

COMMUNITY DENTAL CLINIC, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

SEPTEMBER 30, 2021

**WITH SUMMARIZED COMPARATIVE TOTALS AS OF
AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

COMMUNITY DENTAL CLINIC, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Dental Clinic, Inc.
Clearwater, Florida

We have audited the accompanying financial statements of Community Dental Clinic, Inc. (a Not-for-Profit Entity), which comprise the statement of financial position as of September 30, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 Community Dental Clinic, Inc. as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Report on Summarized Comparative Information

The financial statements of Community Dental Clinic, Inc. as of and for the year ended September 30, 2020 were audited by a predecessor auditor. The predecessor auditor's report, dated July 1, 2021, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "affinity CPA P.A." The word "affinity" is in a cursive script, while "CPA P.A." is in a more formal, blocky font.

Tampa, Florida
February 7, 2022

COMMUNITY DENTAL CLINIC, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2020)

	<u>September 30,</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,361,764	\$ 181,855
Grant receivable	16,319	19,778
Promises to give, current	3,600	7,200
Dental supplies	-	42,118
Prepaid expenses	6,097	10,575
	<u>1,387,780</u>	<u>261,526</u>
Total current assets		
Non-current assets		
Promises to give, non-current	-	3,600
Furniture, fixtures and equipment, net of accumulated depreciation and amortization of \$187,117 and \$160,093, respectively	100,019	93,805
Deposits	21,990	540
	<u>122,009</u>	<u>97,945</u>
Total non-current assets		
Total assets	<u>\$ 1,509,789</u>	<u>\$ 359,471</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 14,367	\$ 7,396
Long-term liabilities		
Refundable advance	1,000,000	-
Notes payable	-	34,065
Total long-term liabilities	<u>1,000,000</u>	<u>34,065</u>
Total liabilities	<u>1,014,367</u>	<u>41,461</u>
Net assets		
Without donor restrictions	491,822	301,924
With donor restrictions	3,600	16,086
	<u>495,422</u>	<u>318,010</u>
Total net assets		
Total liabilities and net assets	<u>\$ 1,509,789</u>	<u>\$ 359,471</u>

See independent auditor's report and accompanying notes to the financial statements.

COMMUNITY DENTAL CLINIC, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2020)

	Changes in Net Assets			
	Without Donor Restrictions	With Donor Restrictions	Total	
			September 30, 2021	2020
PUBLIC SUPPORT AND OTHER REVENUES				
Grants	\$ 223,975	\$ -	\$ 223,975	\$ 173,384
Grant resulting from forgiveness of PPP loan	34,065	-	34,065	-
Contributions				
In-kind	171,260	-	171,260	176,595
Patient contributions	6,845	-	6,845	5,654
Other	202,347	-	202,347	106,376
Special events, net of direct expenses of \$15,550 and \$13,496, respectively	266,345	-	266,345	172,389
Other	642	-	642	898
	<u>905,479</u>	<u>-</u>	<u>905,479</u>	<u>635,296</u>
Net assets released from restrictions				
Expiration of time/use restrictions	12,486	(12,486)	-	-
	<u>917,965</u>	<u>(12,486)</u>	<u>905,479</u>	<u>635,296</u>
Total public support and other revenue				
	<u>917,965</u>	<u>(12,486)</u>	<u>905,479</u>	<u>635,296</u>
EXPENSES				
Program services:	<u>611,609</u>	<u>-</u>	<u>611,609</u>	<u>437,796</u>
Support services:				
General administration	80,598	-	80,598	70,219
Fundraising	35,860	-	35,860	25,866
	<u>116,458</u>	<u>-</u>	<u>116,458</u>	<u>96,085</u>
Total supporting services				
	<u>116,458</u>	<u>-</u>	<u>116,458</u>	<u>96,085</u>
Total expenses	<u>728,067</u>	<u>-</u>	<u>728,067</u>	<u>533,881</u>
Change in net assets	189,898	(12,486)	177,412	101,415
Net assets, beginning of year	<u>301,924</u>	<u>16,086</u>	<u>318,010</u>	<u>216,595</u>
Net assets, end of year	<u>\$ 491,822</u>	<u>\$ 3,600</u>	<u>\$ 495,422</u>	<u>\$ 318,010</u>

See independent auditor's report and accompanying notes to the financial statements.

COMMUNITY DENTAL CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2020)

	Program Services	Supporting Services			Total	
		General	Fundraising	Total	September 30,	
		Administration			2021	2020
Personnel expenses	\$ 323,381	\$ 38,045	\$ 19,022	\$ 57,067	\$ 380,448	\$ 273,569
Other expenses						
Dental supplies	124,497	-	-	-	124,497	36,350
In-kind dental services	78,865	-	-	-	78,865	107,041
In-kind rent	27,900	2,790	310	3,100	31,000	31,000
Professional	-	20,200	-	20,200	20,200	7,200
Special event expenses	-	-	15,550	15,550	15,550	13,497
In-kind services	5,578	1,395	6,973	8,367	13,945	13,946
Utilities	9,914	991	110	1,102	11,016	12,197
Insurance	3,366	3,366	-	3,366	6,731	3,108
Postage and printing	64	579	5,786	6,365	6,429	6,961
Dental maintenance & contracts	6,199	-	-	-	6,199	6,775
Repairs and maintenance	3,336	334	37	371	3,707	2,910
Newsletter	-	-	3,283	3,283	3,283	2,110
Office supplies	1,547	1,238	309	1,547	3,094	550
Technology	2,640	264	29	293	2,933	3,708
Grant fee	-	2,592	-	2,592	2,592	2,884
Other	-	6,104	-	6,104	6,104	3,274
Total expenses before depreciation and amortization	587,287	77,896	51,410	129,306	716,593	527,080
Depreciation and amortization	24,322	2,702	-	2,702	27,024	20,298
Total expenses by function	\$ 611,609	\$ 80,598	\$ 51,410	\$ 132,008	\$ 743,617	\$ 547,378
Less expenses included with revenue on the Statement of Activities						
Special event expenses	-	-	(15,550)	(15,550)	(15,550)	(13,497)
Total expenses	\$ 611,609	\$ 80,598	\$ 35,860	\$ 116,458	\$ 728,067	\$ 533,881

See independent auditor's report and accompanying notes to the financial statements.

COMMUNITY DENTAL CLINIC, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2020)

	<u>September 30,</u>	
	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 177,412	\$ 101,415
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	27,024	20,298
Gain from PPP loan forgiveness	(34,065)	-
(Increase) Decrease in assets:		
Grant receivables	3,459	(17,278)
Deposits	(21,450)	66,225
Promises to give	7,200	5,400
Dental supplies	42,118	(15,084)
Prepaid expenses	4,478	(9,087)
Increase in liabilities:		
Accounts payable and accrued expenses	6,971	3,603
Refundable advance	1,000,000	-
Net cash provided by operating activities	<u>1,213,147</u>	<u>155,492</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	<u>(33,238)</u>	<u>(88,245)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	<u>-</u>	<u>34,065</u>
Net change in cash and cash equivalents	1,179,909	101,312
Cash and cash equivalents, beginning of year	181,855	80,543
Cash and cash equivalents, end of year	<u>\$ 1,361,764</u>	<u>\$ 181,855</u>
NONCASH TRANSACTION:		
Forgiveness of PPP loan and conversion into a grant	<u>\$ 34,065</u>	<u>\$ -</u>

See independent auditor's report and accompanying notes to the financial statements.

COMMUNITY DENTAL CLINIC, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 NATURE OF THE ORGANIZATION

Community Dental Clinic, Inc. (the "Clinic" or the "Organization") was incorporated as a Not-for-Profit organization in the State of Florida on October 5, 2011 and began providing dental care to low-income families in Pinellas County, Florida in September 2013. The Organization provides access to comprehensive and preventative dental healthcare through volunteerism and community partnerships serving very low-income adults and the developmentally disabled (struggling at 200% and below the federal poverty level), regardless of race, ethnicity, gender, and disability.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Clinic have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Clinic has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. Under ASC 958, Clinic is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. As such, Clinic reports information regarding its financial position and activities as follows: (1) net assets without restrictions, which include no donor-imposed restrictions and, therefore, are available for any purpose authorized by the Board of Directors (the "Board"); and (2) net assets with restrictions, which include donor-imposed restrictions that will expire in the future.

Revenue Recognition

Contributions are recorded at their fair market value on the date of receipt. All contributions are available for unrestricted use unless specifically designated by the donor. The Organization reports contributions restricted by donors as increases in net assets *without* donor restrictions if restrictions expire (that is, when either a stipulated time restriction ends, or a purpose restriction is accomplished) in the same reporting period in which revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Support arising from donated, or in-kind, goods, property, and services is recognized in the financial statements at its fair value. GAAP requires recognition of in-kind services, if such services (1) create or enhance nonfinancial assets or (2) require specialized skills and are provided by individuals possessing those skills, who would typically charge a fee.

COMMUNITY DENTAL CLINIC, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

For the year ended September 30, 2021, as detailed in Note 7, *Contributed Goods and Services*, the Organization received volunteer services that met the criteria for recognition under GAAP. In addition, volunteers provided services to assist the Organization's management and fundraising functions for which no amount has been recorded in the financial statements because the services did not meet this recognition criteria.

Liquidity

Assets are presented in the Statement of Financial Position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

The Clinic considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents.

Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment are recorded at cost or, if donated, the estimated fair value at the date of donation. The Clinic has a policy of capitalizing expenditures for property and equipment with costs greater than \$1,500. Depreciation is provided using the straight-line method over the five-year estimated useful lives of the assets. The Organization amortizes leasehold improvements over the estimated useful life or the length of the initial lease term, whichever is shorter.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amounts of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment loss to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value.

Use of Estimates

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

Concentration of Credit Risk

Financial instruments that potentially subject Clinic to concentrations of credit risk consist primarily of bank deposits.

The Clinic maintains bank accounts with balances which, at times, may exceed federally insured limits. The Clinic has not experienced any losses on such accounts, and believes it is not exposed to any significant risk on bank deposit accounts.

COMMUNITY DENTAL CLINIC, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Functional Allocation of Expenses

The costs of providing the Clinic's programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Natural expenses directly attributable to a specific functional area of the Organization are reported as direct expenses of those functional areas. Indirect costs that benefit multiple functional areas have been allocated among the functional areas based on time spent by employees on each functional area or based on the Organization's square footage analysis for all indirect, occupancy-related expenses.

Summarization and Reclassification of Certain 2020 Information

The financial information for the year ended September 30, 2020, presented for comparative purposes, is not intended to be a complete presentation. Certain 2020 amounts were reclassified to conform to the presentation in the current year. These reclassifications had no change on prior year reported changes in net assets or end of year net assets.

Federal Income Tax

The Clinic is exempt from federal and state income taxes under Section 501(c)(3) and, accordingly, no provision for income taxes has been made in the accompanying financial statements. Management has evaluated the Clinic's tax position and concluded that no uncertain tax positions have been taken that would require adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the FASB ASC. With few exceptions, Habitat is subject to income tax examinations by the U.S. federal or state tax authorities up to three years after tax returns are filed.

Reclassification

Certain amounts in the prior year financial statements were reclassified to conform to the presentation of the current year. These reclassifications resulted in no change to prior year ending net assets.

Advertising

Advertising costs are charged to operations when incurred. During the year ended September 30, 2021, the Clinic incurred approximately \$15,000 of advertising expense. Of this amount, approximately \$14,000 was received in-kind.

Recent Accounting Pronouncements Adopted

The FASB issued new guidance that created ASC 606, *Revenue from Contracts with Customers*. ASC 606 supersedes previous revenue recognition standards and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an Organization expects to be entitled in exchange for those goods and services.

The Organization adopted the new guidance as of October 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to the beginning net assets. Adoption of the new guidance resulted in no significant change to the Organization's accounting policies for Clinic-related activities and other income.

COMMUNITY DENTAL CLINIC, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Recent Accounting Pronouncements Not Yet Adopted

1. In 2016, Accounting Standards Update No. 2016-02, *Leases* ("ASU 2016-02") was issued. The amendments in ASU 2016-02 affect any entity that enters into leasing contracts. This ASU supersedes the revenue recognition requirements in ASC 840, *Leases*, and most industry-specific guidance.

The core principle of the guidance is to increase transparency and comparability among organizations by recognizing rights and obligations of leasing activities as assets and lease liabilities on the balance sheet. Under this ASU, lease assets and lease liabilities should be recognized for those leases previously classified as operating leases.

ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. The Organization will adopt this new standard effective for the fiscal year ending September 30, 2023 and shall disclose qualitative and quantitative information. At this time, it is not known, nor can it be reasonably estimated, what the impact of this standard's adoption will have on the Organization.

2. In 2020, ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, was issued. This ASU is intended to increase transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by nonprofits are to be used and how they are valued. The standard will be effective for the Organization for fiscal year ending September 30, 2022.

Subsequent Events

In accordance with FASB ASC 855, the Organization evaluated subsequent events through February 7, 2022, the date the financial statements were available for issue.

NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Clinic's financial assets available within one year of the balance sheet date to meet cash needs for general expenditure as of September 30, 2021 were as follows:

Current financial assets at year-end	
Cash and cash equivalents	\$ 1,361,764
Grant receivable	16,319
Promises to give, current	<u>3,600</u>
	1,381,683
Less those unavailable for general expenditures within one year, due to:	
Cash and cash equivalents restricted for purchase of new dental clinic	<u>1,000,000</u>
Current financial assets available to meet cash needs for general expenditures within one year	<u>\$ 381,683</u>

COMMUNITY DENTAL CLINIC, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4 FURNITURE, FIXTURES, AND EQUIPMENT

Furniture, fixtures, and equipment consist of the following as of September 30, 2021:

Dental equipment	\$ 166,771
Leasehold improvements	90,722
Computer equipment	22,996
Security equipment	6,647
	<u>287,136</u>
Less: accumulated depreciation and amortization	<u>(187,117)</u>
Total furniture, fixtures, and equipment, net	<u>\$ 100,019</u>

Depreciation and amortization expense for the year ended September 30, 2021 was approximately \$27,000.

NOTE 5 PAYROLL PROTECTION PROGRAM LOAN

In May 2020, the Organization received loan proceeds from a financial institution in the amount of approximately \$34,000 under the Payroll Protection Program (the "PPP"), a program established under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). In accordance with the PPP funding agreement, the Clinic's loan was forgiven and converted into a grant in April 2021.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of September 30, 2021 was approximately \$4,000 and relates to promises to give.

NOTE 7 CONTRIBUTED GOODS AND SERVICES

The Clinic received the following goods and services recognized as in-kind support for the year ended September 30, 2021:

Volunteer dentists and hygienists	\$ 78,865
Dental supplies & equipment	36,477
Gifted facility	31,000
Advertising	13,745
Accounting	6,380
Copier services	4,593
Pest services	200
	<u>171,260</u>

COMMUNITY DENTAL CLINIC, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 OPERATING LEASE

In February 2013, the Clinic entered into a five-year lease with the City of Clearwater (the "City") to use 3,500 square feet of a City-owned building for operations. The stated rent is \$1 per year. The Clinic has the option to request an extension of the term of the lease for an additional five years subject to approval of the City. The cost of the common area maintenance, taxes, and utilities are allocated between the Clinic and the City. The City, at its option, may terminate the lease in the event the City Council determines that the premises are required for other municipal purposes and provides the Clinic with 120 days' notice. The annual in-kind fair market value of this leased facility is estimated to be \$31,000 for the year ended September 30, 2021.

NOTE 9 CLINIC ACQUISITION GRANT

In September 2021, the Organization entered into a grant agreement with the Ruth and J O Stone Foundation (the "Foundation"). Per the terms of the agreement, the Organization received \$1,000,000 in advance of acquiring a facility to serve as the Clinic's dental clinic. Prior to purchasing the dental clinic, the Organization must receive approval from the Foundation. Upon closing on the purchase of the dental clinic facility, the Clinic will receive an additional \$500,000 from the Foundation. The Organization is required to complete the purchase of the dental clinic by September 2023 and to give the Foundation naming rights to the newly acquired facility. If the Organization fails to meet these conditions, it must refund the Foundation the \$1,000,000 it has received. Therefore, this amount is recorded as a refundable advance liability on the Statement of Financial Position.

Furthermore, the Foundation will match the support and revenue received or receivable by the Clinic in excess of \$350,000 at the end of each fiscal year (the "Qualifying Match") beginning with the September 30, 2021 fiscal year and ending September 30, 2023. During the three eligible fiscal years, the Foundation will match up to a total of \$1,500,000. This matching gift is also contingent upon purchasing the dental clinic facility and allowing the Foundation naming rights. During the year ended September 30, 2021, the Clinic received approximately \$299,000 of income that will result in the Qualifying Match. Because this Qualifying Match had neither been received, nor had the condition required for recognition as a contribution been met as of September 30, 2021, it is not recorded in the financial statements.

NOTE 10 CONCENTRATIONS

BayCare and the Organization's fundraisers provided 13% and 38%, respectively, of the Organization's revenue excluding those derived from in-kind goods and services.

NOTE 11 COMMITMENTS AND CONTINGENCIES

The Organization is subject to audit examinations from funding sources to determine compliance with grant conditions. In the event that expenditures were to be disallowed, repayment could be required. Management believes the Organization is in compliance with the terms of its grant agreements.

COMMUNITY DENTAL CLINIC, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. These measures could negatively impact the Organization's operations, vendors, and donors. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Organization's operations or cash flows.

The Organization may be periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations.