

RIVERLIFE  
Pittsburgh, Pennsylvania

Financial Statements  
For the years ended December 31, 2018 and 2017  
and Independent Auditors' Report Thereon



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Riverlife  
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of Riverlife, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended and the statement of functional expenses for the year ended December 31, 2018 (with comparative totals for the year ended December 31, 2017) 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.

### ***Auditors' 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 audits 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 auditors' 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 Riverlife as of December 31, 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.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, in the year ended December 31, 2018, Riverlife adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
June 18, 2019

RIVERLIFE

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 1,215,973	\$ 1,640,423
CERTIFICATES OF DEPOSIT	152,716	152,335
CONTRIBUTIONS RECEIVABLE	231,115	315,898
PREPAID EXPENSES	10,818	11,240
Total Assets	<u>\$ 1,610,622</u>	<u>\$ 2,119,896</u>
LIABILITIES AND NET ASSETS		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 92,501	\$ 98,343
NET ASSETS		
Without Donor Restrictions	737,910	445,518
With Donor Restrictions	780,211	1,576,035
Total Net Assets	<u>1,518,121</u>	<u>2,021,553</u>
Total Liabilities And Net Assets	<u>\$ 1,610,622</u>	<u>\$ 2,119,896</u>

See notes to financial statements.

RIVERLIFE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
Public support:						
Foundations	\$ 390,000	\$ 210,000	\$ 600,000	\$ 392,500	\$ 785,000	\$ 1,177,500
Government	1,121	-	1,121	-	452,500	452,500
Corporate and individual	306,921	-	306,921	445,670	60,300	505,970
	<u>698,042</u>	<u>210,000</u>	<u>908,042</u>	<u>838,170</u>	<u>1,297,800</u>	<u>2,135,970</u>
Revenue:						
Interest income	1,754		1,754	7,273	-	7,273
Other income	78,892	-	78,892	75,622	-	75,622
	<u>80,646</u>	<u>-</u>	<u>80,646</u>	<u>82,895</u>	<u>-</u>	<u>82,895</u>
Net assets released from restrictions	<u>1,005,824</u>	<u>(1,005,824)</u>	<u>-</u>	<u>2,618,191</u>	<u>(2,618,191)</u>	<u>-</u>
Total Support And Revenue	1,784,512	(795,824)	988,688	3,539,256	(1,320,391)	2,218,865
<b>OPERATING EXPENSES</b>						
Program implementation	750,923	-	750,923	2,369,467	-	2,369,467
General and administrative	379,934	-	379,934	429,312	-	429,312
Fundraising	361,263	-	361,263	445,969	-	445,969
	<u>1,492,120</u>	<u>-</u>	<u>1,492,120</u>	<u>3,244,748</u>	<u>-</u>	<u>3,244,748</u>
Changes In Net Assets	292,392	(795,824)	(503,432)	294,508	(1,320,391)	(1,025,883)
<b>NET ASSETS</b>						
Beginning of year	<u>445,518</u>	<u>1,576,035</u>	<u>2,021,553</u>	<u>151,010</u>	<u>2,896,426</u>	<u>3,047,436</u>
End of year	<u>\$ 737,910</u>	<u>\$ 780,211</u>	<u>\$ 1,518,121</u>	<u>\$ 445,518</u>	<u>\$ 1,576,035</u>	<u>\$ 2,021,553</u>

See notes to financial statements.

RIVERLIFE

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(with comparative totals for the year ended December 31, 2017)

	Program Implementation	Supporting Services		Totals	
		General and Administrative	Fundraising	2018	2017
Payroll and benefits	\$ 189,694	\$ 189,793	\$ 107,573	\$ 487,060	914,466
Projects	427,991	2,575	-	430,566	1,844,344
Special events	339	403	179,586	180,328	177,739
Consulting	40,739	62,069	27,338	130,146	14,047
Accounting	31,830	57,655	7,958	97,443	41,329
Occupancy	30,005	30,021	17,016	77,042	127,892
Operating costs	25,005	19,935	17,558	62,498	40,960
Legal	-	12,716	-	12,716	24,138
Information technology	2,315	2,316	1,313	5,944	15,340
Travel	-	2,451	2,776	5,227	5,912
Public relations	2,750	-	-	2,750	38,581
Other	255	-	145	400	-
Total Functional Expenses	<u>\$ 750,923</u>	<u>\$ 379,934</u>	<u>\$ 361,263</u>	<u>\$ 1,492,120</u>	<u>\$ 3,244,748</u>

See notes to financial statements.

RIVERLIFE

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (503,432)	\$ (1,025,883)
Depreciation	-	1,543
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Contributions receivable	84,783	357,852
Prepaid expenses	422	-
Accounts payable and accrued liabilities	(5,842)	33,555
Deferred revenue	-	(200,000)
Net Cash Used In Operating Activities	<u>(424,069)</u>	<u>(832,933)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest from certificates of deposit	<u>(381)</u>	<u>-</u>
Net Decrease In Cash And Cash Equivalents	(424,450)	(832,933)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,640,423</u>	<u>2,473,356</u>
End of year	<u>\$ 1,215,973</u>	<u>\$ 1,640,423</u>

See notes to financial statements.



RIVERLIFE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 1 - ORGANIZATION

Since its founding in 1999 by some of Pittsburgh's best-known community, business and environmental leaders, Riverlife has worked to reclaim, restore and promote Pittsburgh's riverfronts for the region's residents, workers and visitors. In 2001, following an extensive public planning process that engaged thousands of Pittsburghers, Riverlife presented a plan for Three Rivers Park: a grand, 13-mile urban waterfront park at the confluence of the Allegheny, Monongahela and Ohio Rivers in the heart of downtown Pittsburgh.

The plan for Three Rivers Park, laid out in *A Vision Plan for Pittsburgh's Riverfronts*, was the winner of the 2002 American Institute of Architects' Honor Award in Urban Planning and Design and the 2002 Merit Award in Planning from the International Downtown Association. In subsequent years, implementation of various elements of the plan was recognized by the local affiliate of the Urban Land Institute, and USA Today named Three Rivers Park among the Top 10 waterfronts in the United States.

Today, Three Rivers Park is a destination enjoyed by residents and visitors alike and a key economic driver in the region, resulting in more than \$4.1 billion in river-adjacent real estate projects since 2001. Thanks to Riverlife's leadership, Pittsburgh residents and visitors now enjoy riverfront access and new or renewed public spaces like South Shore Riverfront Park, Point State Park, the North Shore and the Mon Wharf Landing.

Riverlife encourages developers and property owners to include planning and design decisions in riverfront projects that cumulatively improve Pittsburgh's long-term environmental sustainability. Native plantings at Allegheny Landing, the David L. Lawrence Convention Center Riverfront Plaza and the Mon Wharf rebuild Western Pennsylvania riparian habitat while naturally fighting invasive species. Green infrastructure at Point State Park and the Rivers Casino amphitheater calm and collect the flow of stormwater before it reaches the city's combined sewer. Riverlife's large-scale studies of the North Shore and Strip District riverfront look at opportunities to restore the natural soft riverbank and its habitat for fish, birds and insects. By working with property owners and stakeholders to fill gaps in the riverfront trail system and extend it into new neighborhoods, Riverlife continues to encourage non-motorized transportation that will remove cars from the roadway and reduce air pollution.

As more riverfront parks and public open spaces emerge, Riverlife turns an eye toward activating these public places with pop-up programming, user amenities and special events, while working with property owners and public agencies to determine strategies for long-term maintenance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

RIVERLIFE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Basis - The financial statements of Riverlife have been prepared on the accrual basis of accounting. Riverlife classifies resources for accounting and reporting purposes into separate net asset classes based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories.

A description of Riverlife's net asset categories follows:

Without Donor Restrictions - Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions or stipulations as to purpose or use.

With Donor Restrictions - Net assets with donor restrictions are net assets that are subject to donor or grantor-imposed restrictions or stipulations that may or will be met either by actions of Riverlife or the passage of time.

Contributions without donor restrictions are recorded as revenue when received or pledged. Amounts that are designated for future periods or restricted by the donor for specific purposes are reported as revenue and net assets with donor restrictions. Contributions with donor restrictions are reported in the statements of activities and changes in net assets as net assets released from restrictions when a stipulated time restriction ends or purpose restriction is accomplished. Conditional promises to give are not included as support until the conditions are substantially met. Advances received on government grants are recorded as deferred revenue, since they are considered conditional promises until final approval of the project is received from the applicable agency.

Cash and Cash Equivalents - Riverlife maintains, at a financial institution, cash that may exceed federally insured amounts at times. All investments with a purchased maturity of three months or less are considered to be cash equivalents.

Certificates of Deposit - Investment in certificates of deposit is stated at fair value. Interest is reported in the period earned as an increase in net assets without donor restrictions.

Equipment and Fixtures - Equipment and fixtures are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the related properties. Riverlife reviews the recoverability of the carrying value of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Riverlife owns fully depreciated equipment and fixtures with a gross value of \$46,368 as of December 31, 2018 and 2017.

Donated Services - Riverlife recognizes contribution revenue for certain goods and services received at their estimated fair value, which approximated \$63,000 and \$51,000 for the years ended December 31, 2018 and 2017, respectively. No amounts have been reflected in the accompanying financial statements for donated services of the Board members because no objective basis is available to measure the value of such services; however, Board members have donated a substantial amount of time to the operation of Riverlife.

Income Taxes - Riverlife is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as an entity that is not a private foundation under the meaning of Section 509(a) of the IRC. Accordingly, no provision for income taxes is recorded in the financial statements. In addition, Riverlife has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements, and Riverlife is no longer subject to income tax examinations for tax years prior to 2015.

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses - The costs of providing Riverlife's various programs and supporting services have been summarized on a functional basis in the accompanying schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Salaries, payroll taxes, communications and insurance are allocated on the basis of time and effort. All other expenses are allocated based upon actual usage. These expenses are allocated on a reasonable basis that is consistently applied.

Fair Value Measurement - Riverlife's financial instruments consist primarily of cash and cash equivalents, certificates of deposit, contributions receivable, prepaid expenses, accounts payable and accrued liabilities. The carrying amount of these financial instruments approximates their fair value due to the short-term nature of such instruments.

Recent Accounting Pronouncements - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which is the result of a joint project of FASB and the International Accounting Standards Board (IASB) to clarify the principles for recognizing revenue and to develop a common revenue standard for use in the U.S. and internationally. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605 of the FASB Codification and most industry-specific guidance throughout the Industry Topics of the Codification. ASU 2014-09 enhances comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, reduces the number of requirements an entity must consider for recognizing revenue, and requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU 2015-14, a deferral on the implementation date, and this guidance is effective for annual reporting periods beginning after December 15, 2018. ASU 2014-09 requires either retrospective application by restating each prior period presented in the financial statements, or retrospective application by recording the cumulative effect on prior reporting periods to beginning retained earnings in the year that the standard becomes effective. Riverlife is assessing the impact that ASU 2014-09 will have on its financial statements and related disclosures.

The FASB issued ASU No. 2016-02 Leases (Topic 842) (ASU 2016-02), which is the result of a joint project of FASB and International Accounting Standards Board to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 amends Topic 842 to require a lessee to recognize a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term initially measured at the present value of the lease payments. The lessee should also include payments to be made on an optional lease extension if the entity is reasonably certain the extension will be exercised when measuring the asset and liability. Entities will be permitted to make an accounting policy election to not recognize leases with a term of 12 months or less. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. Early application is permitted. Riverlife is assessing the impact that ASU 2016-02 will have on its financial statements.

RIVERLIFE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2018, the FASB issued ASU No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08), which should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for transactions in which the entity serves as the resource recipient for annual periods beginning after December 15, 2018. For transactions in which the entity serves as the resource provider, ASU 2018-08 is effective for annual periods beginning after December 15, 2019. Riverlife is assessing the impact that ASU 2018-08 will have on its financial statements.

Recently Issued Accounting Pronouncements - In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which is intended to simplify and improve not-for-profit financial reporting, including current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. Riverlife adopted the provisions of ASU 2016-14 on its financial statements in the current year. The adoption of ASU 2016-14 has been applied on a retrospective basis; and unrestricted net assets and temporarily restricted net assets are now presented as net assets without donor restrictions and net assets with donor restrictions, respectively. However, there were no reclassifications of net assets resulting from the adoption of the standard.

Subsequent Events - Management has evaluated subsequent events through June 18, 2019, the date on which the financial statements were available to be issued, and did not identify any events or transactions requiring adjustment to or disclosure in the financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2018</u>
Cash and cash equivalents	\$ 1,215,973
Contributions receivable	231,115
Less: Donor restricted cash subject to expenditure for specific purpose	<u>580,211</u>
	<u>\$ 866,877</u>

As part of Riverlife's liquidity management, it has a revolving credit agreement (See Note 6). Riverlife has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Riverlife's funds consist of net assets with donor restrictions that are subject to expenditure for specific purposes, and, therefore, are not available for general expenditure.

For purposes of analyzing resources available to meet general expenditures, Riverlife considers all expenditures related to its ongoing activities of riverfront program implementation, general and administrative functions, and fundraising to be general expenditures.

RIVERLIFE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
In one year or less	\$ 231,115	\$ 269,000
Between one year and five years	<u>-</u>	<u>46,898</u>
	<u>\$ 231,115</u>	<u>\$ 315,898</u>

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 were available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Subject to passage of time	\$ 200,000	\$ 575,000
Subject to expenditure for specified purpose:		
Construction projects:		
South Side Works	329,556	392,974
Shovel Ready	150,000	150,000
Headwaters Lagoon	45,423	40,423
Grant St. Crossing	27,000	111,646
Trail Signage	26,346	10,000
Allegheny Landing	1,886	28,779
Point State Park	-	67,081
TBD	-	25,000
Bridge Lighting	-	15,000
Mon Wharf	-	150,000
Total construction projects	<u>580,211</u>	<u>990,903</u>
Other restricted funds:		
Benedum Outreach	<u>-</u>	<u>10,132</u>
	<u>\$ 780,211</u>	<u>\$ 1,576,035</u>

RIVERLIFE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors or grantors. Net assets were released during the years ended December 31 for the following purposes:

	<u>2018</u>	<u>2017</u>
Satisfaction of time	\$ 575,000	\$ 682,500
Satisfaction of purpose restriction:		
Construction projects:		
Mon Wharf	217,081	1,619,592
South Side Works	63,418	85,055
Strategy	34,603	-
Trail Signage	33,654	-
Allegheny Landing	31,893	12,553
TBD	25,000	-
Bridge Lighting	15,000	44,165
Grant St. Crossing	43	93,178
Riverfront Zoning	-	10,000
Point State Park	-	4,126
Headwaters Lagoon	-	2,154
Total construction projects	<u>420,692</u>	<u>1,870,823</u>
Other restricted funds:		
Benedum Outreach	<u>10,132</u>	<u>64,868</u>
	<u>\$ 1,005,824</u>	<u>\$ 2,618,191</u>

During the year ended December 31, 2018, approximately \$50,000 was transferred from Grant St. Crossing to Trail Signage, approximately \$35,000 was transferred from Grant St. Crossing to Strategy, and approximately \$67,000 was transferred from Point State Park to Mon Wharf. All transfers were approved by the original donors or grantors of the funds.

NOTE 6 - LINE OF CREDIT

Riverlife has a revolving credit agreement, which renews annually and has maximum borrowings of \$200,000 and interest at the prime lending rate plus 1.00% (6.5% at December 31, 2018). The revolving credit agreement matures on December 22, 2019 and is secured by Riverlife's certificates of deposit held at the same bank. There were no borrowings outstanding at December 31, 2018 and 2017.

RIVERLIFE

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 7 - EMPLOYEE BENEFIT PLAN

Riverlife sponsors a defined contribution 401(k) plan covering all its employees. Participation in the plan is subject to eligibility provisions of the plan. Profit-sharing contributions are made at the discretion of Riverlife. Employees may elect to contribute from their salaries amounts equal to the salary reduction dollar limit set by the Internal Revenue Service with a safe harbor contribution of 3%. Employer contributions to the plans were approximately \$11,000 and \$23,500 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8 - CONCENTRATIONS, COMMITMENTS AND CONTINGENCIES

Approximately 87% of Riverlife's contributions receivable are due from one donor as of December 31, 2018. Approximately 95% of Riverlife's contributions receivable are due from two donors as of December 31, 2017.

Riverlife has a noncancelable lease agreement for office space expiring on December 31, 2019. Minimum rental payments for the lease are expected to be approximately \$48,000 for the year ending December 31, 2019. Total rent expense approximated \$71,000 and \$72,000 for the years ended December 31, 2018 and 2017, respectively.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Riverlife believes that disallowances, if any, will not have a materially adverse effect on the financial statements.

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