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KARAM FOUNDATION, NFP AND AFFILIATE

Consolidated Audited Financial Statements

December 31, 2021

Independent Auditors' Report

To the Board of Directors of
Karam Foundation, NFP and Affiliate

Opinion

We have audited the accompanying consolidated financial statements of Karam Foundation, NFP (an Illinois nonprofit Foundation) and its affiliate (a Turkish Association) (collectively the "Foundation"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these consolidated financial statements.

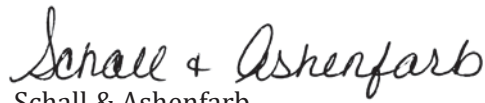
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

September 29, 2022

KARAM FOUNDATION, NFP AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2021
(With comparative totals at December 31, 2020)

	<u>12/31/21</u>	<u>12/31/20</u>
Assets		
Cash and cash equivalents	\$2,609,312	\$2,023,618
Contributions receivable (Note 3)	1,438,759	1,782,111
Government grants receivable	0	58,692
Prepaid and other assets	36,403	18,745
Fixed assets, net (Note 4)	<u>147,110</u>	<u>177,036</u>
Total assets	<u><u>\$4,231,584</u></u>	<u><u>\$4,060,202</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$22,017	\$95,189
Deferred rent	<u>2,837</u>	<u>10,311</u>
Total liabilities	<u><u>24,854</u></u>	<u><u>105,500</u></u>
Net assets:		
Without donor restrictions	2,179,810	2,211,589
With donor restrictions (Note 5)	<u>2,026,920</u>	<u>1,743,113</u>
Total net assets	<u><u>4,206,730</u></u>	<u><u>3,954,702</u></u>
Total liabilities and net assets	<u><u>\$4,231,584</u></u>	<u><u>\$4,060,202</u></u>

The attached notes and auditors' report are an integral part of the consolidated financial statements.

**KARAM FOUNDATION, NFP AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

(With comparative totals for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/21	Total 12/3/20*
Public support and revenue:				
Contributions	\$834,860	\$1,760,141	\$2,595,001	\$2,913,613
Government grants				
Paycheck Protection Program(Note 6)	94,370		94,370	94,369
Other government grants	17,897		17,897	123,162
Special event	125,271		125,271	195,296
Other income	7,499		7,499	701
Foreign currency translation (loss)/gain (Note 2g)	(38,996)		(38,996)	4,213
Net assets released from restriction (Note 5)	1,476,334	(1,476,334)	0	0
 Total public support and revenue	 2,517,235	 283,807	 2,801,042	 3,331,354
Expenses:				
Program services	1,865,089		1,865,089	2,352,210
Supporting services:				
Management and general	309,959		309,959	481,797
Fundraising	373,966		373,966	215,190
 Total expenses	 2,549,014	 0	 2,549,014	 3,049,197
 Change in net assets	 (31,779)	 283,807	 252,028	 282,157
 Net assets - beginning of year	 2,211,589	 1,743,113	 3,954,702	 3,672,545
 Net assets - end of year	 \$2,179,810	 \$2,026,920	 \$4,206,730	 \$3,954,702

*Reclassified for comparative purposes

The attached notes and auditors' report are an integral part of the consolidated financial statements.

KARAM FOUNDATION, NFP AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With comparative totals for the year ended December 31, 2020)

		Supporting Services			
	Program	Management		Total	Total
	Services	and	Fundraising	Expenses	Expenses
		General		12/31/21	12/31/20
Salaries	\$634,098	\$57,469	\$238,668	\$930,235	\$852,804
Payroll taxes and benefits	154,911	14,040	58,307	\$227,258	254,549
Grants	52,412			52,412	716,530
Scholarships	321,749			321,749	301,831
Other direct assistance to individuals	260,314			260,314	286,851
Professional fees	179,150	28,856	1,088	209,094	154,255
Contract labor	37,699	82,358	21,806	141,863	123,265
Occupancy and space rental	68,912	43,345		112,257	120,940
Travel and meetings	36,226	2,369	8,215	46,810	24,565
Bank and transaction fees	6,463	31,012		37,475	44,208
Office expenses	20,717	9,390	24,040	54,147	37,727
Dues and subscriptions	11,669	23,931	20,134	55,734	34,916
Insurance	552	4,349		4,901	4,373
Other expenses	4,490	11,079	1,121	16,690	17,681
Depreciation	75,727	1,761	587	78,075	74,702
Total expenses	<u>\$1,865,089</u>	<u>\$309,959</u>	<u>\$373,966</u>	<u>\$2,549,014</u>	<u>\$3,049,197</u>

The attached notes and auditors' report are an integral part of the consolidated financial statements.

KARAM FOUNDATION, NFP AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With comparative totals for the year ended December 31, 2020)

	<u>12/31/21</u>	<u>12/31/20</u>
Cash flows from operating activities:		
Change in net assets	\$252,028	\$282,157
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	78,075	74,702
Changes in assets and liabilities:		
Contributions receivable	343,352	248,706
Government grants receivable	58,692	(58,692)
Prepaid and other assets	(17,658)	32,873
Accounts payable and accrued expenses	(73,172)	(826)
Deferred rent	(7,474)	(1,291)
Total adjustments	<u>381,815</u>	<u>295,472</u>
Net cash provided by operating activities	<u>633,843</u>	<u>577,629</u>
Cash flows from investing activities:		
Fixed asset acquisitions	<u>(48,149)</u>	<u>(553)</u>
Net cash used for investing activities	<u>(48,149)</u>	<u>(553)</u>
Net increase in cash and cash equivalents	585,694	577,076
Cash and cash equivalents - beginning of year	<u>2,023,618</u>	<u>1,446,542</u>
Cash and cash equivalents - end of year	<u><u>\$2,609,312</u></u>	<u><u>\$2,023,618</u></u>
No interest or income taxes were paid.		

The attached notes and auditors' report are an integral part of the consolidated financial statements.

**KARAM FOUNDATION, NFP AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

Note 1 - Organization

Karam Foundation, NFP was incorporated on July 11, 2007 and is a non-profit corporation dedicated to helping people help themselves. The Foundation seeks to restore the dignity and quality of life for people affected by conflict by eliminating barriers to success through innovative education, community-driven smart aid, and sustainable entrepreneurial development. In July 2017, Karam Foundation, NFP began supporting Toplum İçin Yenilik ve Yardım Derneği (Association of Innovation & Aid for Society), a separate legal Turkish Association (NGO) headquartered in Istanbul, Turkey and established in 2017 in order to carry out programs throughout Turkey to serve the Syrian refugee community. These two entities are collectively referred to as the "Foundation."

The assets and expenses of these programs are included in the Foundation's consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation.

The majority of the Foundation's programs are carried out in Syria and Turkey. The Foundation's primary sources of revenue are grants and contributions.

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and applicable state law. Toplum İçin Yenilik ve Yardım Derneği is a foreign NGO, which is similar to a U.S. not-for-profit organization.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

The Foundation reports information regarding its financial position and activities according to the following specific classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use as well as activity with donor-imposed restrictions that expire within the same period.
- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

The Foundation follows the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in one of the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

The Foundation's other government grants have been evaluated and are considered to be conditional contributions under FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Cash received in advance of the conditions being met are treated as liabilities.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Receivables are reviewed for collectability. No allowance for doubtful accounts has been recorded as all receivables are deemed to be fully collectable. Write-offs will be recorded as an expense in the year they are deemed uncollectable.

d. Cash and Cash Equivalents

The Foundation considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to a concentration of credit risk consist of cash and savings accounts which are placed with financial institutions that management deems to be creditworthy. At year end and at various times throughout the year, balances were in excess of insured amounts. However, the Foundation has not experienced any losses due to bank failure.

f. Fixed Assets

Fixed assets that exceed a predetermined amount of \$500 that the Foundation retains title to, and that benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Depreciation is charged using the straight-line method over each asset's estimated useful life.

g. Functional Currency Transactions

As described in Note 1, the Affiliate conducts programs throughout Turkey to serve the Syrian refugee community. Transactions related to these activities are in the local currency, Turkish Lira. Assets and liabilities of the Affiliate are translated at year-end exchange rates. Support and revenue and expenses are translated at the average exchange rates during the year. The Foundation recorded a foreign currency loss of \$38,996 for the year ended December 31, 2021, and a foreign currency gain of \$4,213 for the year ended December 31, 2020.

The Foundation had cash balances totaling \$2,900 and \$9,300 in three bank accounts in a Turkish bank as of December 31, 2021 and 2020, respectively.

h. In-Kind Contributions

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind.

Board members and individuals volunteer their time and perform a variety of services for the Foundation. These services do not meet the criteria for recognition and have not been recognized in the consolidated financial statements.

i. Advertising Costs

Advertising costs are charged to operations when the advertising first takes place.

j. Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line method. Rent expense recognized in excess of cash payments is reflected as deferred rent. In future years, when payments exceed the amount of rent recognized as expense, the deferred rent will be reduced until it is zero at the end of the lease.

k. Management Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

l. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Salaries were allocated using time and effort as the basis. Payroll taxes and benefits and depreciation were allocated using salaries as the basis. Occupancy and space rental were allocated based on usage by square footage. All other expenses have been charged directly to the applicable program or supporting services.

m. Accounting for Uncertainty of Income Taxes

The Foundation does not believe its consolidated financial statements include any material, uncertain tax positions. Tax returns for periods ending December 31, 2018 and later are subject to examination by applicable taxing authorities.

n. Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended December 31, 2020 from which the summarized information was derived.

o. New Accounting Pronouncements

FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the December 31, 2022 year. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the consolidated statement of activities and additional disclosures.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the consolidated statement of financial position.

The Foundation is in the process of evaluating the impact these standards will have on future consolidated financial statements.

Note 3 - Contributions Receivable

Contributions receivable at December 31, 2021 are expected to be received in the following periods:

Year ending:	December 31, 2022	\$667,895
	December 31, 2023	472,470
	December 31, 2024	<u>320,088</u>
		1,460,453
Less present value discount (2%)		<u>(21,694)</u>
Net contributions receivable		<u>\$1,438,759</u>

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>12/31/21</u>	<u>12/31/20</u>
Electronic equipment – 5-year useful life	\$271,727	\$245,519
Leasehold improvements – Life of lease	95,688	90,967
Furniture and fixtures – 5-year useful life	57,683	40,463
Vehicles – 5-year useful life	<u>21,650</u>	<u>21,650</u>
	446,748	398,599
Less: accumulated depreciation	<u>(299,638)</u>	<u>(221,563)</u>
Total fixed assets, net	<u>\$147,110</u>	<u>\$177,036</u>

Note 5 - Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

December 31, 2021				
	Balance		Released	Balance
	<u>1/1/21</u>	<u>Contributions</u>	<u>From</u> <u>Restrictions</u>	<u>12/31/21</u>
Program restrictions:				
Karam Scholars	\$791,219	\$254,104	(\$518,027)	\$527,296
Karam Works	113,009	0	(0)	113,009
Jumpstart	66,229	488	(290)	66,427
Karam Families	26,287	248,013	(274,300)	0
Creative Partnership				
Consultant	15,000	0	(0)	15,000
Mental Health	92,165	0	(68,165)	24,000
10,000 Leaders	43,600	197,536	(52,947)	188,189
Other programs	<u>104</u>	<u>10,000</u>	<u>(10,104)</u>	<u>0</u>
Total program restrictions	1,147,613	710,141	(923,833)	933,921
Time restrictions	<u>595,500</u>	<u>1,050,000</u>	<u>(552,501)</u>	<u>1,092,999</u>
Total	<u>\$1,743,113</u>	<u>\$1,760,141</u>	<u>(\$1,476,334)</u>	<u>\$2,026,920</u>
December 31, 2020				
	Balance		Released	Balance
	<u>1/1/20</u>	<u>Contributions</u>	<u>From</u> <u>Restrictions</u>	<u>12/31/20</u>
Program restrictions:				
Karam Scholars	\$612,940	\$644,497	(\$466,218)	\$791,219
Karam Works	112,781	228	(0)	113,009
Jumpstart	43,153	35,645	(12,569)	66,229
Karam Families	62,205	151,187	(187,105)	26,287
Creative Partnership				
Consultant	15,000	0	(0)	15,000
Mental Health	0	92,165	(0)	92,165
10,000 Leaders	0	43,600	(0)	43,600
Other programs	<u>6,945</u>	<u>104</u>	<u>(6,945)</u>	<u>104</u>
Total program restrictions	853,024	967,426	(672,837)	1,147,613
Time restrictions	<u>859,315</u>	<u>75,500</u>	<u>(339,315)</u>	<u>595,500</u>
Total	<u>\$1,712,339</u>	<u>\$1,042,926</u>	<u>(\$1,012,152)</u>	<u>\$1,743,113</u>

Note 6 - Forgiveness of Paycheck Protection Program Loan

During each of the years ended December 31, 2021 and 2020, the Foundation obtained a loan from the Small Business Administration ("SBA") through the Paycheck Protection Program ("PPP"). Terms of the loans indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were not less than pre-determined historical periods, that the loans, or a portion thereof, could be forgiven.

The Foundation accounts for the PPP loans in accordance with FASB ASC 958-605. The conditions for forgiveness on these loans were met during each year, and the full amounts were recognized as revenue in those respective years. In addition, the Foundation was notified that full forgiveness was approved by the SBA.

Note 7 - Special Event

Special event proceeds are summarized as follows:

	<u>12/31/21</u>	<u>12/31/20</u>
Gross revenue	\$125,271	\$195,296
Less: expenses with a direct benefit to donors	<u>0</u>	<u>0</u>
	125,271	195,296
Less: other event expenses	<u>(1,050)</u>	<u>(1,840)</u>
Total	<u>\$124,221</u>	<u>\$193,456</u>

Note 8 - Commitments and Contingencies

The Foundation leases space located in Lake Forest, Illinois for its headquarters. The lease is effective for a five-year term expiring December 31, 2022. Monthly rent payments for 2021 were \$3,545. Rent payments increase by \$215 per month, plus common area maintenance and taxes. Due to the COVID-19 Pandemic, the lease was amended removing the increase in payments for 2021 and 2022. Rent expense for this space was \$39,000 in 2021.

In addition, the Foundation has a lease agreement for the Karam House in Reyhanli, Turkey that expires in December 2023. The Karam House is a community innovation workplace for Syrian refugees' youth where they can learn skills in science, technology, engineering arts and mathematics. The rent expense was 27,000 Turkish Lira, which was approximately \$3,600 for 2021.

In 2018, the Foundation opened another Karam House location in Istanbul, Turkey. This lease expires in May 2026. The rent expense was 373,000 Turkish Lira, which was approximately \$52,000 for 2021.

Future minimum rental commitments under non-cancelable lease agreements are as follows:

Year ending:	December 31, 2022	\$97,861
	December 31, 2023	57,536
	December 31, 2024	57,536
	December 31, 2025	57,536
	December 31, 2026	<u>18,441</u>
Total		<u>\$288,910</u>

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified, if it is probable that a liability has been incurred.

Note 9 - Availability and Liquidity

The Foundation maintains cash on hand to be available for its general expenditures and other obligations for on-going operations. As part of its liquidity management, the Foundation operates its programs within a board approved budget and relies on contributions and government grants to fund its operations and program activities.

The following reflects the Foundation's financial assets at December 31, 2021 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:		
Cash and cash equivalents	\$2,609,312	
Contributions receivable due within one year	<u>667,895</u>	
Total financial assets		\$3,277,207
Less amounts not available for general expenditures:		
Donor contributions restricted to specific purposes		<u>(933,921)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$2,343,286</u>

Note 10 - Subsequent Events

Subsequent events have been evaluated through September 29, 2022, the date the consolidated financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the consolidated financial statements.

Note 11 - Other Matters

On January 30, 2020, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. As of the date of these consolidated financial statements, many of the travel restrictions and stay at home orders have been lifted, however supply chains remain impacted. Management continues to monitor the outbreak, however as of the date of these consolidated financial statements, the potential impact cannot be quantified.