



**American
Public Gardens
Association**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
FEBRUARY 28, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
AMERICAN PUBLIC GARDENS ASSOCIATION
KENNETT SQUARE, PENNSYLVANIA

We have audited the accompanying financial statements of American Public Gardens Association (a nonprofit organization), which comprise the statements of financial position as of February 28, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Public Gardens Association as of February 28, 2018 and 2017, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses on page 15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Umbreit, Korengel & Associates, P.C.

Kennett Square, PA
July XX, 2018

AMERICAN PUBLIC GARDENS ASSOCIATION

**STATEMENTS OF FINANCIAL POSITION
FEBRUARY 28, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 502,382	\$ 529,279
Accounts receivable	18,690	82,089
Grant receivable	251,262	77,292
Prepaid expenses	114,859	111,111
TOTAL CURRENT ASSETS	<u>887,193</u>	<u>799,771</u>
INVESTMENTS	482,181	413,263
PROPERTY AND EQUIPMENT		
Property and equipment	534,819	529,909
Accumulated depreciation	(506,508)	(467,215)
TOTAL PROPERTY AND EQUIPMENT	<u>28,311</u>	<u>62,694</u>
TOTAL ASSETS	<u>\$ 1,397,685</u>	<u>\$ 1,275,728</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 36,836	\$ 65,043
Accrued expenses	52,066	29,102
Deferred revenue	140,288	227,271
TOTAL CURRENT LIABILITIES	<u>229,190</u>	<u>321,416</u>
NET ASSETS		
Unrestricted:		
Operating	1,163,754	949,571
Total unrestricted	1,163,754	949,571
Temporarily restricted	4,741	4,741
TOTAL NET ASSETS	<u>1,168,495</u>	<u>954,312</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,397,685</u>	<u>\$ 1,275,728</u>

See Independent Auditors' Report and Notes to Financial Statements

AMERICAN PUBLIC GARDENS ASSOCIATION

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED FEBRUARY 28, 2018 AND 2017**

	Unrestricted	Temporarily Restricted	2018 Total	Unrestricted	Temporarily Restricted	2017 Total
SUPPORT, REVENUE AND RECLASSIFICATIONS						
Membership dues	\$ 831,880	\$ -	\$ 831,880	\$ 676,504	\$ -	\$ 676,504
Contributions	15,035	-	15,035	18,640	-	18,640
Annual meeting sponsors	190,220	-	190,220	151,900	-	151,900
Government support	655,359	-	655,359	414,020	-	414,020
Donated services and use of facilities	33,674	-	33,674	33,674	-	33,674
Annual meeting	468,218	-	468,218	464,667	-	464,667
Publications	74,622	-	74,622	47,618	-	47,618
Professional development	154,250	-	154,250	87,566	-	87,566
PCN application fees	1,500	-	1,500	6,000	-	6,000
Affinity program	22,970	-	22,970	24,047	-	24,047
Investment income	71,308	-	71,308	45,937	-	45,937
Miscellaneous income	5,600	-	5,600	6,986	-	6,986
Net assets released from restriction	-	-	-	-	-	-
TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	2,524,636	-	2,524,636	1,977,559	-	1,977,559
EXPENSES						
Program services	1,572,946	-	1,572,946	1,382,673	-	1,382,673
General and administrative	702,904	-	702,904	498,963	-	498,963
Fundraising	34,603	-	34,603	24,313	-	24,313
TOTAL EXPENSES	2,310,453	-	2,310,453	1,905,949	-	1,905,949
CHANGE IN NET ASSETS	214,183	-	214,183	71,610	-	71,610
NET ASSETS - BEGINNING OF YEAR	949,571	4,741	954,312	877,961	4,741	882,702
NET ASSETS - END OF YEAR	\$ 1,163,754	\$ 4,741	\$ 1,168,495	\$ 949,571	\$ 4,741	\$ 954,312

See Independent Auditors' Report and Notes to Financial Statements

AMERICAN PUBLIC GARDENS ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 28, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 214,183	\$ 71,610
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation	39,293	59,751
Net realized and unrealized (gain) loss on investments	(58,666)	(35,369)
(Increase) decrease in operating assets:		
Accounts receivable	63,399	(63,120)
Grant receivable	(173,970)	10,043
Prepaid expenses	(3,748)	(42,282)
Increase (decrease) in operating liabilities:		
Accounts payable	(28,207)	10,740
Accrued expenses	22,964	2,131
Deferred revenue	(86,983)	(30,892)
NET CASH USED BY OPERATING ACTIVITIES	<u>(11,735)</u>	<u>(17,388)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(4,910)	(3,966)
Purchase of investments	(10,252)	(9,508)
NET CASH USED BY INVESTING ACTIVITIES	<u>(15,162)</u>	<u>(13,474)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,897)	(30,862)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>529,279</u>	<u>560,141</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 502,382</u>	<u>\$ 529,279</u>

See Independent Auditors' Report and Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2018 AND 2017

NOTE 1 – THE ORGANIZATION

Nature of Activities

The American Public Gardens Association was organized in 1940 and incorporated in 1970 under the Nonprofit Corporation Law of the District of Columbia. The nature of the association's mission is to serve public gardens and advance them as leaders, advocates, and innovators.

The American Public Gardens Association is the premier membership organization for public horticulture professionals. The Association connects the people who make botanical gardens, arboreta, historic sites and other places that celebrate plants so special. It provides horticulture professionals with opportunities to learn, to collaborate, and to share best practices that make the entire field stronger. The Association wants more people to know about, support and enjoy public gardens, and to ensure that public gardens continue to play key roles in environmental sustainability, conservation and education.

Members – and the rest of the world – benefit from Association programs, which are making a difference in protecting plants from threats such as invasive species, conserving important botanical collections in North America and throughout the world, making garden practices more sustainable, and bringing more visitors into public gardens every year.

The Association is supported primarily through membership dues and annual meeting revenue. Approximately 59% and 65% of the Association's revenue was generated from these two sources for the years ended February 28, 2018 and 2017, respectively. Government funding provided 26% and 21% of the Association's revenue for the years ended February 28, 2018 and 2017, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Association are as follows:

The Financial Accounting Standards Board (FASB) sets accounting principles generally accepted in the United States of America (GAAP) to promote consistent reporting. References to GAAP are to the FASB Accounting Standards Codification (FASB ASC) and FASB Accounting Standards Update (FASB ASU).

Basis of Accounting

The financial statements of the American Public Gardens Association have been prepared on the accrual basis of accounting in accordance with U.S. generally

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NOTES TO FINANCIAL STATEMENTS FEBRUARY 28, 2018 AND 2017

accepted accounting principles.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Statement Presentation

The financial statements are presented in accordance with FASB ASC 958-205, *Not-For-Profit Entities Presentation of Financial Statements*. Under the FASB ASC 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition

Contributions

The Association reports contributions in accordance with FASB ASC 958-605, *Not-For-Profit Entities Revenue Recognition*. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted support, where restrictions are met in the same period as the donation is made, is shown as additions to unrestricted support.

Membership Dues

Membership dues are recognized as revenue during the period of membership.

Government Grants

Government grants are recognized as income when qualifying expenses related to the grant are incurred.

Income Taxes

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Association is not a private foundation

AMERICAN PUBLIC GARDENS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS FEBRUARY 28, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At times, cash and cash equivalent balances may exceed federally insured amounts. The Association believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

Accounts Receivable

Receivables represent amounts due primarily from sponsors and registration or advertising fees related to conferences or events. Accounts receivable are stated at unpaid balances. Provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Association determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of February 28, 2018 and 2017, the Association estimates that no reserve for losses on receivables is required.

Donated Assets and Services

Donated materials and services are reflected as contributions in the accompanying financial statements at their estimated values on the date of receipt. No amounts have been reflected in the financial statements for certain donated volunteer services because they do not qualify for recording under the guidelines of FASB ASC 958-605, *Not-For-Profit Entities Revenue Recognition*; however a substantial number of volunteers have donated significant amounts of their time to Association programs.

Donated Use of Facilities

Donated use of facilities is recognized at estimated values at the time of use. Donated use of facilities was \$33,624 for the years ended February 28, 2018 and 2017.

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NOTES TO FINANCIAL STATEMENTS FEBRUARY 28, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property and Equipment

Purchased property and equipment is valued at cost. Donated property and equipment is recorded at its fair value on the date of donation. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and maintenance that materially prolong the useful lives of assets are capitalized. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of three to seven years.

Investments

The Association accounts for investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities Investments-Debt and Equity Securities* and FASB ASC 958-325, *Not-for-Profit Entities Investments-Other*. Under FASB ASC 958-320, the Association is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. Under FASB ASC 958-325 the Association has elected to report investments, other than those governed by FASB ASC 958-320, at fair value.

Investments are classified as current or noncurrent in the accompanying statements of financial position based on maturities and management's intent.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. It also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability. Assets reported at fair value using the net asset value (NAV) practical expedient provisions have been excluded from categorization under FASB ASU 2015-07, *Fair Value Measurement*.

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NOTES TO FINANCIAL STATEMENTS FEBRUARY 28, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Level 3: Unobservable inputs for the asset or liability. Assets reported at fair value using NAV practical expedient provisions are considered Level 3 when the investments will never have the ability to be redeemed at the net asset value or the redemption period is long-term in nature.

The Association's investments valuations at February 28, 2018 and 2017 were considered Level 1.

Deferred Revenue

Deferred revenue consists of payments received in advance for the annual meeting, future professional development symposiums, prepaid advertising in publications, and program-related grants received with donor-imposed conditions that have not been met. Deferred revenue consisted of the following as of February 28, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Annual meeting revenues	\$ 102,981	\$ 162,521
Textbook publication grant	2,248	2,248
Advertising	10,123	26,241
Professional development	19,936	17,663
Grant revenues	5,000	18,598
	<u>\$ 140,288</u>	<u>\$ 227,271</u>

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Advertising

The costs of advertising are expensed as incurred. Advertising expense was \$61,945 and \$22,559 for years ended February 28, 2018 and 2017, respectively.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative expense includes those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Association.

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 reported amounts of revenues and expenses during the reporting and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Impairment of Long-lived Assets

The Association accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. No impairment charges were recorded during 2018 and 2017.

Changes in Accounting Standards

As of fiscal year ended February 28, 2019, the Association will be required to implement Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU improves the current net asset classification requirements and information presented in the financial statements and notes about a not-for-profit entities liquidity, financial performance and cash flows. Management is currently in the process of evaluating the impact of the adoption of this ASU on the financial statements.

Date of Management Approval

As required by the Subsequent Events Topic of the FASB ASC, the Association has evaluated those events and transactions that occurred after the statement of financial position date of February 28, 2018 through July XX, 2018, the date the financial statements were available to be issued and determined there were no other items to be disclosed.

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NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2018 AND 2017

NOTE 3 – GOVERNMENT GRANTS

Grants receivable of \$109,374 at February 28, 2018 is due from the USDA on a cooperative agreement award for continuation of a sentinel plant network and outreach education program. The cooperative agreement with the USDA was renewed for an additional award of \$469,957. Revenue is recognized as reimbursable expenses are incurred. The Association recognized revenue of \$343,645 and \$338,390 for the years ended February 28, 2018 and 2017, respectively.

The Association received a federal grant from the USDA, Forest Service for tree gene conservation. Revenue is recognized as reimbursable expenses are reimbursed. The Association recognized revenues of \$169,546 and \$40,630 for the years ended February 28, 2018 and 2017, respectively. The full award is for \$225,500 with a matching clause requiring the Association to also expend \$225,500 of their own funds. The agreement expires September 29, 2021.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following February 28, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Computer equipment	\$ 27,820	\$ 22,910
Furniture and fixtures	92,568	92,568
Website development	<u>414,431</u>	<u>414,431</u>
	534,819	529,909
Less: accumulated depreciation	<u>(506,508)</u>	<u>(467,215)</u>
Net Property and Equipment	<u>\$ 28,311</u>	<u>\$ 62,694</u>

Depreciation expense was \$39,293 and \$59,751 for the years ended February 28, 2018 and 2017, respectively.

NOTE 5 – INVESTMENTS

As required by the Investment Topic of the FASB ASC, the Association reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income restricted by a donor is reported as an increase in unrestricted net assets if the restrictions are met in the reporting period in which the investment income is recognized.

As required by the Fair Value Measurement Topic of FASB ASC, the Association's investments are recorded at fair value and re-measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets

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NOTES TO FINANCIAL STATEMENTS FEBRUARY 28, 2018 AND 2017

NOTE 5 – INVESTMENTS (Cont'd)

or liabilities that the reporting entity has the ability to access at the measurement date.

Investments in marketable securities stated at fair value consist of the following at February 28, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Bond Market Index Fund	\$ 119,451	\$ 119,088
Extended Market Index Fund	57,447	45,736
500 Index Fund	174,402	140,266
International Stock Index Fund	<u>130,881</u>	<u>108,173</u>
	<u>\$ 482,181</u>	<u>\$ 413,263</u>

The following summarizes investment income for the years ended February 28, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 12,642	\$ 10,568
Net realized/unrealized gain (loss)	<u>58,666</u>	<u>35,369</u>
	<u>\$ 71,308</u>	<u>\$ 45,937</u>

Concentration risk with respect to marketable securities is limited through the use of professional investment advisors subject to the Association's investment policy.

NOTE 6 – RESTRICTED NET ASSETS

Temporarily restricted net assets of \$4,741 at February 28, 2018 and 2017, respectively consist of donor restricted funds for strategic planning

NOTE 7 – LINE OF CREDIT

The Association has available a secured \$100,000 line of credit agreement with M & T Bank. Interest (6.75% at February 28, 2018 and 2017) computed at the bank's current index plus 2 percentage points is due and payable monthly. There was no outstanding loan balance at February 28, 2018 and 2017. There was no interest expense for the years ended February 28, 2018 and 2017. There were no draws on the line of credit for the years ended February 28, 2018 and 2017.

AMERICAN PUBLIC GARDENS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2018 AND 2017

NOTE 8 – LEASE COMMITMENTS

The Association leased office space under an operating lease effective June 1, 2009. Under the terms of the lease, the Association agrees to pay \$100 per month. Unless terminated, the agreement will renew annually. Minimum future rentals are as follows:

<u>Year Ending</u>	
2/28/2019	<u>\$ 1,200</u>

The Association has various leases for office equipment. Leased office equipment expense was \$6,144 and \$5,623 for the years ended February 28, 2018 and February 28, 2017, respectively. Future minimum rental amounts on office equipment are as follows:

<u>Fiscal Year Ending</u>	
2019	\$ 5,915
2020	5,915
2021	4,612
2022	<u>1,393</u>
Total	<u>\$ 17,835</u>

NOTE 9 – RETIREMENT PLAN

The Association participates in a defined contribution retirement plan covering all eligible employees. The Association matches employee contributions up to 4.5% of each eligible employee's salary upon eligibility. Contributions for the years ended February 28, 2018 and 2017 were \$22,651 and \$15,501, respectively.

NOTE 10 – CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash balances in two financial institutions, one located in Delaware and one located in Pennsylvania. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured balances at February 28, 2018 and 2017 were \$253,665 and \$251,296, respectively.

NOTE 11 – RECLASSIFICATIONS

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operation.