
THE ANIMAL LEAGUE OF GREEN VALLEY

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

YEARS ENDED DECEMBER 31, 2017 AND 2016



THE ANIMAL LEAGUE OF GREEN VALLEY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Animal League of Green Valley
Green Valley, Arizona

We have audited the accompanying financial statements of The Animal League of Green Valley (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 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.

(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Animal League of Green Valley as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2016 financial statements were reviewed by us, and our report thereon, dated June 2, 2017, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Regier Cant & Monroe, L.L.P.

June 20, 2018
Tucson, Arizona

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	ASSETS		Audited 2017	Reviewed 2016
CURRENT ASSETS				
Cash and cash equivalents		\$	778,045	\$ 623,433
Accounts receivable			20,632	15,720
Prepaid expenses			6,906	7,459
Total current assets			805,583	646,612
CASH - RESTRICTED			319,816	319,579
PROPERTY AND EQUIPMENT, NET			2,711,847	2,751,319
Total assets			\$ 3,837,246	\$ 3,717,510
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities		\$	23,884	\$ 78,258
NET ASSETS				
Unrestricted net assets			3,312,818	3,328,712
Board designated			302,374	302,192
Total unrestricted net assets			3,615,192	3,630,904
Temporarily restricted			198,170	8,348
Total net assets			3,813,362	3,639,252
Total liabilities and net assets			\$ 3,837,246	\$ 3,717,510

The Notes to Financial Statements are an integral part of these statements

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Audited		
	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions received	\$ 358,004	\$ -	\$ 358,004
Fee income	80,655	-	80,655
Pima County contract	78,699	-	78,699
Thrift shop/The Attic	439,966	-	439,966
Memorials	44,535	-	44,535
Estates	472,043	-	472,043
Fundraising	40,731	-	40,731
Grants	3,302	203,000	206,302
Interest income	1,098	56	1,154
In-kind salaries	204,210	-	204,210
Other income	1,885	-	1,885
Net assets released from restrictions	13,234	(13,234)	-
	<u>1,738,362</u>	<u>189,822</u>	<u>1,928,184</u>
PROGRAM/ACTIVITY COSTS			
Program services	1,571,940	-	1,571,940
General and administrative expenses	165,858	-	165,858
Fundraising expenses	16,276	-	16,276
	<u>1,754,074</u>	<u>-</u>	<u>1,754,074</u>
Change in net assets	(15,712)	189,822	174,110
NET ASSETS, BEGINNING OF YEAR	<u>3,630,904</u>	<u>8,348</u>	<u>3,639,252</u>
NET ASSETS, END OF YEAR	<u>\$ 3,615,192</u>	<u>\$ 198,170</u>	<u>\$ 3,813,362</u>

The Notes to Financial Statements are an integral part of these statements

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Reviewed		Total
	Unrestricted	Temporarily Restricted	
REVENUES			
Contributions received	\$ 271,982	\$ -	\$ 271,982
Fee income	56,738	-	56,738
Pima County contract	58,128	-	58,128
Thrift shop/The Attic	447,062	-	447,062
Memorials	22,980	-	22,980
Estates	265,453	-	265,453
Fundraising	44,014	-	44,014
Grants	12,000	10,000	22,000
Interest income	855	56	911
In-kind salaries	203,290	-	203,290
Other income	1,936	-	1,936
Loss on disposal of assets	(429)	-	(429)
Net assets released from restrictions	47,079	(47,079)	-
	<u>1,431,088</u>	<u>(37,023)</u>	<u>1,394,065</u>
PROGRAM/ACTIVITY COSTS			
Program services	1,353,377	-	1,353,377
General and administrative expenses	160,377	-	160,377
Fundraising expenses	23,030	-	23,030
	<u>1,536,784</u>	<u>-</u>	<u>1,536,784</u>
Change in net assets	(105,696)	(37,023)	(142,719)
NET ASSETS, BEGINNING OF YEAR	<u>3,736,600</u>	<u>45,371</u>	<u>3,781,971</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,630,904</u></u>	<u><u>\$ 8,348</u></u>	<u><u>\$ 3,639,252</u></u>

The Notes to Financial Statements are an integral part of these statements

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Audited			Total
	Program Services	General and Administrative	Fundraising	
Advertising	\$ 36,674	\$ 12,224	\$ -	\$ 48,898
Animal clinics	20,464	-	-	20,464
Animal food	39,208	-	-	39,208
Animal medical	733,697	-	-	733,697
Animal Programs				
Spay and neuter outreach	184,966	-	-	184,966
Cleaning expenses	21,964	7,321	-	29,285
Depreciation expense	88,642	29,547	-	118,189
Fundraising expense	-	-	16,276	16,276
Dog training	964	-	-	964
In-kind salaries expense	153,158	51,052	-	204,210
Insurance	9,596	3,199	-	12,795
Materials and supplies	40,391	13,464	-	53,855
Miscellaneous	15,079	5,026	-	20,105
Off-site boarding and grooming	78,754	-	-	78,754
Postage	1,263	421	-	1,684
Printing and photo expense (newsletter)	8,798	2,932	-	11,730
Professional fees	-	10,586	-	10,586
Rent expense	14,544	4,848	-	19,392
Repairs and maintenance	29,492	9,831	-	39,323
Storage	854	285	-	1,139
Telephone	4,357	1,452	-	5,809
Thrift store expense	48,063	-	-	48,063
Volunteer appreciation	3,847	1,282	-	5,129
Utilities	37,165	12,388	-	49,553
	\$ 1,571,940	\$ 165,858	\$ 16,276	\$ 1,754,074

The Notes to Financial Statements are an integral part of these statements

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Reviewed			Total
	Program Services	General and Administrative	Fundraising	
Advertising	\$ 36,697	\$ 12,233	\$ -	\$ 48,930
Animal clinics	13,483	-	-	13,483
Animal food	41,071	-	-	41,071
Animal medical	610,359	-	-	610,359
Animal programs				
Spay and neuter outreach	128,499	-	-	128,499
Cleaning expenses	16,875	5,625	-	22,500
Depreciation expense	88,141	29,380	-	117,521
Fundraising expense	-	-	23,030	23,030
Dog training	2,876	-	-	2,876
In-kind salaries expense	152,468	50,822	-	203,290
Insurance	10,399	3,466	-	13,865
Materials and supplies	45,750	15,250	-	61,000
Miscellaneous	5,000	1,666	-	6,666
Off-site boarding and grooming	63,258	-	-	63,258
Postage	1,353	451	-	1,804
Printing and photo expense (newsletter)	7,300	2,433	-	9,733
Professional fees	-	9,342	-	9,342
Rent expense	15,606	5,202	-	20,808
Repairs and maintenance	30,218	10,072	-	40,290
Storage	649	216	-	865
Telephone	6,154	2,051	-	8,205
Thrift store expenses	40,716	-	-	40,716
Volunteer appreciation	5,815	1,938	-	7,753
Utilities	30,690	10,230	-	40,920
	<u>\$ 1,353,377</u>	<u>\$ 160,377</u>	<u>\$ 23,030</u>	<u>\$ 1,536,784</u>
Total				

The Notes to Financial Statements are an integral part of these statements

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>Audited</u> <u>2017</u>	<u>Reviewed</u> <u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 174,110	\$ (142,719)
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	118,189	117,521
Loss on disposal of assets	-	429
Increase (decrease) in cash resulting from changes in		
Accounts receivable	(4,912)	1,518
Prepaid expenses	553	985
Accounts payable	(54,374)	48,917
Restricted cash	(237)	(301,748)
Net cash provided by operating activities	<u>233,329</u>	<u>(275,097)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(78,717)</u>	<u>(100,855)</u>
Net increase (decrease) in cash and cash equivalents	154,612	(375,952)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>623,433</u>	<u>999,385</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 778,045</u>	<u>\$ 623,433</u>
SUPPLEMENTAL INFORMATION		
In-kind services	<u>\$ 204,210</u>	<u>\$ 209,170</u>

The Notes to Financial Statements are an integral part of these statements

THE ANIMAL LEAGUE OF GREEN VALLEY

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Animal League of Green Valley (the “League”) was incorporated under the laws of the State of Arizona on April 25, 1984 to promote and provide for the humane treatment of companion dogs and cats in the greater Green Valley/Sahuarita area and to provide life care for dogs and cats that survive their owners. The League applied for and was granted tax exempt status on October 15, 1985.

Basis of Presentation

The financial statements are presented in accordance with generally accepted accounting principles. In accordance with accounting codification standards, unrestricted, temporarily restricted, and permanently restricted net assets are presented separately.

Unrestricted net assets represent those assets available to the League for normal operations.

Temporarily restricted net assets carry donor-imposed restrictions that limit their use. At December 31, 2017, \$198,170 represents temporarily restricted net assets which consists of \$8,382 for the life care of animals, \$94,000 for asset additions, and \$95,788 for dental and medical care for cats. (\$8,348 at 2016, all for life care of animals).

Permanently restricted net assets also possess a donor-imposed restriction that limits their use to investment in perpetuity to provide a permanent source of income for League operations. No permanently restricted net assets existed at December 31, 2017 and 2016.

Revenue Recognition

All contributions are considered to be available for the general programs of the League unless specifically restricted by the donor. The League reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions are recorded in the temporarily restricted class for restrictions expiring during this fiscal year and then reclassified to the unrestricted class.

(continued)

See Independent Auditor’s Report

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. For the year ended December 31, 2017, in-kind revenue and expense totaled \$204,210 (\$203,290 for 2016).

Property and Equipment

The League capitalizes all expenditures in excess of \$2,500 for property and equipment at cost. Contributed property and equipment are recorded at the estimated fair value at the date of donation. Certain donated services are capitalized as improvements when those services enhance the value of assets. Depreciation is provided using the straight-line method with a full-month convention over the estimated useful lives of the respective assets. Depreciation expense for the year ended December 31, 2017 was \$118,189 (\$117,521 for 2016). Upon sale or retirement of depreciable properties, the related cost and accumulated depreciation are removed from the accounts. All gains or losses are reflected in revenue in the year of disposition. Routine repairs and maintenance are expensed as incurred.

Income Taxes

The League is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (“IRS”) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. The League is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the League is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The League has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The League believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The League would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted cash balances and highly liquid investments with an original maturity of three months or less.

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Cash

Restricted cash represents funds received by the League with restrictions as to their use by the donors. The restrictions are for life care of certain pets, and funds for the spaying and neutering program. Restricted cash also includes funds designated by the board for reserves.

Advertising Costs

Costs incurred for producing and communicating non-direct advertising are expensed when incurred. Costs incurred for direct response advertising is capitalized and amortized over its estimated useful life. No advertising costs were capitalized at December 31, 2017 and 2016. Total advertising costs for the year ended December 31, 2017 were \$48,898(\$48,930 for 2016).

Use of Estimates

The preparation of financial statements in conformity with United States 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 contributions, revenues and gains and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are for amounts invoiced to Pima County for a contract for a spaying and neutering program. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of accounts and the aging of accounts. At December 31, 2017 and 2016 management estimated all receivables to be collectible.

Inventory

The League carries inventory for the thrift store, The Attic, at no value. All items in the thrift store are donated and are handled by volunteers, resulting in no cost basis. The League has no repair facility, so no costs are incurred to bring the items to saleable condition. A fair market value is not reported since donated items do not have a readily available market or comparable price structure. Furthermore, items not sold within a short time are discarded as having no value.

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See Independent Auditor's Report

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis. Accordingly, costs are allocated among the programs and supporting services benefited.

Board Designated Funds

The board of directors designated a reserve account during 2015 at a bank for the financial operation and security of the League. As of December 31, 2017 the balance in that account was \$302,374 (\$302,192 for 2016).

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassifications had no effect on either change in the net assets for the year ended December 31, 2016 or on the net assets as of that date.

Recent Accounting Pronouncements

- Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that will supersede the current revenue recognition requirements. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the League's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The League has not yet determined which application method it will use or the potential effects on the new standard on the financial statements, if any.

(continued)

See Independent Auditor's Report

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Leases

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the League's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

- Non-Profit Organizations

In August 2016, The Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 948), which will change how not-for-profit organizations will report and present certain items in their financial statements. The new guidance will take effect for the year ending December 31, 2018. The significant changes are:

- Simplification of net asset presentation – net assets will now be presented in two classes, “Net assets with donor restrictions,” and “Net assets without donor restrictions.”
- All not-for-profit organizations will be required to present expenses in their natural classification (advertising, payroll, rent, etc.) and by function (program, general and administrative and fund raising).
- Enhanced disclosure requirements related to presenting liquidity information and simplification of existing disclosure requirements related to investment returns and long lived assets purchased with donor-restricted funds.

The League has not yet determined the effect of applying the remaining requirements of the new standard on the financial statements.

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2. CONCENTRATIONS OF CREDIT RISK

Cash in Banks

Balances on deposit are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to specified limits. Balances in excess of such limits are uninsured. At December 31, 2017 the League had approximately \$138,000 of deposits in excess of federally insured limits (\$54,000 at December 31, 2016).

Revenue

The League is dependent on the sales from The Attic thrift shop. The Attic revenues made up 23% of the League’s revenues for 2017 (32% for 2016). In past years the League has received bequests and gifts from estates. Because of the nature of these bequests and gifts it is not certain that amounts related to bequests and gifts from estates will be received each year.

3. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 and 2016 are comprised of billings on a contract with Pima County. The allowance for bad debts is estimated from historical expense, coupled with a current status of existing receivables. December 31, 2017 and 2016 no allowance was considered necessary. The total loss if all parties fail to perform and collection efforts prove to be ineffective is the stated balance of \$20,632 at December 31, 2017 (\$15,720 for 2016).

4. LEASES

In 2015 the League leased property from Prince Road Associates L.L.C. The lease converted to month-to-month basis as of July 1, 2016 at monthly rent of \$1,600. Total rent expense was \$19,392 for the year ended December 31, 2017 (\$20,808 for 2016).

The League also rents various office equipment with total minimum monthly lease payments of approximately \$450. The leases expire between July 2018 and March 2020. Total rent expense was \$5,400 for both years ended December 31, 2017 and 2016.

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5. PROPERTY AND EQUIPMENT

Future minimum lease payments under these leases are as follows for the years ending December 31:

2018	\$ 4,063
2019	1,136
2020	<u>150</u>
Total	<u>\$ 5,349</u>

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 111,692	\$ 111,692
Buildings and improvements	3,222,442	3,212,721
Furniture	2,607	2,607
Equipment	54,690	54,690
Computer hardware	6,155	6,155
Vehicle	78,041	78,041
Construction in progress	<u>68,996</u>	<u>-</u>
Total	3,544,623	3,465,906
Less accumulated depreciation	<u>(832,776)</u>	<u>(714,587)</u>
Net property and equipment	<u>\$ 2,711,847</u>	<u>\$ 2,751,319</u>

6. SIGNIFICANT ESTIMATES

The functional allocation of expenditures is a significant estimate based on estimated levels of effort.

Management's estimate of the useful lives of the fixed assets acquired was based on management's experience with similar assets.

The League is 100% volunteer run. Donated in-kind salaries that require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation and income have been reported at an estimated value. The amounts reported represent a significant estimate.

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8. CONTINGENCY

The League may offer to pay for veterinary care for life for adopted animals that meet board-approved age criteria. The purpose is to encourage people to adopt older animals by supporting the cost of the animal's veterinary care. The League expenses those costs out as incurred as part of animal medical expenses on the statement of functional expenses. These costs were \$50,536 and \$112,430 for the years ended December 31, 2017 and 2016, respectively.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2018, the date the financial statements were available to be issued.

During the year ended December 31, 2017, the League received a restricted gift for the design and construction of a room in the cat kennel building that would allow potential adopters of cats to spend time with the cat they are considering adopting in a quiet setting. This room was completed subsequent to year-end for approximately \$105,000, and the funds were released from restriction upon the room being placed into service.

During the board meeting of April 19, 2018, the board accepted an offer of a two-year lease on the Prince Road facility from the owner. The monthly rent stays at \$1,600 for the entire two-year period.

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