

ADIRONDACK ARCHITECTURAL HERITAGE, INC.

FINANCIAL STATEMENTS

December 31, 2017 And 2016

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To The Board of Directors
Adirondack Architectural Heritage, Inc.
Keeseville, NY

We have reviewed the accompanying financial statements of Adirondack Architectural Heritage, Inc. which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to these accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.


MARTINDALE KEYSOR & CO., PLLC

July 27, 2018
Plattsburgh, NY 12901

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 And 2016

	2017	2016
ASSETS		
ASSETS:		
Cash - Unrestricted	\$ 221,672	\$ 235,853
Cash - Restricted	79,546	74,305
Certificates Of Deposits	10,161	10,097
Inventory	93,978	42,206
Beneficial Interest In Assets	53,595	46,174
Buildings & Building Improvements	453,109	453,109
Furniture And Equipment	27,521	26,691
Less Accumulated Depreciation	<u>(112,988)</u>	<u>(100,060)</u>
Total Fixed Assets, Net	<u>367,642</u>	<u>379,740</u>
Total Assets	<u><u>\$ 826,594</u></u>	<u><u>\$ 788,375</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Sales Tax Payable	\$ 1,155	\$ 160
Payroll Taxes & Benefits Payable	<u>6,466</u>	<u>2,850</u>
Total Liabilities	<u>7,621</u>	<u>3,010</u>
 NET ASSETS		
Unrestricted	685,832	664,886
Temporarily Restricted	<u>133,141</u>	<u>120,479</u>
Total Net Assets	<u>818,973</u>	<u>785,365</u>
Total Liabilities And Net Assets	<u><u>\$ 826,594</u></u>	<u><u>\$ 788,375</u></u>

The accompanying notes and independent accountant's review report should be read in conjunction with these financial statements.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENTS OF ACTIVITIES
For The Year Ended December 31, 2017
With Summarized Totals for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
PUBLIC SUPPORT & REVENUE				
Contributions	\$ 41,589	\$ 74,936	\$ 116,525	\$ 100,754
Government Grants	89,000	-	89,000	52,000
Total Public Support	130,589	74,936	205,525	152,754
OTHER REVENUES:				
Membership Dues	94,878	-	94,878	80,388
Program Fees	56,095	-	56,095	136,988
Preservation Services	7,295	-	7,295	7,486
Rental Income	7,200	-	7,200	7,200
Investment Income	1,092	322	1,414	1,483
Fundraising Events	48,443	-	48,443	50,363
Less: Event Expenses	(12,465)	-	(12,465)	(14,967)
Other	42	-	42	7,496
Sales	14,750	-	14,750	2,336
Less: Cost of Goods Sold	(8,637)	-	(8,637)	(657)
Net Assets Released From Restrictions	62,596	(62,596)	-	-
Total Other Revenues	271,289	(62,274)	209,015	278,116
Total Revenue	401,878	12,662	414,540	430,870
EXPENSES				
Program Services	288,416	-	288,416	364,739
Management & General	82,105	-	82,105	88,515
Fund Raising	10,411	-	10,411	10,682
Total Expenses	380,932	-	380,932	463,936
CHANGE IN NET ASSETS	20,946	12,662	33,608	(33,066)
NET ASSETS AT BEGINNING OF YEAR	664,886	120,479	785,365	818,431
NET ASSETS AT END OF YEAR	\$ 685,832	\$ 133,141	\$ 818,973	\$ 785,365

The accompanying notes and independent accountant's review report should be read in conjunction with these financial statements.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2017
With Summarized Totals for the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>2017 Total</u>	<u>2016 Total</u>
EXPENSES					
Personnel Services					
Staff Salaries	\$ 100,702	\$ 44,248	\$ 7,630	\$ 152,580	\$ 167,937
Payroll Taxes	8,039	3,532	609	12,180	12,685
Employee Benefits	12,937	5,685	980	19,602	11,943
Total Personnel Services	<u>121,678</u>	<u>53,465</u>	<u>9,219</u>	<u>184,362</u>	<u>192,565</u>
Accounting Expense	-	2,700	-	2,700	2,625
Consultants	32,896	-	-	32,896	8,690
Postage	3,307	1,453	250	5,010	4,155
Communication	2,360	1,037	179	3,576	3,722
Promotion/Website	4,888	-	-	4,888	3,452
Property Expense	6,886	2,295	-	9,181	11,937
Office Supplies	10,066	4,423	763	15,252	13,200
Equipment/Leases	2,286	761	-	3,047	3,761
Insurance	10,806	3,602	-	14,408	9,629
Program Expenses	20,361	-	-	20,361	139,620
Maintenance & Repairs	20,944	6,981	-	27,925	25,602
Professional Development	724	-	-	724	165
Dues & Publications	-	25	-	25	-
Travel	6,394	2,131	-	8,525	8,748
Book Related & Other	35,123	-	-	35,123	22,741
Depreciation	9,697	3,232	-	12,929	13,324
	<u>166,738</u>	<u>28,640</u>	<u>1,192</u>	<u>196,570</u>	<u>271,371</u>
TOTAL EXPENSES	<u>\$ 288,416</u>	<u>\$ 82,105</u>	<u>\$ 10,411</u>	<u>\$ 380,932</u>	<u>\$ 463,936</u>

The accompanying notes and independent accountant's review report should be read in conjunction with these financial statements.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2017 And 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change In Net Assets	\$ 33,608	\$ (33,066)
Adjustments To Reconcile Change In Net Assets To Net Cash Used By Operating Activities:		
Depreciation	12,929	13,324
Increase (Decrease) In:		
Sales Tax Payable	995	(63)
Payroll Taxes & Benefits Payable	3,616	(1,060)
(Increase) Decrease In:		
Certificates Of Deposit	(64)	(30)
Beneficial Interest In Assets	(7,421)	(7,758)
Inventory	(51,772)	657
	(8,109)	(27,996)
NET CASH USED BY OPERATING ACTIVITIES		
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of Office Equipment	(831)	-
NET DECREASE IN CASH & RESTRICTED CASH	(8,940)	(27,996)
CASH AND RESTRICTED CASH, Beginning Of Year	310,158	338,154
CASH AND RESTRICTED CASH, End Of Year	\$ 301,218	\$ 310,158

The accompanying notes and independent accountant's review report should be read in conjunction with these financial statements.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations and Nature of Activities

Adirondack Architectural Heritage, Inc. (AARCH) is a not-for-profit corporation formed for the purpose of providing historic preservation, education, and technical assistance to the Adirondack Community.

Accrual Basis

The financial statements of AARCH have been prepared on the accrual basis. Under this method, revenues are recorded when earned and expenditures are recorded as incurred. The Statement of Activities is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income.

Promises to Give

Contributions are recognized when the donor makes a promise to give to AARCH that is, in substance, unconditional. If no promise to give is made, then contributions are recognized when received. 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.

AARCH uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. The current allowance is zero.

Estimates

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

Inventory

AARCH's inventory consists of books, publications, pamphlets, and other items held for resale to members and the public, and are accounted for at cost using the first-in first-out method. AARCH's inventory consists solely of finished goods. AARCH's inventory at cost was \$93,978, at December 31, 2017.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Property and Equipment

Property and equipment acquired with funds received are considered owned by AARCH and are recorded at cost. Donated property and equipment are recorded at fair value.

AARCH capitalizes expenditures for property and equipment in excess of \$400. Depreciation of property and equipment is computed on a straight-line basis over the estimated service lives of the assets, after consideration of estimated salvage value.

<u>Asset Summary</u>	<u>Life</u>
Office Equipment	5-10 Years
Computers	3-5 Years
Building And Building Improvements	39 Years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restriction regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, AARCH reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. AARCH reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Concentration of Contributions and Revenue Sources

The following details the concentrations of total support and revenue for the years ended December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Government Grants	\$ 89,000	\$ 52,000
Memberships	\$ 94,878	\$ 80,388
Contributions And Non-Government Grants	\$ 116,525	\$ 100,754
Fundraising Events (Net)	\$ 35,978	\$ 35,396
Program Fees (Net)	\$ 56,095	\$ 136,987

Contributions

In accordance with the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS 116), contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Income Taxes

AARCH is a not-for-profit organization that has been granted an exemption from federal income taxes under Section 501© (3) of the Internal Revenue Code. AARCH is not classified as a private foundation.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Certificates Of Deposit

Certificates of deposits (“CDs”) represent CDs with initial maturities of greater than three months. They are recorded at the face value plus accrued interest, which approximates fair value.

Net Assets Released from Restrictions

Net assets released from restrictions as reported in current operations include the release of donor-restricted contributions received for program support for which the purpose or time restriction of the individual contributions were met during the reporting period.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Events Occurring After Reporting Date

The Company has evaluated events and transactions that occurred between December 31, 2017 and July 27, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Reclassifications

Certain reclassifications have been made to the December 31, 2016 financial statement presentation to correspond to the current year’s format. Total net assets and change in net assets are unchanged due to these reclassifications. Restricted cash in the amount of \$74,305 was reclassified from unrestricted cash. No other reclassifications were considered material.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in prices the asset or liability.

For a further discussion of fair value measurements, refer to Note 10.

2. CASH AND CONCENTRATION OF CREDIT RISK

AARCH maintains several checking and savings accounts in one financial institution, TD Bank. These accounts comprise the cash balances used for the Statements of Cash Flows. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. AARCH's cash balances in excess of the FDIC insurance limit totaled \$57,383 at December 31, 2017. TD Bank has a strong credit rating and management believes that credit risk related to these deposits is minimal. Restricted cash represents restricted funds received from donors available for the Santanoni Fund, Friends of the Hurricane Mountain Fund, and the Poko Fund.

The following table provides a reconciliation of cash and restricted cash reported within the Statement of Financial Position that sum to the total of the same such amounts shown in the Statement of Cash Flows:

	2017	2016
Operating Cash	\$ 221,672	\$ 235,853
Restricted Cash:		
Santanoni Fund	26,774	9,233
Friends of Hurricane Mountain Fund	12,666	7,816
Poko Fund	40,106	57,256
Total Restricted Cash	79,546	74,305
Total cash and restricted cash shown in the Statement of Cash Flows	\$ 301,218	\$ 310,158

3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

	2017	2016
Santanoni Fund	\$ 26,774	\$ 9,233
Friends of Hurricane Mountain Fund	12,666	7,816
Poko Fund	40,106	57,256
Adirondack Foundation Endowment	53,595	46,174
Total	\$ 133,141	\$ 120,479

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. FUNCTIONAL EXPENSE- FUNDRAISING

In 2017 and 2016, respectively, fundraising expenditures were 2.7% and 2.3% of total expenditures.

5. DONATED SERVICES, MATERIALS, AND FACILITIES

The value of donated services and uncompensated volunteer services are not recorded in AARCH's financial statements.

6. FUNDRAISING EVENTS

AARCH held several fundraising events in 2017. The total revenues generated and costs incurred in connection with these fundraising events were as follows:

Event	Revenues	Costs	Event Gain
Golf Tournament	\$ 24,678	\$ 7,933	\$ 16,745
Raffle	11,060	681	10,379
Tumblehome Boatshop	6,435	2,354	4,081
Other Small Events	6,270	1,497	4,773
 Total	 \$ 48,443	 \$ 12,465	 \$ 35,978

7. SALES OF INVENTORY AND COST OF GOODS SOLD

The sales of inventory and the cost of goods sold for the years ended December 31, 2017 and 2016 was as follows:

Sales	\$ 14,750	\$ 2,336
Less: Cost of Goods Sold	(8,637)	(657)
Gross Profit	\$ 6,113	\$ 1,679

8. ADVERTISING

Advertising is expensed as incurred. Advertising expense for 2017 and 2016 was \$0.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. PUBLIC SUPPORT AND REVENUE

Annual contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectable promises is provided based on management's evaluation of potential uncollectable promises receivable at year end.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions are temporarily restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily restricted net assets based on the nature of the restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received.

10. BENEFICIAL INTEREST IN ASSETS HELD BY RECIPIENT ORGANIZATION

During 2004, the Organization established the Adirondack Architectural Heritage Fund ("Fund") with the Adirondack Foundation. The Endowment Fund's fair value at December 31, 2017 was \$53,595. Accounting standards require a recipient organization that accepts cash or other financial assets from a donor and agrees to use those assets on behalf of or transfer those assets, or both to a specified unaffiliated beneficiary to recognize the fair value of those assets as a liability to the specified beneficiary concurrent with the recognition of the assets received from the donor. Accounting standards also require that a specified beneficiary (Adirondack Architectural Heritage, Inc.) recognize its right to the assets held by a recipient organization (Adirondack Foundation) as an asset. The value of this asset is shown on the statement of financial position as a Beneficial Interest In Assets.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The agreement between Adirondack Architectural Heritage, Inc. (AARCH) and the Adirondack Foundation is subject to the variance power which gives the Board of Trustees of Adirondack Foundation the authority to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to any specified organizations if in the sole judgment of the Board such restriction or condition, becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the area served.

Distributions from the fund shall be in accordance with the spending policy established by the Board of the Adirondack Foundation and shall be paid and distributed at least annually, or more frequently, as the Parties may from time to time agree. Distributions in excess of the amount dictated by the Board's spending policy may be made in any year as determined by the Board provided one of the following conditions are met: (1) the distribution is for the purpose of enabling AARCH to acquire or renovate a capital asset, (2) AARCH is faced with unexpected financial needs that are not likely to recur, and the distribution will enable AARCH to meet those needs, or (3) for other compelling reasons. Such special requests must be accompanied by a resolution of two-thirds of the Adirondack Architectural Heritage Board. Recommendations for such distribution may be made from time to time to the Adirondack Foundation by the AARCH Board. Such recommendations shall be solely advisory and are not binding on the Adirondack Foundation.

AARCH utilizes fair value measurements to record fair value adjustments to beneficial interest in assets held by Adirondack Foundation and to determine fair value disclosures. Beneficial interest in assets held by Adirondack Foundation is recorded at fair value on a recurring basis.

Following is a description of the valuation methodology and key inputs used to measure beneficial interest in assets held by Adirondack Foundation recorded at fair value.

Beneficial interest in assets held by Adirondack Foundation: AARCH is allocated its portion of the total fair values of the underlying securities held by the Foundation (Level 3 inputs). The underlying investment securities held by the Foundation have fair values that are determined using Level 1, 2, and 3 inputs.

The preceding method described may produce a fair value calculation that may not be reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of this asset could result in a different fair value measurement at the reporting date.

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended December 31.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	2017	2016
	Beneficial Interest In Assets Held By Adirondack Foundation	Beneficial Interest In Assets Held By Adirondack Foundation
Beginning Balance	\$ 46,174	\$ 38,416
Contributions	-	80
Administrative Expenses	(322)	(282)
Net Investment Gain(Loss)	7,743	7,960
Total	\$ 53,595	\$ 46,174

11. RETIREMENT PLAN

In 2008, AARCH established a 403(b) defined contribution pension plan covering substantially all of AARCH's employees. Employer contributions are based on a percentage of the employees' salaries and are authorized by AARCH. Pension expense for the years ended December 31, 2017 and 2016 amounted to \$3,315 and \$3,099, respectively.

12. LEASE COMMITMENTS

In 2016, AARCH entered into a five year operating lease for a copier. Future minimum lease payments required, under this lease, for the years ending December 31, are as follow:

2018	\$ 2,872
2019	2,872
2020	2,872
2021	2,154
	\$ 10,770

13. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENT

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-18, "Statement of Cash Flows (Topic 230)" (ASU 2016-18). Under ASU 2016-18, an entity will be required to explain changes in the statement of cash flows during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update should be applied using retrospective transition method to each period presented.

ADIRONDACK ARCHITECTURAL HERITAGE, INC.
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Non-public business entities are required to adopt the new standard for fiscal years beginning after December 15, 2018. Early adoption of ASU 2016-18 is permitted, including adoption in an interim period. The Company has early adopted this standard in 2017. The Organization does not believe that the adoption of the provisions of ASU 2016-18 will have a material impact on the Organization's financial position or results of operations.