

National Mill Dog Rescue

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

National Mill Dog Rescue
December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
National Mill Dog Rescue
Colorado Springs, Colorado

We have audited the accompanying financial statements of National Mill Dog Rescue (the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Directors
National Mill Dog Rescue

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Mill Dog Rescue as of December 31, 2020 and 2019, 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.

BKD, LLP

Colorado Springs, Colorado
July 23, 2021

National Mill Dog Rescue
Statements of Financial Position
December 31, 2020 and 2019

Assets

	2020	2019
Cash	\$ 970,859	\$ 808,786
Investments	800,410	841,491
Inventory	5,276	9,026
Other receivable	-	2,273
Contributions receivable	-	1,500
Property and equipment, net	2,952,980	2,450,119
Total assets	\$ 4,729,525	\$ 4,113,195

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 18,422	\$ 29,060
Accrued liabilities	18,830	31,804
Long-term debt	186,700	227,089
Total liabilities	223,952	287,953

Net Assets

Without donor restrictions	4,287,693	3,607,562
With donor restrictions		
Purpose restrictions - capital projects	217,880	217,680
Total net assets	4,505,573	3,825,242
Total liabilities and net assets	\$ 4,729,525	\$ 4,113,195

National Mill Dog Rescue
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions and grants	\$ 2,151,746	\$ 200	\$ 2,151,946
Adoption fees	210,698	-	210,698
Merchandise sales, net of cost of sales of \$3,750	4,013	-	4,013
Investment return, net	121,853	-	121,853
Other	<u>(105,761)</u>	<u>-</u>	<u>(105,761)</u>
Total revenues, gains and other support	<u>2,382,549</u>	<u>200</u>	<u>2,382,749</u>
Expenses			
Program services	1,367,452	-	1,367,452
Support services			
General and administrative	212,706	-	212,706
Fundraising	<u>122,260</u>	<u>-</u>	<u>122,260</u>
Total expenses	<u>1,702,418</u>	<u>-</u>	<u>1,702,418</u>
Change in Net Assets	<u>680,131</u>	<u>200</u>	<u>680,331</u>
Net Assets, Beginning of Year	<u>3,607,562</u>	<u>217,680</u>	<u>3,825,242</u>
Net Assets, End of Year	<u><u>\$ 4,287,693</u></u>	<u><u>\$ 217,880</u></u>	<u><u>\$ 4,505,573</u></u>

National Mill Dog Rescue
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 1,989,201	\$ 38,500	\$ 2,027,701
Adoption fees	172,324	-	172,324
Merchandise sales, net of cost of sales of \$0	10,511	-	10,511
Investment return, net	123,903	-	123,903
Other	119,916	-	119,916
	<u>2,415,855</u>	<u>38,500</u>	<u>2,454,355</u>
Total revenues, gains and other support			
Expenses			
Program services	1,449,955	-	1,449,955
Support services			
General and administrative	197,310	-	197,310
Fundraising	175,431	-	175,431
	<u>1,822,696</u>	<u>-</u>	<u>1,822,696</u>
Total expenses			
Change in Net Assets	<u>593,159</u>	<u>38,500</u>	<u>631,659</u>
Net Assets, Beginning of Year	<u>3,014,403</u>	<u>179,180</u>	<u>3,193,583</u>
Net Assets, End of Year	<u><u>\$ 3,607,562</u></u>	<u><u>\$ 217,680</u></u>	<u><u>\$ 3,825,242</u></u>

National Mill Dog Rescue
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services						Support Services			Total Expenses	
	Rescue	Rehabilitation & Care	Veterinary Care	Kennel Facility	Adoptions & Foster Care	Outreach & Education	Total Program Services	Management and General	Fundraising		Total Support Services
Compensation and payroll tax	\$ 41,174	\$ 291,647	\$ 265,010	\$ 14,164	\$ 137,084	\$ 39,630	\$ 788,709	\$ 77,955	\$ 60,568	\$ 138,523	\$ 927,232
Rescue and related support	4,582	-	97,710	35,773	5,602	31,396	175,063	39,177	42,612	81,789	256,852
Travel expenses	7,432	-	-	-	-	1,930	9,362	-	-	-	9,362
Vehicle costs	14,529	-	-	-	-	-	14,529	-	-	-	14,529
Supplies	-	2,640	183,369	12,746	-	-	198,755	5,294	-	5,294	204,049
Repairs and maintenance	-	-	1,799	4,055	-	-	5,854	-	-	-	5,854
Information technology	-	-	-	-	-	-	-	21,794	-	21,794	21,794
In-kind donations	-	38,202	-	-	-	-	38,202	-	19,080	19,080	57,282
Depreciation and amortization	-	-	-	103,028	-	-	103,028	-	-	-	103,028
Interest	-	-	-	5,611	-	-	5,611	-	-	-	5,611
Insurance/worker's comp	-	-	-	28,339	-	-	28,339	28,670	-	28,670	57,009
Bank/credit card fees	-	-	-	-	-	-	-	39,816	-	39,816	39,816
	<u>\$ 67,717</u>	<u>\$ 332,489</u>	<u>\$ 547,888</u>	<u>\$ 203,716</u>	<u>\$ 142,686</u>	<u>\$ 72,956</u>	<u>\$ 1,367,452</u>	<u>\$ 212,706</u>	<u>\$ 122,260</u>	<u>\$ 334,966</u>	<u>\$ 1,702,418</u>

National Mill Dog Rescue
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services						Support Services			Total Expenses	
	Rescue	Rehabilitation & Care	Veterinary Care	Kennel Facility	Adoptions & Foster Care	Outreach & Education	Total Program Services	Management and General	Fundraising		Total Support Services
Compensation and payroll tax	\$ 41,738	\$ 252,955	\$ 243,463	\$ 2,985	\$ 159,199	\$ 78,228	\$ 778,568	\$ 77,479	\$ 46,255	\$ 123,734	\$ 902,302
Rescue and related support	3,365	-	128,146	40,731	30,066	38,368	240,676	45,138	90,319	135,457	376,133
Travel expenses	3,667	-	575	-	-	9,559	13,801	-	-	-	13,801
Vehicle costs	25,114	-	-	-	-	-	25,114	-	-	-	25,114
Supplies	-	6,286	184,375	29,380	-	1,139	221,180	5,910	4,458	10,368	231,548
Repairs and maintenance	-	-	1,946	4,340	-	-	6,286	2,561	-	2,561	8,847
Information technology	-	-	-	-	-	-	-	21,412	-	21,412	21,412
In-kind donations	-	40,941	-	-	-	-	40,941	-	34,399	34,399	75,340
Depreciation and amortization	-	-	-	95,900	-	-	95,900	-	-	-	95,900
Interest	-	-	-	8,489	-	-	8,489	-	-	-	8,489
Insurance/worker's comp	-	-	-	19,000	-	-	19,000	6,669	-	6,669	25,669
Bank/credit card fees	-	-	-	-	-	-	-	38,141	-	38,141	38,141
	<u>\$ 73,884</u>	<u>\$ 300,182</u>	<u>\$ 558,505</u>	<u>\$ 200,825</u>	<u>\$ 189,265</u>	<u>\$ 127,294</u>	<u>\$ 1,449,955</u>	<u>\$ 197,310</u>	<u>\$ 175,431</u>	<u>\$ 372,741</u>	<u>\$ 1,822,696</u>

National Mill Dog Rescue
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 680,331	\$ 631,659
Items not requiring (providing) operating cash flows		
Depreciation and amortization	103,028	95,900
Unrealized and realized gains on investments	(115,238)	(104,742)
In-kind donations	(57,282)	(75,340)
Donated securities	-	(35,023)
Forgiveness of Paycheck Protection Program loan	(162,800)	-
Proceeds received from Paycheck Protection Program loan	162,800	-
Changes in		
Inventory	61,032	74,981
Contributions receivable	1,500	(1,500)
Other receivables	2,273	2,233
Accounts payable	(10,638)	(119,684)
Accrued liabilities	(12,974)	(11,850)
	<u>652,032</u>	<u>456,634</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(605,889)	(83,840)
Proceeds from sale of investments	406,319	-
Purchase of investments	(250,000)	(515,625)
	<u>(449,570)</u>	<u>(599,465)</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	(40,389)	(51,511)
	<u>(40,389)</u>	<u>(51,511)</u>
Net Increase (Decrease) in Cash	<u>162,073</u>	<u>(194,342)</u>
Cash, Beginning of Year	<u>808,786</u>	<u>1,003,128</u>
Cash, End of Year	<u>\$ 970,859</u>	<u>\$ 808,786</u>
Supplemental Cash Flow Information		
Interest paid	<u>\$ 5,611</u>	<u>\$ 8,489</u>

National Mill Dog Rescue

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

National Mill Dog Rescue (the Organization) is a not-for-profit organization working to rescue, rehabilitate, and rehome discarded commercial breeding dogs and to educate the public about cruel realities of the puppy mill industry.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

At December 31, 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$535,000. Money market funds, held by broker, which are reported as investments, are not considered to be cash equivalents.

Investments and Investment Return, Net

The Organization measures securities at fair value. Investment return includes dividend, interest, realized and unrealized gains and losses on investments carried at fair value, less external and any direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions.

Inventory Pricing

Inventories consist of purchased and in-kind donations of merchandise. Inventories are stated at the lower of cost or net realizable value. Costs of merchandise are determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

National Mill Dog Rescue
Notes to Financial Statements
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The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	15 – 39 years
Vehicles and equipment	5 – 7 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2020 and 2019.

Supplies

The Organization holds various program and fundraising related supplies. The Organization expenses these items upon purchase as the result of additional, future revenues from these materials is not reasonably assured.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

There were no releases from restrictions during 2020 and 2019.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met

National Mill Dog Rescue
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December 31, 2020 and 2019

Nature of the Gift	Value Recognized
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives various program-related in-kind contributions from donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended December 31, 2020 and 2019, in-kind contributions received were \$57,282 and \$75,340, respectively.

Paycheck Protection Loan and Forgiveness

During 2020, the Organization received a loan pursuant to the Paycheck Protection Program established by the U.S. federal government’s *Coronavirus Aid, Relief, and Economic Security Act*. While the loan stipulated an interest rate and maturity date, the Organization anticipated that the loan would be substantially forgiven, and thus has elected to account for the loan as a refundable advance as permitted by ASC 958-605. Under this election, loan proceeds are deemed a refundable advance until such time as the related conditions are met, which include meeting certain employee count and salary reduction requirements as well as incurring eligible expenses. Utilization of the proceeds are subject to review and acceptance by the U.S. Department of Treasury, Small Business Administration, and/or lender; as a result, future adjustments may be required upon recognition of the revenue. During 2020, the Organization received notification of forgiveness and, thus, recognized the revenue as a grant in the statement of activities.

National Mill Dog Rescue

Notes to Financial Statements

December 31, 2020 and 2019

Adoption Fees

Adoption fees are recognized as the Organization satisfies performance obligations under its contracts. Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing goods or services. The Organization determines the transaction price based on standard charges for goods and services provided.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization recorded no unrelated business income during the year.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fund raising categories based on time expended and other methods.

Subsequent Events

Subsequent events have been evaluated through July 23, 2021, which is the date the financial statements were available to be issued.

Note 2: Liquidity and Availability

The Organization has a liquidity policy to maintain current working capital at a minimum of four months of operating expenses. To achieve these targets, the Organization forecasts future cash flows and monitors its liquidity quarterly and monitors reserves annually. The Organization primarily solicits and receives contributions without donor restrictions, which provides the Organization with fiscal flexibility to pay all annual obligations and general expenditures each year.

The Organization manages its liquidity and reserves following three guiding principles:

1. Operating within a prudent range of financial soundness and stability
2. Maintaining adequate liquid assets to fund near-term operating needs
3. Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met

National Mill Dog Rescue
Notes to Financial Statements
December 31, 2020 and 2019

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019, comprise the following:

	2020	2019
Cash	\$ 970,859	\$ 808,786
Investments	800,410	841,491
Total financial assets	1,771,269	1,650,277
Donor-imposed restrictions	217,880	217,680
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,553,389	\$ 1,432,597

Note 3: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

National Mill Dog Rescue
Notes to Financial Statements
December 31, 2020 and 2019

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

	2020			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds, held by broker	\$ 694,504	\$ 694,504	\$ -	\$ -
Domestic mutual funds	49,511	49,511	-	-
Domestic common stock	56,395	56,395	-	-
	<u>\$ 800,410</u>	<u>\$ 800,410</u>	<u>\$ -</u>	<u>\$ -</u>
	2019			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds, held by broker	\$ 736,486	\$ 736,486	\$ -	\$ -
Domestic mutual funds	55,793	55,793	-	-
Domestic common stock	49,212	49,212	-	-
	<u>\$ 841,491</u>	<u>\$ 841,491</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

National Mill Dog Rescue
Notes to Financial Statements
December 31, 2020 and 2019

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization currently holds no Level 2 or Level 3 investments.

Note 4: Property and Equipment

Property and equipment at December 31, 2020 and 2019 consists of:

	2020	2019
Land	\$ 62,582	\$ 62,582
Buildings and improvements	3,035,465	2,454,123
Vehicles and equipment	369,035	305,766
	3,467,082	2,822,471
Less accumulated depreciation	514,102	411,074
Construction in progress	-	38,722
Total property and equipment	\$ 2,952,980	\$ 2,450,119

Note 5: Long-term Debt

Long-term debt at December 31, 2020 and 2019 consists of:

	2020	2019
Note payable (A)	\$ 186,700	\$ 227,089

(A) Due January 2044; payable \$2,203 monthly including interest at 4.00%; secured by property. During 2020 and 2019, the Organization remitted approximately \$20,000 and \$35,000, respectively, in excess of the required principal payments. Subsequent to year-end, the Organization paid off this note balance in full.

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Notes to Financial Statements
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Aggregate annual maturities of long-term debt at December 31, 2020, are:

	Long-term Debt
2021	\$ 19,323
2022	20,110
2023	20,930
2024	19,934
2025	22,670
Thereafter	83,733
	\$ 186,700

Note 6: Revenue from Contracts with Customers

Adoption Fees

Revenue from contracts with customers is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing dog adoption goods and services.

Revenue is recognized as performance obligations are satisfied, which is at a point in time in which the adoption transaction is completed. The Organization utilizes a point-of-sale system to charge and collect payment upon completion of the adoption.

A customer may return the dog any time after the sale. The customer will be refunded their adoption fee, minus a \$50.00 processing fee, if the dog is returned within the first two weeks post adoption.

Transaction Price

The Organization determines the transaction price based on standard charges for goods and services provided.

For the years ended December 31, 2020 and 2019, the Organization recognized adoption fees of \$210,698 and \$172,324, respectively, from goods and services that transfer to the customer at a point in time.

National Mill Dog Rescue
Notes to Financial Statements
December 31, 2020 and 2019

Note 7: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

The Organization primarily relies on individual contributions for its funding. Approximately 60% and 65% of all contributions were received from individual donors in 2020 and 2019, respectively.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

COVID-19

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.