

Cicatelli Associates, Inc.

Independent Auditor's Reports and Financial Statements

June 30, 2021 and 2020



Cicatelli Associates, Inc.

June 30, 2021 and 2020

Contents

Independent Auditor's Report.....	1
--	----------

Financial Statements

Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

Board of Directors
Cicatelli Associates, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Cicatelli Associates, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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
Cicatelli Associates, Inc.
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cicatelli Associates, Inc. as of June 30, 2021 and 2020, 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

New York, New York
February 25, 2022

Cicatelli Associates, Inc.
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 1,263,786	\$ 2,874,375
Contracts and other receivables	3,406,567	2,695,443
Security deposits and other assets	615,053	434,296
Property and equipment, net	180,810	211,087
Total assets	\$ 5,466,216	\$ 6,215,201
 Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 1,002,917	\$ 1,122,585
Accrued vacation	501,462	396,836
Unearned revenue	296,471	533,188
Line of credit	249,371	249,371
Deferred rent payable	42,976	164,406
Deferred lease incentive	173,111	276,978
Subordinate debt - officer loan	595,000	655,000
Long-term debt, net	124,845	1,787,305
Total liabilities	2,986,153	5,185,669
Net Assets Without Donor Restrictions	2,480,063	1,029,532
Total liabilities and net assets	\$ 5,466,216	\$ 6,215,201

Cicatelli Associates, Inc.
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021	2020
Revenues and Other Support		
Contract and grant revenues	\$ 20,501,324	\$ 18,260,978
Registration fees	5,850	-
Rental income	12,200	87,450
Gain on forgiveness of loan	1,601,900	-
Other income	11,865	12,654
	<u>22,133,139</u>	<u>18,361,082</u>
Operating Expenses		
Program services		
Training and technical assistance	16,040,943	14,601,760
Supporting services		
Management and general	4,641,665	2,836,420
	<u>20,682,608</u>	<u>17,438,180</u>
Change in Net Assets	1,450,531	922,902
Net Assets Without Donor Restrictions, Beginning of Year	<u>1,029,532</u>	<u>106,630</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 2,480,063</u>	<u>\$ 1,029,532</u>

Cicatelli Associates, Inc.
Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	2021		
	Training and Technical Assistance Program	Management and General	Total
Personnel expenses	\$ 8,089,306	\$ 1,737,177	\$ 9,826,483
Fringe benefits	1,829,688	219,874	2,049,562
Consultants	1,079,851	303,821	1,383,672
Subcontractor	4,133,098	424,555	4,557,653
Professional fees	10,994	60,518	71,512
Interest expense	-	13,507	13,507
Continue Education Unit expense	111,300	-	111,300
Staff and consultant travel	-	11,699	11,699
Supplies	72,434	36,590	109,024
Communication	16,297	108,841	125,138
Postage and shipping	40,216	1,707	41,923
Occupancy	114,036	1,159,453	1,273,489
Service contract	15,496	132,545	148,041
Equipment rental	15,772	58,528	74,300
Conferences, conventions and meetings	28,131	42,746	70,877
Printing and publications	83,030	1,153	84,183
Website	29,910	22,578	52,488
Dues and subscriptions	22,772	34,977	57,749
Training materials	79,890	-	79,890
Automobile expenses	7,715	35,232	42,947
Furniture, equipment and health product	115,788	-	115,788
Advertisement	103,930	2,081	106,011
Training space	18,000	-	18,000
Software licensing fee	23,089	83,316	106,405
Bank charges	-	14,192	14,192
Insurance expenses	200	63,162	63,362
Other expenses	-	9,979	9,979
Depreciation	-	63,434	63,434
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 16,040,943</u>	<u>\$ 4,641,665</u>	<u>\$ 20,682,608</u>

Cicatelli Associates, Inc.
Statements of Functional Expenses (Continued)
Years Ended June 30, 2021 and 2020

	2020		
	Training and Technical Assistance Program	Management and General	Total
Personnel expenses	\$ 6,794,248	\$ 744,927	\$ 7,539,175
Temp help expenses	3,874	-	3,874
Fringe benefits	1,552,533	39,311	1,591,844
Consultants and subcontractors	3,859,287	383,219	4,242,506
Professional fees	32,460	65,260	97,720
Interest expense	-	23,815	23,815
Continue Education Unit expense	54,325	-	54,325
Staff and consultant travel	632,196	60,103	692,299
Supplies	163,543	28,820	192,363
Communication	21,575	78,819	100,394
Postage and shipping	33,748	2,853	36,601
Occupancy	369,510	933,372	1,302,882
Service contract	82,821	2,524	85,345
Equipment rental	58,558	57,481	116,039
Conferences, conventions and meetings	92,544	149,861	242,405
Printing and publications	321,956	8,534	330,490
Website	20,150	34,765	54,915
Dues and subscriptions	24,990	26,509	51,499
Training materials	29,806	261	30,067
Automobile expenses	9,773	34,777	44,550
Furniture, equipment and health product	197,068	-	197,068
Advertisement	84,037	2,822	86,859
Training space	115,626	7,429	123,055
Software licensing fee	46,491	27,090	73,581
Bank charges	-	11,841	11,841
Insurance expenses	138	46,684	46,822
Other expenses	503	4,594	5,097
Depreciation	-	60,749	60,749
	<u>\$ 14,601,760</u>	<u>\$ 2,836,420</u>	<u>\$ 17,438,180</u>
Total expenses	<u>\$ 14,601,760</u>	<u>\$ 2,836,420</u>	<u>\$ 17,438,180</u>

Cicatelli Associates, Inc.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 1,450,531	\$ 922,902
Items not requiring (providing) operating cash flows		
Depreciation and amortization	63,434	60,749
Gain on forgiveness of loan	(1,601,900)	-
Loss on write-off of fixed asset	16,830	-
Changes in		
Contracts and other receivable	(711,124)	98,816
Security deposits and other assets	(180,757)	(15,094)
Accounts payable and accrued expenses	(119,668)	(457,254)
Accrued vacation	104,626	117,270
Unearned revenue	(236,717)	391,436
Deferred rent payable	(121,430)	(102,211)
Deferred lease incentive	(103,867)	(103,866)
Net cash provided by (used in) operating activities	(1,440,042)	912,748
Investing Activities		
Purchase of property and equipment	(6,462)	(55,599)
Net cash used in investing activities	(6,462)	(55,599)
Financing Activities		
Borrowings on line of credit	-	656,000
Payments on line of credit	-	(800,000)
Principal payments on subordinate debt	(60,000)	(45,000)
Proceeds from notes payable	-	1,601,900
Principal payments on long-term debt	(104,085)	(87,403)
Net cash provided by (used in) financing activities	(164,085)	1,325,497
Increase in Cash	(1,610,589)	2,182,646
Cash, Beginning of Year	2,874,375	691,729
Cash, End of Year	\$ 1,263,786	\$ 2,874,375
Supplemental Cash Flows Information		
Interest paid	\$ 13,507	\$ 23,815
Capital lease obligation incurred for equipment	\$ 43,525	\$ 28,775

Cicatelli Associates, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

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

Cicatelli Associates, Inc. (the Organization) is a 501(c)(3) nonprofit organization. Incorporated in 1979, the mission of the Organization is to use the transformative power of education and research to foster a more aware, healthy, compassionate and equitable world. The Organization develops training programs, which include in-person instruction as well as web-based learning strategies with established and proven practices, to help providers increase the efficiency and quality of health care and social services. This includes the development of customized curricula and training materials, conducting research and evaluation, and the provision of expert technical assistance to help agencies assess current operations and integrate evidence based approaches to achieve higher quality, enhance program outcomes, and increase cost efficiencies.

The Organization administers and is supported primarily by governmental contracts in such areas as HIV/AIDS, trauma, community and population-based health, tobacco and substance use prevention, mental health, family planning, maternal/child health, and more.

The Organization's primary headquarters is in New York City, and it has permanent offices in Albany and Buffalo, NY, Atlanta, GA, Denver, CO, and Los Angeles, CA. The Organization also has a satellite in the Dominican Republic.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash

At June 30, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$1,440,000.

Grants and Contracts Receivable

Accounts receivable are stated at the amount of consideration from grantors and contractors, of which the Organization has an unconditional right to receive plus any accrued and unpaid interest. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. As of June 30, 2021 and 2020, no allowance was deemed necessary.

Cicatelli Associates, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Property and Equipment

Property and equipment acquisitions over \$25,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	3-10 years
Machinery, equipment, and transportation equipment	5-7 years
Furniture and fixtures	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 June 30, 2021 and 2020.

Unearned Revenue

Revenue from fees for contracts is deferred and recognized over the periods to which the fees relate.

Deferred Rent

The Organization has entered into certain operating lease agreements that contain provisions for future rent increases, periods of free rent, or other concessions. In accordance with U.S. GAAP, the Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term (straight-line basis). The difference between rent expense recorded and the amount paid is credited or charged to deferred rent payable, which is reflected as a separate line item in the accompanying statements of financial position.

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.

Cicatelli Associates, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

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
<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

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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

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

Cicatelli Associates, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Revenue Recognition

Revenue from cost-reimbursement contracts is recognized when the Organization has expended the program costs in accordance with the grant agreements. Advances received from grantor agencies under cost-reimbursement grants prior to the Organization's expenditures of the specified program costs are reflected in the accompanying statements of financial position as unearned revenue.

Revenue from performance-based contracts is recognized when performance is completed. Registration fees are earned upon completion of the event.

The Organization periodically sublets some of its operating space for which rental income is recognized as it is earned.

Income Taxes

The Organization is exempt from income taxes under Section 501 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 files tax returns in the U.S. federal jurisdiction.

Government Grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

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 and management and general based on time spent and other methods.

Cicatelli Associates, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Note 2: Future Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2021, have been recorded as receivables. The following are the grant commitments that extend beyond June 30, 2021:

Grant	Term	Grant Amount	Earned or Forfeited Through 2021	Funding Available
Department of Health and Human Services	Various 9/2018 - 9/2023	\$ 45,064,135	\$ 16,957,537	\$ 28,106,598
Department of Health	Various 3/2015 - 4/2026	13,296,697	8,515,506	4,781,191
Health Resources and Services Administration	Various 3/2020 - 6/2025	34,750,000	4,405,914	30,344,086
Health Research Inc.	Various 11/2020 - 4/2026	9,681,878	3,766,444	5,915,434
Other	Various 7/2019 - 10/2022	3,981,105	2,282,846	1,698,259
		<u>\$ 106,773,815</u>	<u>\$ 35,928,247</u>	<u>\$ 70,845,568</u>

Note 3: Property and Equipment

Property and equipment at June 30, 2021 and 2020 consists of:

	2021	2020
Leasehold improvements	\$ 1,249,644	\$ 1,249,644
Machinery, equipment and transportation equipment	198,146	194,059
Furniture and fixtures	<u>387,328</u>	<u>387,328</u>
	1,835,118	1,831,031
Less accumulated depreciation and amortization	<u>(1,654,308)</u>	<u>(1,619,944)</u>
	<u>\$ 180,810</u>	<u>\$ 211,087</u>

The Organization purchased equipment with funds received from governmental entities which may be required to be returned if the program for which the assets were used were to be discontinued.

Cicatelli Associates, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Note 4: Long-Term Debt and Capital Leases

	2021	2020
Subordinated debt (A)	\$ 595,000	\$ 655,000
SBA loan payable (B)	-	1,601,900
Bank note payable (C)	75,100	147,903
Line of credit (D)	249,371	249,371
Capital lease obligations (E)	49,745	37,502
	\$ 969,216	\$ 2,691,676

- (A) The president of the Organization advanced \$700,000 to the Organization in prior years. The loan is subordinate to the line of credit and term loan and is unsecured and non-interest-bearing. The terms of the agreement were revised during 2020 and a repayment was established of \$5,000 per month for 140 months starting in October 2019.
- (B) On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On April 18, 2020, the Organization received a loan in the amount of \$1,601,900 pursuant to the Paycheck Protection Program. The Organization elected to account for the funding as a loan in accordance with ASC Topic 470, Debt. On December 29, 2020, the Organization has received forgiveness of the loan that was obtained under the *Coronavirus Aid, Relief, and Economic Security Act*.
- (C) On June 8, 2017, the Organization entered into a term note agreement with the bank for \$350,000. The note is payable in monthly installments of \$6,455, including interest at the rate of 4 percent per annum, matures in June 2022, and is secured by substantially all of the assets of the Organization.
- (D) The Organization has a \$950,000 revolving line of credit. At June 30, 2021 and 2020, there was \$249,371 borrowed against this line. The line is collateralized by substantially all of the Organization's assets. Interest is at a variable rate which is based on the bank's prime rate or subject to a floor as defined by the agreement. Interest charged was 3.5 percent for the years ended June 30, 2021 and 2020, respectively. The Organization must maintain a ratio of Debt Service Coverage in excess of 1.250 to 1.000.
- (E) The Organization has loan agreements to purchases vehicles, which are secured by the underlying assets. The 2020 loan matures in July 2022, has monthly payments of \$844, and an interest rate of 3.49 percent. During 2021, the Organization exchanged the vehicle with monthly payment of \$631, and an interest rate of 2.99 percent and financed another vehicle under a loan agreement that matures in March 2026, has monthly payments of \$725, and no interest rate.

Cicatelli Associates, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Combined payments over the next five years and thereafter at June 30, 2021, are as follows:

	<u>Long-Term Debt</u>	<u>Capital Lease Obligations</u>
2022	\$ 384,470	\$ 17,828
2023	60,000	8,705
2024	60,000	8,705
2025	60,000	8,705
2026	60,000	5,803
Thereafter	<u>295,000</u>	<u>-</u>
	<u>\$ 919,470</u>	49,746
Less amount representing interest		<u>(165)</u>
Present value of future minimum lease payments		<u>\$ 49,581</u>

Property and equipment include the following property under capital leases at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 81,262	\$ 77,175
Less accumulated depreciation	<u>(44,746)</u>	<u>(28,440)</u>
	<u>\$ 36,516</u>	<u>\$ 48,735</u>

Note 5: Operating Leases

Noncancelable operating leases for office space expire in various years through 2023. These leases generally require the Organization to pay all executory costs (property taxes, maintenance and insurance).

Future minimum lease payments at June 30, 2021, were:

2022	\$ 559,518
2023	130,427
2024	14,860
2025	<u>7,540</u>
	<u>\$ 712,345</u>

The Organization renewed an operating lease for office space on September 2021. The lease was due to expire on October 31, 2021 and was extended through December 2031.

Cicatelli Associates, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Deferred Lease Incentive

During the year ended June 30, 2018, the Organization received a \$560,500 payment (the Lease Incentive) from a vendor in return for entering into a new 63-month operating lease for office equipment. The unamortized balance of this Lease Incentive is \$173,111 and \$276,978 as of June 30, 2021 and 2020, respectively, which is reflected as a deferred lease incentive on the accompanying statements of financial position.

Note 6: Pension Plan

The Organization maintains a 401(k) plan (the Plan) for the benefit of its employees. The Plan provides for discretionary employer matching contributions in a percentage determined by the Organization on an annual basis. Employees may make annual contributions of up to 75 percent of their eligible pay, but not over the annual Internal Revenue Service dollar limit. The Organization matched employee contributions amounting to \$169,687 and \$134,445 for the years ended June 30, 2021 and 2020, respectively.

Note 7: Related-Party Transactions

The president of the Organization advanced \$700,000 to the Organization in prior years. The loan is subordinate to the line of credit and term loan and is unsecured and non-interest-bearing.

Note 8: Liquidity and Availability

The Organization's financial assets available within one year of June 30, 2021 and 2020, respectively, for general expenditure are:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 1,263,786	\$ 2,874,375
Contracts and other receivables	<u>3,406,567</u>	<u>2,695,443</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,670,353</u>	<u>\$ 5,569,818</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As more fully described in *Note 5*, the Organization also has a committed line of credit in the amount of \$950,000, of which \$249,371 is already committed, which it could draw upon in the event of an unanticipated liquidity level.

Cicatelli Associates, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

Note 9: Significant Estimates and Concentrations

Concentrations

Approximately 54 and 74 percent of all contract revenues were received from two contractors in 2021 and four contractors in 2020.

Note 10: Subsequent Events

Subsequent events have been evaluated through February 25, 2022, which is the date the financial statements were available to be issued.

Note 11: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.