

HABITAT FOR HUMANITY OF
LAKE-SUMTER, FLORIDA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of Lake-Sumter, Florida, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Lake-Sumter, Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 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 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 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 Habitat for Humanity of Lake-Sumter, Florida, Inc. as of June 30, 2017 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.

A handwritten signature in black ink that reads "Silvano + Burroughs, PA". The signature is written in a cursive, stylized font.

Mount Dora, FL
September 27, 2017

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

<u>ASSETS</u>	
Cash	\$ 621,107
Prepaid expenses	25,609
Building supplies	18,785
Escrow advances	15,524
Restricted cash	17,742
Investments	16,062
Mortgage notes receivable, net of discount	1,226,672
Pledged mortgage notes, net of discount	1,133,700
Land for future home sites	910,657
Construction in process	596,683
Land, buildings & equipment, net of accumulated depreciation	2,468,489
Intangible assets, net of accumulated amortization	3,953
Other assets	26,627
TOTAL ASSETS	\$ 7,081,610
<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES:	
Accounts payable	\$ 43,608
Accrued expenses	54,255
Payroll liabilities	55,623
Sales tax liability	7,955
Line of credit	292,000
Escrow accounts	1,048
Notes payable	1,222,784
Total Liabilities	1,677,273
NET ASSETS:	
Unrestricted	5,386,595
Temporarily Restricted	
Restricted for Veterans Initiative	17,742
Total Net Assets	5,404,337
TOTAL LIABILITIES AND NET ASSETS	\$ 7,081,610

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

UNRESTRICTED NET ASSETS

Revenues:	
Thrift store sales	\$ 1,493,887
Donations	508,815
Grants	81,007
In-kind donations	539,137
Fund-raising projects	13,011
Interest income	43
Unrealized gain (loss)	3,203
Mortgage discount amortization	200,670
Mortgage closings	461,343
House sponsorship	31,250
Global Village income	72,847
Rental income	1,200
Loss on fixed asset dispositions	(16,388)
Other income	19,392
	3,409,417
Total unrestricted revenues	3,409,417
Release of restricted net assets	56,785
Total Unrestricted Revenues, Gains, and Other Support	3,466,202
Expenses:	
Thrift stores	1,156,382
Housing	986,707
General and administrative	392,834
Veterans Initiative	160,440
Global Village	136,921
Fund development	146,923
Disaster relief	1,152
	2,981,359
Total Expenses	2,981,359
INCREASE IN UNRESTRICTED NET ASSETS	484,843
TEMPORARILY RESTRICTED NET ASSETS	
Release of restricted net assets	(56,785)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(56,785)
INCREASE IN NET ASSETS	428,058
NET ASSETS AT BEGINNING OF YEAR	4,976,279
NET ASSETS AT END OF YEAR	\$ 5,404,337

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Thrift Stores	Housing	Administrative	Veterans Initiative	Global Village/VM	Fund Development	Disaster Relief	Total
Personnel	\$ 825,796	\$ 206,361	\$ 176,105	\$ 35,145	\$ 41,511	\$ 116,597	\$ -	\$ 1,401,515
Advertising and newsletters	3,158	65	2,200	3,831	-	1,152	800	11,206
Collegiate challenge	-	-	-	-	8,228	-	-	8,228
Community preservation	74	40,826	-	-	-	-	-	40,900
Construction goods and services	-	461,194	-	-	-	-	-	461,194
Bank and credit card fees	28,854	76	281	100	15	25	-	29,351
Depreciation and amortization	71,453	2,699	17,527	-	35,649	1,871	-	129,199
Development expense	-	-	542	6,033	-	2,546	-	9,121
Donations	-	141,927	-	-	-	-	-	141,927
Dues and subscriptions	7,780	1,550	21,451	427	550	1,154	-	32,912
Insurance	9,234	12,166	10,335	-	740	-	-	32,475
Legal and accounting	-	13,781	15,253	8,246	139	61	-	37,480
Loan interest	13,750	-	35,080	16,624	-	-	-	65,454
Merchandise and apparel	1,940	238	-	-	-	-	-	2,178
Minor equipment and tools	1,087	1,158	285	249	-	-	-	2,779
Office expense	17,078	479	1,843	42	2,180	632	-	22,254
Other expenses	1,022	2,519	5,149	240	5	156	-	9,091
Printing and postage	694	247	2,136	881	121	7,259	-	11,338
Property taxes	344	4,600	(104)	3,086	17	60	-	8,003
Rent	120	-	33,040	-	-	-	-	33,160
Repairs and maintenance	17,911	267	134	-	10,825	89	-	29,226
Service agreements	18,509	70,546	30,749	4,480	14,239	5,846	350	144,719
Special events	-	-	-	14,522	-	343	-	14,865
Tithe	-	-	15,000	-	-	-	-	15,000
Title transfer and recording fees	724	3,897	-	-	-	88	-	4,709
Training and conferences	135	200	9,375	877	-	3,152	-	13,739
Travel and mileage	2,010	224	2,608	84	4	203	-	5,133
Utilities	99,488	5,057	3,937	683	20,041	4,098	-	133,304
Vehicle operation and maintenance	35,099	15,767	9,654	19	2,540	1,430	2	64,511
Veterans Initiative direct cost	-	-	-	64,100	-	-	-	64,100
Volunteer costs	122	863	254	771	117	161	-	2,288
	<u>\$ 1,156,382</u>	<u>\$ 986,707</u>	<u>\$ 392,834</u>	<u>\$ 160,440</u>	<u>\$ 136,921</u>	<u>\$ 146,923</u>	<u>\$ 1,152</u>	<u>\$ 2,981,359</u>

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 428,058
Adjustments to reconcile increase in net assets to net cash used for operating activities:	
Depreciation and amortization	129,181
Amortization of discounts on loans receivable	(200,670)
Net unrealized gains on investments	(3,203)
(Increase) decrease in:	
Accounts receivable, net	5,000
Escrow advances	2,945
Prepaid expenses	(5,850)
Construction in process	(466,607)
Land for future home sites	(151,877)
Promises to give	2,569
Other assets	(1,072)
Increase (decrease) in:	
Accounts payable	15,145
Accrued expenses	785
Other liabilities	5,806
Escrow balances	(236)
Total adjustments	<u>(668,084)</u>
Net decrease in cash from operating activities	<u>(240,026)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of property and equipment	19,439
Equipment purchases	(3,349)
Vehicle purchases	(113,120)
Building and land purchases and improvements	(376,323)
Payments received on mortgage notes receivable	379,421
Net decrease in cash from investing activities	<u>(93,932)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Loan proceeds	373,500
Line of credit proceeds	42,000
Note payments	(321,410)
Net increase in cash from financing activities	<u>94,090</u>
NET DECREASE IN CASH	(239,868)
CASH AT BEGINNING OF YEAR	<u>878,717</u>
CASH AT END OF YEAR	<u><u>\$ 638,849</u></u>

Non-cash transactions for June 30, 2017 included in-kind construction materials of \$49,137.
Interest paid was \$65,454.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

A. Summary of Significant Accounting Policies

Organization and Purpose – Habitat for Humanity of Lake-Sumter, Florida, Inc. (the Organization), a nonprofit organization, was incorporated on October 13, 1989. The Organization is an affiliate of Habitat for Humanity International, Inc. a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications and prayer support, the Organization is primarily and directly responsible for its own operations. The Organization is a local organization which is supported by individuals, clubs, businesses, churches, and thrift store sales.

The Organization is a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code under a group exemption letter issued to Habitat International and is exempt from federal and state income taxes.

Basis of Presentation – The Organization has adopted FASB Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, “*Financial Statements of Not-for-Profit Organization*”). FASB ASC 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories per externally (donor) imposed restrictions. A description of the three net asset categories is as follows:

Unrestricted net assets have no donor-imposed restrictions. Restricted net assets received and expended in the same year are classified as unrestricted.

Temporarily restricted net assets have donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

Permanently restricted net assets are required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes of net assets. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Fair Values of Financial Instruments – The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments.

Cash and cash equivalents – The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

Mortgage notes receivable – The carrying amount approximates fair value, which is determined by discounting the future cash flows using rates that approximate the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Interest income (amortization of the discount) is recorded using the effective interest method over the lives of the mortgage notes.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting 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.

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

Inventory – The Organization receives donations of building materials that would otherwise have to be purchased to complete house construction. The fair value of these goods is recognized as revenue and inventory when received. They are expensed as construction costs when used.

Investments – Investments consist of stocks donated by individuals. The stocks are marketable securities and are stated at fair value. Contributed investments and land are recorded at their fair value at the date of donations. Sales of investments and associated gains or losses are accounted for using the specific identification method.

Fair Value Measurements – The Organization has adopted FASB ASC 820, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participant would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1: Inputs to the valuation methodology are unadjusted quotes prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in the active markets; quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs.

In accordance with FASB ASC 820, the Organization measures cash and cash equivalents and marketable securities at fair value. Realized and unrealized gains and losses on marketable securities are determined by using specific identification.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
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JUNE 30, 2017

Fair value for securities that are traded on a national securities exchange is based upon the last reported sales price on the last business day of the year. Fair value for investments traded in the over-the-counter market, and listed securities for which no sale was reported on that date, is based upon average of the last reported bid and ask price.

Promises to Give – 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.

Land for Future Home Sites – These parcels are held by the Organization to be used for future home building sites. Donated parcels are recorded at appraised valuation. Purchased and foreclosed parcels are recorded at cost. Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable. No impairment losses were recorded during 2017.

Construction in Process – All direct material and equipment costs and those indirect costs related to home construction are recorded as construction in process on the statement of financial position. When revenue from the sale of a home is recognized, the corresponding costs are then expensed in the statement of activities as program services.

Property and Equipment – It is the Organization’s policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Property and equipment are recorded at cost if purchased or at their estimated fair value at date of donation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Building and Improvements	10 – 40 years
Office Equipment, Furniture & Fixtures	5 – 7 years

Warranties – The Organization provides a one-year warranty covering general defects in materials and workmanship on each home sold. Warranty costs are expensed when incurred.

B. Cash Restrictions

Funds received for the Organization’s Veterans Initiative Program are donor restricted. As of June 30, 2017, \$17,742 was restricted.

C. Accounts Receivable

Accounts receivable represents amounts due from clients and vendors. Due to the nature of the receivable, prior years’ experience and analysis of the specific receivables, management believes that the amounts are fully collectible; therefore, no allowance for doubtful accounts has been recorded.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

D. Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Domestic Common Stock	\$ 16,062	-	-

E. Sales to Homeowners

During the year ending June 30, 2017, there were 4 homes sold to qualifying applicants. Home closings for June 30, 2017 were \$461,343, and mortgage discounts relating to these sales were \$0 for the year ending June 30, 2017, as all homeowners received third party financing.

F. Mortgage Notes Receivable

Mortgage notes receivable consist of noninterest-bearing mortgage notes which are secured by real estate and payable in monthly installments. Most of the mortgage notes have an original maturity of 20 to 30 years and arose in connection with the Organization's homebuilding initiatives in Lake and Sumter Counties of Florida. As the payments are received, the discount is amortized to recognize the imputed interest portion of each payment. The amortization of the discount is shown as mortgage discount amortization revenue on the statement of activities. Amortization included as revenue for the fiscal year amounted to \$200,670. Mortgage notes receivable at June 30, 2017 are presented net of unamortized discount resulting from the imputation of interest, as follows:

	<u>2017</u>
Mortgage notes receivable at face value	\$ 4,525,123
Less unamortized discount ranging from 6% to 10%	<u>(2,164,751)</u>
	<u>\$ 2,360,372</u>

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

These mortgages notes will be received as follows:

Year Ending June 30,	
2018	\$ 347,292
2019	347,292
2020	347,292
2021	347,292
2022 and thereafter	<u>3,135,955</u>
	<u>\$4,525,123</u>

The Organization received \$379,421 in total mortgage principal and interest payments during the fiscal year ending June 30, 2017.

G. Pledged Receivables

The Organization pledged the following amounts as collateral for loans as of June 30, 2017:

Flex 2015 mortgage notes at face value	\$ 1,118,995
Flex 2014 mortgage notes at face value	438,807
Flex 2013 mortgage notes at face value	758,684
Mortgage notes discount	<u>(1,182,786)</u>
	<u>\$ 1,133,700</u>

H. Foreclosures

The Organization is in the process of foreclosing on one of its homes as of June 30, 2017. The current mortgage note balance is valued at \$32,694. The Organization has one homeowner in bankruptcy as of June 30, 2017. The current mortgage note balance is valued at \$32,803.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

I. Land, Buildings and Equipment

Land, buildings and equipment are comprised of the following at June 30, 2017:

Land, building and improvements	\$ 2,829,942
Office equipment, furniture & fixtures	124,319
Transportation equipment	<u>304,419</u>
	3,258,680
Less accumulated depreciation	<u>(790,191)</u>
	<u><u>\$ 2,468,489</u></u>

J. Line of Credit

Habitat for Humanity of Lake-Sumter, Florida, Inc. has a line of credit of \$292,000 with Florida Community Loan Fund, Inc., which expires December 31, 2018.

Interest is payable monthly at 4.25%. Habitat for Humanity of Lake-Sumter, Florida, Inc.'s interest expense for the line of credit was \$11,793 for the year ended June 30, 2017.

K. Notes Payable

The following is a summary of notes payable at June 30, 2017:

4.75% note payable to Habitat for Humanity International, Inc., \$4,393 monthly installments with a maturity date of June 2025, secured by mortgage notes receivable.	\$ 349,151
3.80% note payable to Habitat for Humanity International, Inc., \$16,554 quarterly installments with a maturity date of June 2020, secured by mortgage notes receivable.	186,903
4.75% note payable to Habitat for Humanity International, Inc. \$7,610 quarterly installments with a maturity date of June 2024 secured by mortgage notes receivable.	161,208

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

4.75% fixed rate mortgage note secured by real estate. Monthly installments of \$2,079 with a maturity date of May 2024.	146,378
4.75% fixed rate mortgage note secured by real estate. Monthly installments of \$4,591 with a maturity date of June 2024.	69,270
4.2% fixed rate truck loan. Monthly installments of \$1,613 with a maturity date of August 2019.	38,920
0% fixed rate Veteran's Village loan. Annual installments of \$19,700 with a maturity date of December 2025 and imputed interest of 4.75%	128,621
0% fixed rate Veteran's Village loan. Annual installments of \$21,800 with a maturity date of December 2025 and imputed interest of 4.75%.	<u>142,333</u>
Total notes payable	<u><u>\$ 1,222,784</u></u>

Scheduled principal payments are as follows:

Year ending June 30,	
2018	\$ 238,493
2019	210,162
2020	184,357
2021	123,685
2022 - thereafter	<u>466,087</u>
	<u><u>\$ 1,222,784</u></u>

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

L. Lease

The Organization has a noncancelable operating lease for equipment that expires in 2021. Rental expense for the lease was approximately \$3,980 for the year ended June 30, 2017.

The Organization leases office space under an operating lease expiring in 2019. Rental expense under the lease was \$33,160 for the year ended June 30, 2017.

Future minimum lease payments remaining under these operating leases are as follows:

Year Ended June 30,	Equipment	Office Space
2018	\$ 6,823	\$ 33,086
2019	6,823	27,570
2020	6,823	...
2021	6,823	...
2022	3,412	...
	\$ 30,704	\$ 60,656

M. Temporarily Restricted Net Assets

At June 30, 2017, temporarily restricted net assets consisted of \$17,742, of which \$4,880 is restricted for the Veterans Initiative and \$12,862 is restricted for South Lake County builds.

N. In-Kind Contributions

The Organization receives numerous in-kind contributions of materials and supplies used in the construction and furnishings of homes. Supplies and materials contributed during the year ended June 30, 2017 totaled \$49,137.

The Organization receives donations of time and effort from volunteers to construct the homes, operate the thrift stores and serve as family partners. The value of these services is not reflected in the financial statements. Last fiscal year, over 5,933 volunteers contributed their services.

The Organization also receives donations of items which are sold through its four thrift store locations. The value of these items is not reflected in the financial statements.

HABITAT FOR HUMANITY OF LAKE-SUMTER, FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

O. Related Party Transactions

The Organization remits a portion of its contributions (excluding in-kind contributions) to Habitat International on an annual basis. These funds are used to construct homes in economically depressed areas around the world. The Organization contributed \$30,000 to Habitat International for the year ended June 30, 2017, of which \$15,000 was for title and is reported under administrative expenses.

The Organization contracted with a Board member for legal work in the amount of \$2,664 and as of year-end owed \$804. The Organization contracted with a board member for the use of facilities for Board meetings and special events in the amount of \$3,822.

P. Retirement Plan

The Organization has a Simple IRA retirement plan funded by employees' voluntary contributions. Starting in May 2012, the Organization may contribute up to 3% of employee earnings or contributions, whichever is less. The Organization contributed \$13,624 to the retirement plan for the year ended June 30, 2017.

Q. Other Matters

Deposits at FDIC-insured institutions are insured up to \$250,000 per account. At June 30, 2017, the Organization's uninsured bank balances totaled \$120,533.

R. Subsequent Events

Subsequent events have been evaluated through September 27, 2017 which is the date the financial statements were available to be issued. No material subsequent events were identified for recognition or disclosure.