

ALLIANCE TO SAVE ENERGY

FINANCIAL STATEMENTS

DECEMBER 31, 2016

ALLIANCE TO SAVE ENERGY
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Alliance to Save Energy

We have audited the accompanying financial statements of the Alliance to Save Energy, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the year ended December 31, 2016, 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 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 the Alliance to Save Energy as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the year ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the December 31, 2015 financial statements of the Alliance to Save Energy, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Calibre CPA Group, PLLC

Bethesda, MD
May 19, 2017

ALLIANCE TO SAVE ENERGY

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 41,478	\$ 100,185
Temporary investments	24,548	39,714
Accounts, grants and contributions receivable	291,123	794,041
Prepaid expenses	52,189	67,919
Total current assets	409,338	1,001,859
PROPERTY AND EQUIPMENT, NET	116,895	142,209
SECURITY DEPOSITS	70,000	72,374
Total assets	\$ 596,233	\$ 1,216,442
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 817,779	\$ 709,013
Loan payable	-	215,190
Deferred revenue	430,000	275,000
Deferred lease incentives	26,777	21,453
Total current liabilities	1,274,556	1,220,656
NONCURRENT LIABILITIES		
Loan payable, net of current portion	-	769,570
Deferred lease incentives, net of current portion	231,578	258,355
Total noncurrent liabilities	231,578	1,027,925
Total liabilities	1,506,134	2,248,581
NET ASSETS (DEFICIT)		
Unrestricted	(1,078,495)	(1,495,164)
Temporarily restricted	168,594	463,025
Total net assets (deficit)	(909,901)	(1,032,139)
Total liabilities and net assets (deficit)	\$ 596,233	\$ 1,216,442

See accompanying notes to financial statements.

ALLIANCE TO SAVE ENERGY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
SUPPORT AND REVENUE				
Grants and contributions				
Corporate and foundations	\$ 352,064	\$ 2,390,197	\$ 2,742,261	\$ 4,634,895
Government	186,883	-	186,883	347,147
Special events, net of cost of direct donor benefits	835,500	-	835,500	890,399
Membership dues	1,073,000	-	1,073,000	890,850
Donated services	42,693	-	42,693	194,528
Rental income	162,210	-	162,210	174,038
Debt forgiveness	389,072	-	389,072	-
Other income (loss)	107,162	-	107,162	(40,131)
Net assets released from restriction	<u>2,684,628</u>	<u>(2,684,628)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,833,212</u>	<u>(294,431)</u>	<u>5,538,781</u>	<u>7,091,726</u>
EXPENSES				
Program services	3,513,190	-	3,513,190	5,460,772
General and administrative	1,883,834	-	1,883,834	1,582,988
Fund raising	<u>19,519</u>	<u>-</u>	<u>19,519</u>	<u>97,958</u>
Total expenses	<u>5,416,543</u>	<u>-</u>	<u>5,416,543</u>	<u>7,141,718</u>
CHANGE IN NET ASSETS	416,669	(294,431)	122,238	(49,992)
NET ASSETS (DEFICIT)				
Beginning of year	<u>(1,495,164)</u>	<u>463,025</u>	<u>(1,032,139)</u>	<u>(982,147)</u>
End of year	<u>\$ (1,078,495)</u>	<u>\$ 168,594</u>	<u>\$ (909,901)</u>	<u>\$ (1,032,139)</u>

See accompanying notes to financial statements.

ALLIANCE TO SAVE ENERGY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Demonstration	Program Services		Total	General and Administrative	Fund Raising	Total
		Policy	Communication				
Salaries	\$ 104,204	\$ 603,343	\$ 334,496	\$ 1,042,043	\$ 845,581	\$ 9,979	\$ 1,897,603
Employee benefits and payroll taxes	35,644	206,377	114,416	356,437	289,237	3,413	649,087
Professional fees and contract services	68,733	397,968	220,636	687,337	490,310	-	1,177,647
Occupancy and utilities	-	-	-	-	672,285	-	672,285
Supplies and miscellaneous	3,609	20,897	11,585	36,091	139,696	-	175,787
Meeting and conferences	18,810	108,912	60,381	188,103	306,310	-	494,413
Travel	12,349	71,498	39,639	123,486	40,078	-	163,564
Telephone	484	2,800	1,552	4,836	41,157	6,127	52,120
Depreciation and amortization	-	-	-	-	25,314	-	25,314
Printing and publication	2,556	14,798	8,204	25,558	1,523	-	27,081
Periodicals, dues and subscriptions	26	152	84	262	25,831	-	26,093
Postage and shipping	305	1,768	980	3,053	4,962	-	8,015
Repairs and maintenance	-	-	-	-	9,679	-	9,679
Interest expense	-	-	-	-	37,855	-	37,855
Total direct costs	246,720	1,428,513	791,973	2,467,206	2,929,818	19,519	5,416,543
Indirect allocation	104,598	605,625	335,761	1,045,984	(1,045,984)	-	-
Total expenses	\$ 351,318	\$ 2,034,138	\$ 1,127,734	\$ 3,513,190	\$ 1,883,834	\$ 19,519	\$ 5,416,543

See accompanying notes to financial statements.

ALLIANCE TO SAVE ENERGY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 122,238
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization expense	25,314
Debt forgiveness	(389,072)
Changes in assets and liabilities	
Accounts, grants and contributions receivable	502,918
Prepaid expenses	15,730
Security deposits	2,374
Accounts payable and accrued expenses	108,766
Deferred revenue	155,000
Deferred lease incentives	(21,453)
Net cash provided by operating activities	<u>521,815</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	40,170
Purchases of investments	<u>(25,004)</u>
Net cash provided by investing activities	<u>15,166</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on loan payable	<u>(595,688)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(58,707)
CASH AND CASH EQUIVALENTS	
Beginning of year	<u>100,185</u>
End of year	<u>\$ 41,478</u>
SUPPLEMENTAL DISCLOSURE	
Interest paid during the year	<u>\$ 37,855</u>

See accompanying notes to financial statements.

ALLIANCE TO SAVE ENERGY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

NOTE 1. ORGANIZATION

The Alliance to Save Energy (the Alliance) is a not-for-profit coalition of government, business, and consumer leaders dedicated to advancing energy efficiency for economic, environmental, and energy security reasons. To achieve this goal, the Alliance conducts research, pilot projects, educational programs, and policy advocacy. The Alliance's major sources of revenue are from grants and contracts with the Federal government, energy efficient industry companies, utilities and foundations.

The Alliance is a national not-for-profit, bipartisan public policy organization working in strategic partnership with business, government, environmental, educational, and consumer leaders to encourage a more vibrant marketplace for energy-efficient products and to promote energy efficiency worldwide.

Founded and co-chaired by Senators Charles H. Percy (R-Ill.) and Hubert H. Humphrey (D-Minn.) in 1977, the Alliance was established in the long shadow of the energy crisis created by the OPEC oil embargo. The Senators were concerned about the nation's energy security, American consumption of energy, and what appeared to be a return to pre-embargo, wasteful practices by American consumers.

The Alliance assembled a unique group of leaders in both the public and private sectors to promote a national commitment for a secure, energy-efficient future.

The Alliance's Honorary Chair is Senator Jeanne Shaheen (NH) and the industry Co-Chair is Gil Quiniones, President and CEO, New York Power Authority. Honorary Vice-Chairs include Senators Chris Coons (DE) and Rob Portman (OH). Honorary Board Members include Senators Susan Collins (ME), Edward Markey (MA), Lisa Murkowski (AK), Mark Warner (VA), and Ron Wyden (OR); Representatives Michael Burgess (TX), Adam Kinzinger (IL), David McKinley (WV), Paul Tonko (NY), and Peter Welch (VT); and Kandeh Yumkella, Former CEO, Sustainable Energy for All.

The Board includes CEOs, presidents, and senior executives of companies, associations, consumer and environmental organizations, as well as officials from state governments, universities, and law firms. Board members are voted in by the whole board.

More than 135 corporations and business trade associations work together through the Alliance to promote greater investment in energy efficiency. Alliance associates participate in a range of Alliance programs and activities, including international trade and investment, Alliance committees, and policy breakfasts.

NOTE 1. ORGANIZATION (CONTINUED)

The Alliance takes pride in the work it performs to make the benefits of energy efficiency understood and practiced in the United States and around the world. The Alliance continues to partner and collaborate with industry groups, utilities, financial institutions, government agencies, individuals, corporations, foundations, and communities. To achieve its mission, the Alliance advances energy efficiency worldwide through unique and effective policy, market transformation, education, communications, and research and technology developments. Using energy wisely and eliminating waste are central tenets of all Alliance programs.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, the Alliance 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. The Alliance had no permanently restricted net assets at December 31, 2016 or 2015.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Alliance considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents. All cash and investments held by investment advisors, regardless of maturity, are considered investments.

Financial Risk - The Alliance maintains its cash in bank deposit accounts and its investments in money market accounts which, at times, may exceed federally insured limits. The Alliance has not experienced any losses in such accounts. The Alliance believes it is not exposed to any significant financial risk on cash and cash equivalents and investments since they are held at creditworthy financial institutions.

Investments - Investments with readily determinable fair values are reflected at fair market value with related gains and losses included in the consolidated statement of activities. At December 31, 2016 and 2015, investments consist entirely of amounts held in a money market account.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable - Accounts receivable are generated from membership dues, special events and prime and sub-grant agreements with U.S. governmental agencies and state agencies. Billed amounts represent invoices that have been prepared and sent to the customer. Unbilled amounts represent accumulated costs not yet billed. Accounts receivable are carried at original invoice amount. Management determines the allowance for doubtful accounts by identifying them and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible as bad debt expense. Recoveries of receivables previously written off are recorded when received. Management believes all receivables to be fully realizable, and consequently, did not record an allowance for uncollectible amounts as of December 31, 2016 and 2015.

Property and Equipment - Property and equipment acquired with a cost of \$2,500 or higher is capitalized at cost and is depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Leasehold improvements are amortized over the life of the related lease agreement. Expenditures for major repairs and improvements are capitalized and depreciated over the life of the office lease or the life of the asset, whichever is shorter; expenditures for minor repairs and maintenance costs are expensed when incurred.

Support and Revenue - The Alliance receives grants and contracts from federal agencies and private grantors for various purposes. Awards accounted for as exchange transactions are recognized in revenue as allowable costs are incurred. Unrestricted contributions and all revenues from exchange transactions are reported as increases in unrestricted net assets. Awards that are accounted for as contribution transactions are recognized when the award is made, and are generally restricted for use in a specific activity or time period. Such amounts are reported as increases in unrestricted net assets if the restrictions expire (that is, a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Membership dues are recognized as revenue in the applicable membership period.

Donated Goods and Services - The Alliance received donations of legal services during the year ended December 31, 2016. Donated goods and services are recorded at their estimated fair value as of the date of the donation. These donated services amounted to \$42,693 during the year ended December 31, 2016.

Functional Allocation of Expenses - The costs of providing the Alliance's various programs and supporting services 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services - Program services consist of the following three main programs: demonstration, policy, and communications. Demonstration focuses on developing and implementing programs of technical assistance or facilitation nature to bring about cost efficient energy conservation. Policy focuses on developing the Alliance policy positions in the energy efficiency area and designing and implementing related research projects. Communications produce and disseminate publications containing findings on policy and demonstration programs.

Income Taxes - The Alliance is generally exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, the Alliance qualifies for the charitable contributions deduction and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state taxes. The Alliance had no unrelated business income for the year ended December 31, 2016.

The Alliance follows the standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Alliance may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Alliance's tax positions and concluded that the Alliance had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Alliance files income tax returns in the U.S. federal jurisdiction. Generally, the Alliance is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for years before 2013.

Use of Estimates - The preparation of financial statements in accordance with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. INVESTMENTS

Investments at December 31, 2016 and 2015, consist entirely of amounts held in a money market fund totaling \$24,548 and \$39,714, respectively. These investments are reported at fair value based on Level 1 inputs under the Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic, *Fair Value Measurements and Disclosures*, hierarchy. Investment income for the year ended December 31, 2016 consisted of interest and dividends totaling \$300.

NOTE 4. ACCOUNTS, GRANTS AND CONTRIBUTIONS RECEIVABLE

At December 31, 2016 and 2015, receivables include grant revenue due from state and local governments, corporations, foundations, and special events. All receivables are due within one year.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization at December 31, 2016 and 2015 are as follows:

Asset Category	Estimated Lives	Cost	
		2016	2015
Leashold improvements	6-10 Years	\$ 501,483	\$ 501,483
Furniture and equipment	3-10 Years	223,266	223,266
Computer equipment	3-5 Years	<u>510,211</u>	<u>510,211</u>
		1,234,960	1,234,960
Less: accumulated depreciation and amortization		<u>(1,118,065)</u>	<u>(1,092,751)</u>
		<u>\$ 116,895</u>	<u>\$ 142,209</u>

Total related depreciation and amortization expense for the year ended December 31, 2016 was \$25,314.

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2016 and 2015, are restricted for use as follows:

	2016	2015
Systems Efficiency	\$ -	\$ 195,000
Energy Efficiency Policies	-	102,071
Energy Efficient Codes Coalition	-	123,455
Energy Efficiency Global Forum	-	22,499
Evening with the Stars of Energy Efficiency Awards Dinner	-	20,000
Rate Model	111,960	-
Energy Foundation	<u>56,634</u>	<u>-</u>
	<u>\$ 168,594</u>	<u>\$ 463,025</u>

Net assets released from restriction during 2016 of \$2,684,628 and during 2015 of \$2,319,738 resulted from the satisfaction of purpose restrictions.

NOTE 7. RETIREMENT PLAN

The Alliance sponsors a defined contribution profit-sharing retirement plan (the Plan) that covers all employees who meet length of service requirements. Under the Plan, participants may contribute to the Plan through salary reductions as limited by current tax law. There were no employer contributions to the Plan for 2016.

NOTE 8. LOAN PAYABLE

During the year ended December 31, 2014, the Alliance's line of credit with SunTrust Bank in the amount of \$1,460,000 was converted to a term loan. Interest accrued on the unpaid principal amount of the loan at the rate of 5% per year. During 2016, the Alliance paid down total principal in the amount of \$595,688, and SunTrust agreed to forgive the remaining outstanding balance of \$389,072. Consequently, as of December 31, 2016, there is no remaining balance due on the loan.

NOTE 9. OPERATING LEASES

During 2014, the Alliance substantially restructured its office lease agreements for headquarters space in Washington, D.C. The Alliance remains obligated for a lease of 4,515 square feet of space through August 31, 2017. That space is entirely sublet to unrelated tenants. The Alliance surrendered and reconfigured other office space, and now rents approximately 8,225 square feet of space for its own use under a lease agreement that expires August 31, 2022.

The agreements provide for scheduled, fixed increases in the base rent. The total amounts payable under the terms of the leases are recognized on a straight-line basis in the financial statements. Differences between straight-line rent expense and actual cash payments required are reflected as deferred lease incentives. The landlord also funded leasehold improvement costs, the unamortized portion, which is also reported in the financial statements as deferred lease incentives.

The following is a schedule of future minimum rental payments required under the above lease agreements, by fiscal year, as of December 31, 2016:

Years Ending December 31,	
2017	\$ 545,313
2018	433,104
2019	451,182
2020	464,964
2021	476,538
Thereafter	<u>324,629</u>
	<u>\$ 2,695,730</u>

Total rent expense under operating lease agreements for 2016 was \$402,092.

NOTE 10. MANAGEMENT'S PLAN

The Alliance experienced an increase in unrestricted net assets during 2016 of approximately \$417,000 (including SunTrust's debt forgiveness in the amount of \$389,000), reducing its accumulated deficit in unrestricted net assets at the end of the year to approximately \$1.08 million. The Alliance Board and senior management have been working diligently for the past four years to right-size the organization in terms of numbers of staff, office space and other expenses.

The Alliance continued to reduce expenditures during 2016 and into 2017. In 2017, the Senior Vice President position and Vice President of Research position have been voluntarily vacated, enabling the Alliance to bring on more mid-level managers in an effort to reduce its operating expenses. Outside consultant payments have also been reduced for 2017.

The payoff of the SunTrust Line of Credit in late 2016 eliminated a \$22,000 monthly cash obligation and also will save the Alliance over \$30,000 in interest expense in 2017.

Additionally, in August, 2017, the lease on the Alliance's 10th floor office space will expire, which will save the organization an additional \$6,000 per month.

Finally, working with the Board and outside consultants, the senior Alliance staff have crafted a new five-year strategic plan that focuses the scope and staffing of the organization on rebuilding the Alliance and maintaining a strong financial position. The Board's Development Committee helps to guide staff in development of new funding streams, and the new staffing plan created a dedicated position for the development of strategic initiatives and new funding. Key revenue-generating initiatives include:

- The Alliance is launching a National Commission on Transportation Sector Efficiency project in 2017, bringing together executives and decision makers from key stakeholder groups to define opportunities to unlock energy efficiency across the U.S. transportation sector. As of April 2017, core funding is being finalized with a foundation and corporate contributions have been received.
- With CarbonCount, a scoring tool that evaluates bond investments in US-based energy efficiency and renewable energy projects, the Alliance continues to solicit commitments for green bond certifications. In 2017, the Alliance has scored an \$84 million Hannon Armstrong and BlackRock, Inc. offering of Sustainable Yield Bonds, which was also the first time Moody's Investor Services recognized the scoring tool.
- The Utility Rate Design Initiative was launched in 2016 to bring together utilities, businesses, regulatory leaders and consumer advocates to produce specific recommendations for changes to rate regulatory models for direct application to rate cases; it continues in 2017 with education and outreach on the recommendations. The project has been funded by the Energy Foundation with matching funds from corporations.
- The Stakeholder Relations department continues to grow the Associates membership base, already resulting in increased membership dues for 2017.

NOTE 10. MANAGEMENT’S PLAN (CONTINUED)

- The Industry Co-Chair of the Alliance has launched a “Membership Challenge” seeking the engagement of the Board of Directors in recruiting new dues-paying members to the Board as well as new Associate members. As of April 2017, that effort has yielded two new Associate members and three new Board members with a financial impact of adding more than \$150,000 new revenue.

During 2017, the Alliance will continue to reduce expenses when possible and to create new and increased revenue streams. These activities have forecasted 2017 budget and cash flow projections that produce positive results for 2017.

NOTE 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 19, 2017, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.