
Security upgrades	-	7,385
Virtual programming	-	1,205
Endowment	<u>1,428,837</u>	<u>248,004</u>
Total purpose restrictions	<u>2,367,098</u>	<u>1,313,346</u>
Total net assets with donor restrictions	<u>\$ 2,479,598</u>	<u>\$ 2,313,346</u>

Net assets with donor restrictions released in the years ended June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Purpose restrictions		
Building Fund	\$ 1,614,702	\$ 698,546
Security upgrades	7,385	3,849
Virtual programming	<u>1,205</u>	<u>-</u>
	<u>\$ 1,623,292</u>	<u>\$ 702,395</u>

10. ENDOWMENT FUNDS

Description of Fund

The Organization established its Legacy Endowment Campaign which is intended to help the Organization provide a steady investment revenue stream to fund future operations.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") provides guidance on the maintenance and spending of endowment funds when the intent of the donors is not clear. UPMIFA provides guidelines for the expenditure of an endowment fund, absent explicit donor stipulations. UPMIFA eliminated the requirement for a permanent endowment to be maintained at its historic dollar value amount and instead allows not-for-profits to adopt prudent spending policies. As a result, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
June 30, 2024 and 2023

The Organization restricts the investment earnings on the endowment funds until appropriated for expenditure. The Organization considers the following factors in making a determination to distribute 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

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for long-term assets that attempt to provide a predictable stream of funding to programs supported by its long-term assets while seeking to maintain the purchasing power of these assets. Under this policy, as approved by the Board of Directors, long-term assets are invested with a community foundation in a manner that is intended to accomplish these goals.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of distributing annually each year 5% of its long-term assets' average fair value over the prior ending thirteen quarters through the fiscal year-end of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its assets. This is consistent with the Organization's objective to maintain the purchasing power of the long-term assets held, as well as to provide additional real growth through new gifts and investment return.

The following table provides information regarding the change in endowment net assets for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 248,004	\$ 191,013
Contributions received	1,072,000	39,500
Investment income	108,833	17,491
Endowment net assets, end of year	<u>\$ 1,428,837</u>	<u>\$ 248,004</u>

Investment by type of fund

Donor restricted "true" endowment		
Historical gift value	\$ 1,307,836	\$ 235,836
Net accumulated earnings	121,001	12,168
	<u>\$ 1,428,837</u>	<u>\$ 248,004</u>

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
June 30, 2024 and 2023

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist for accumulated donor-restricted endowment funds. There were no funds with historical gift value deficiencies as of June 30, 2024 and 2023.

11. RELATED PARTY TRANSACTIONS

Life Town has a line of credit and mortgage with an institution in which a board member of the Organization is the Chairman of the Board of the financial institution (see Notes 7 and 8).

12. CONCENTRATIONS

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and pledges receivable.

The Organization has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, changes in net assets, and cash flows.

Concentrations of credit risk with respect to pledges receivable are limited due to the large number of contributors comprising the Organization's contributor base. One donor concentration existed at June 30, 2023, which resulted in a 76% concentration of the total pledges receivable balance due. There were no donor concentrations at June 30, 2024.

One donor comprised 21% of revenue for the year ended June 30, 2024. One donor comprised 23% of revenue for the year ended June 30, 2023.

Investment Risk

The Organization invests in various investments which are exposed to various risks such as interest rates, credit and overall volatility risks. Due to the level of risk with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the Organization's account balances and the amounts reported in the accompanying combined financial statements.

13. COMMITMENTS

Solar Agreement

In April 2019, the Organization entered into an agreement to utilize solar panels expiring in April 2029. The Organization is responsible for early termination fees if the agreement is cancelled before 10 years and is responsible for energy output costs. The output costs are considered variable lease payments based on energy output and are included in occupancy expense on the combined statements of functional expenses.

Lease Agreement

Life Town entered into a lease agreement with FCNJ in June 2013. The term of the lease is for seven years through June 2020 at \$350,000 per year. The lease was extended five years with an expiration of June 2025. Rental income and expense have been eliminated in the combination.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Notes to Combined Financial Statements
June 30, 2024 and 2023

14. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the combined statement of financial position date through February 14, 2025, the date the combined financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no subsequent events have occurred which require disclosure in or adjustment to the combined financial statements, except for the following:

In December 2024, the Organization established a 403(b) defined contribution pension plan.

SUPPLEMENTARY INFORMATION

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Combining Statement of Financial Position
June 30, 2024

	<u>Life Town, Inc.</u>	<u>Friendship Circle</u>	<u>Total</u>	<u>Eliminations</u>	<u>Total</u>
Assets					
Current assets					
Cash	\$ 32,780	\$ 1,017,831	\$ 1,050,611	\$ -	\$ 1,050,611
Pledges receivable, net	153,235	230,415	383,650	(140,776)	242,874
Due from affiliate	569,113	-	569,113	(569,113)	-
Certificates of deposit	-	512,286	512,286	-	512,286
Other current assets	<u>3,801</u>	<u>19,681</u>	<u>23,482</u>	<u>-</u>	<u>23,482</u>
Total current assets	758,929	1,780,213	2,539,142	(709,889)	1,829,253
Property and equipment, net	16,597,331	7,852	16,605,183	-	16,605,183
Pledges receivable, noncurrent	50,000	-	50,000	-	50,000
Investments	<u>1,428,837</u>	<u>10,000</u>	<u>1,438,837</u>	<u>-</u>	<u>1,438,837</u>
Total assets	<u>\$ 18,835,097</u>	<u>\$ 1,798,065</u>	<u>\$ 20,633,162</u>	<u>\$ (709,889)</u>	<u>\$ 19,923,273</u>
Liabilities and Net Assets					
Current liabilities					
Line of credit	\$ 94	\$ -	\$ 94	\$ -	\$ 94
Current portion of long-term debt	126,978	-	126,978	-	126,978
Accounts payable and accrued expenses	427,899	152,779	580,678	(140,776)	439,902
Due to affiliate	<u>-</u>	<u>569,113</u>	<u>569,113</u>	<u>(569,113)</u>	<u>-</u>
Total current liabilities	554,971	721,892	1,276,863	(709,889)	566,974
Long-term debt, net of current portion	<u>548,235</u>	<u>500,000</u>	<u>1,048,235</u>	<u>-</u>	<u>1,048,235</u>
Total liabilities	<u>1,103,206</u>	<u>1,221,892</u>	<u>2,325,098</u>	<u>(709,889)</u>	<u>1,615,209</u>
Net assets					
Without donor restrictions	15,252,293	576,173	15,828,466	-	15,828,466
With donor restrictions	<u>2,479,598</u>	<u>-</u>	<u>2,479,598</u>	<u>-</u>	<u>2,479,598</u>
Total net assets	<u>17,731,891</u>	<u>576,173</u>	<u>18,308,064</u>	<u>-</u>	<u>18,308,064</u>
Total liabilities and net assets	<u>\$ 18,835,097</u>	<u>\$ 1,798,065</u>	<u>\$ 20,633,162</u>	<u>\$ (709,889)</u>	<u>\$ 19,923,273</u>

See Independent Auditor's Report.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Combining Statement of Financial Position
June 30, 2023

	<u>Life Town, Inc.</u>	<u>Friendship Circle</u>	<u>Total</u>	<u>Eliminations</u>	<u>Total</u>
Assets					
Current assets					
Cash	\$ 76,525	\$ 1,095,749	\$ 1,172,274	\$ -	\$ 1,172,274
Pledges receivable, net	1,178,878	216,784	1,395,662	-	1,395,662
Due from affiliate	450,046	-	450,046	(450,046)	-
Certificates of deposit	-	500,000	500,000	-	500,000
Other current assets	<u>3,822</u>	<u>16,796</u>	<u>20,618</u>	<u>-</u>	<u>20,618</u>
Total current assets	1,709,271	1,829,329	3,538,600	(450,046)	3,088,554
Property and equipment, net	16,230,713	12,587	16,243,300	-	16,243,300
Investments	<u>248,004</u>	<u>10,000</u>	<u>258,004</u>	<u>-</u>	<u>258,004</u>
Total assets	<u>\$ 18,187,988</u>	<u>\$ 1,851,916</u>	<u>\$ 20,039,904</u>	<u>\$ (450,046)</u>	<u>\$ 19,589,858</u>
Liabilities and Net Assets					
Current liabilities					
Line of credit	\$ 200,096	\$ -	\$ 200,096	\$ -	\$ 200,096
Current portion of long-term debt	79,813	-	79,813	-	79,813
Accounts payable and accrued expenses	123,842	51,330	175,172	-	175,172
Due to affiliate	<u>-</u>	<u>450,046</u>	<u>450,046</u>	<u>(450,046)</u>	<u>-</u>
Total current liabilities	403,751	501,376	905,127	(450,046)	455,081
Long-term debt, net of current portion	<u>1,419,479</u>	<u>500,000</u>	<u>1,919,479</u>	<u>-</u>	<u>1,919,479</u>
Total liabilities	<u>1,823,230</u>	<u>1,001,376</u>	<u>2,824,606</u>	<u>(450,046)</u>	<u>2,374,560</u>
Net assets					
Without donor restrictions	14,051,412	850,540	14,901,952	-	14,901,952
With donor restrictions	<u>2,313,346</u>	<u>-</u>	<u>2,313,346</u>	<u>-</u>	<u>2,313,346</u>
Total net assets	<u>16,364,758</u>	<u>850,540</u>	<u>17,215,298</u>	<u>-</u>	<u>17,215,298</u>
Total liabilities and net assets	<u>\$ 18,187,988</u>	<u>\$ 1,851,916</u>	<u>\$ 20,039,904</u>	<u>\$ (450,046)</u>	<u>\$ 19,589,858</u>

See Independent Auditor's Report.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Combining Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024

	Life Town, Inc.			Friendship Circle			Eliminations	Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue										
Contributions of cash and other financial assets	\$ 8,232	\$ 1,680,711	\$ 1,688,943	\$ 1,427,805	\$ -	\$ 1,427,805	\$ -	\$ 1,436,037	\$ 1,680,711	\$ 3,116,748
Grants	-	-	-	82,500	-	82,500	-	82,500	-	82,500
Fundraising events	-	-	-	1,117,465	-	1,117,465	-	1,117,465	-	1,117,465
Program income	212,234	-	212,234	267,315	-	267,315	-	479,549	-	479,549
Investment income	-	108,833	108,833	13,770	-	13,770	-	13,770	108,833	122,603
Rental income	394,325	-	394,325	-	-	-	(350,000)	44,325	-	44,325
Other income	-	-	-	9,049	-	9,049	-	9,049	-	9,049
	614,791	1,789,544	2,404,335	2,917,904	-	2,917,904	(350,000)	3,182,695	1,789,544	4,972,239
Net assets released from restriction	<u>1,623,292</u>	<u>(1,623,292)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,623,292</u>	<u>(1,623,292)</u>	<u>-</u>
Total support and revenue	<u>2,238,083</u>	<u>166,252</u>	<u>2,404,335</u>	<u>2,917,904</u>	<u>-</u>	<u>2,917,904</u>	<u>(350,000)</u>	<u>4,805,987</u>	<u>166,252</u>	<u>4,972,239</u>
Expenses										
Program services	863,876	-	863,876	2,557,007	-	2,557,007	(315,000)	3,105,883	-	3,105,883
Management and general	131,991	-	131,991	407,161	-	407,161	(17,500)	521,652	-	521,652
Fundraising	<u>41,335</u>	<u>-</u>	<u>41,335</u>	<u>228,103</u>	<u>-</u>	<u>228,103</u>	<u>(17,500)</u>	<u>251,938</u>	<u>-</u>	<u>251,938</u>
Total expenses	<u>1,037,202</u>	<u>-</u>	<u>1,037,202</u>	<u>3,192,271</u>	<u>-</u>	<u>3,192,271</u>	<u>(350,000)</u>	<u>3,879,473</u>	<u>-</u>	<u>3,879,473</u>
Changes in net assets	1,200,881	166,252	1,367,133	(274,367)	-	(274,367)	-	926,514	166,252	1,092,766
Net assets										
Beginning of year	<u>14,051,412</u>	<u>2,313,346</u>	<u>16,364,758</u>	<u>850,540</u>	<u>-</u>	<u>850,540</u>	<u>-</u>	<u>14,901,952</u>	<u>2,313,346</u>	<u>17,215,298</u>
End of year	<u>\$ 15,252,293</u>	<u>\$ 2,479,598</u>	<u>\$ 17,731,891</u>	<u>\$ 576,173</u>	<u>\$ -</u>	<u>\$ 576,173</u>	<u>\$ -</u>	<u>\$ 15,828,466</u>	<u>\$ 2,479,598</u>	<u>\$ 18,308,064</u>

See Independent Auditor's Report.

Life Town, Inc. and Friendship Circle New Jersey, Inc.
Combining Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

	Life Town, Inc.			Friendship Circle			Eliminations	Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue										
Contributions of cash and other financial assets	\$ 130,343	\$ 1,327,809	\$ 1,458,152	\$ 958,326	\$ -	\$ 958,326	\$ -	\$ 1,088,669	\$ 1,327,809	\$ 2,416,478
Grants	-	-	-	102,321	-	102,321	-	102,321	-	102,321
Fundraising events	-	-	-	1,565,896	-	1,565,896	-	1,565,896	-	1,565,896
Program income	143,867	-	143,867	152,758	-	152,758	-	296,625	-	296,625
Investment income (loss)	(1,032)	17,492	16,460	1,574	-	1,574	-	542	17,492	18,034
Rental income	362,845	-	362,845	-	-	-	(350,000)	12,845	-	12,845
Other income	-	-	-	6,949	-	6,949	-	6,949	-	6,949
	636,023	1,345,301	1,981,324	2,787,824	-	2,787,824	(350,000)	3,073,847	1,345,301	4,419,148
Net assets released from restriction	702,395	(702,395)	-	-	-	-	-	702,395	(702,395)	-
Total support and revenue	1,338,418	642,906	1,981,324	2,787,824	-	2,787,824	(350,000)	3,776,242	642,906	4,419,148
Expenses										
Program services	776,583	-	776,583	2,235,135	-	2,235,135	(315,000)	2,696,718	-	2,696,718
Management and general	80,957	-	80,957	344,889	-	344,889	(17,500)	408,346	-	408,346
Fundraising expenses	41,719	-	41,719	237,705	-	237,705	(17,500)	261,924	-	261,924
Total expenses	899,259	-	899,259	2,817,729	-	2,817,729	(350,000)	3,366,988	-	3,366,988
Change in net assets before forgiveness of debt from affiliates	439,159	642,906	1,082,065	(29,905)	-	(29,905)	-	409,254	642,906	1,052,160
Forgiveness of debt from affiliates	(414,905)	-	(414,905)	414,905	-	414,905	-	-	-	-
Changes in net assets	24,254	642,906	667,160	385,000	-	385,000	-	409,254	642,906	1,052,160
Net assets										
Beginning of year	14,027,158	1,670,440	15,697,598	465,540	-	465,540	-	14,492,698	1,670,440	16,163,138
End of year	\$ 14,051,412	\$ 2,313,346	\$ 16,364,758	\$ 850,540	\$ -	\$ 850,540	\$ -	\$ 14,901,952	\$ 2,313,346	\$ 17,215,298

See Independent Auditor's Report.