Southern Utah Wilderness Alliance

Year Ended December 31, 2016

Financial Statements

And

Independent Auditor's Report

Southern Utah Wilderness Alliance

Table of Contents

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southern Utah Wilderness Alliance
Salt Lake City, Utah

Financial Statements

We have audited the accompanying financial statements of Southern Utah Wilderness Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 of 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 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 Southern Utah Wilderness Alliance as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

1564 South 500 West, Ste. 201
Bountiful, UT 84010-7400
Phone: (801) 294-3155
Fax: (801) 294-3190
www.shaw-cpa.com
info@shaw-cpa.com

Report on Summarized Comparative Information

We have previously audited Southern Utah Wilderness Alliance's December 31, 2015 financial statements, and our report dated May 12, 2016, expressed an unmodified opinion on those audited financial statements. 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.

Shaw & Co PC

Bountiful, Utah
April 29, 2017

Southern Utah Wilderness Alliance

Statement of Financial Position
December 31, 2016
With Comparative Totals For December 31, 2015

	12/31/2016	12/31/2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,594,627	$ 1,454,896
Investments, at fair value	6,778,929	5,857,790
Total current assets	8,373,556	7,312,686
Fixed assets, at cost		
Building and improvements	1,227,973	1,227,973
Equipment	78,638	81,904
Database	24,618	24,618
Vehicle	47,422	47,422
Furniture	88,456	88,456
Total fixed assets	1,467,107	1,470,373
Less: accumulated depreciation	(557,782)	(516,507)
Net fixed assets	909,325	953,866
Other assets		
Investments, at fair value	357,678	357,678
Total other assets	357,678	357,678
Total assets	$ 9,640,559	$ 8,624,230
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ -	$ -
Accrued liabilities	-	87
Total current liabilities	-	87
Net assets		
Unrestricted	9,282,881	8,266,465
Temporarily restricted	-	-
Permanently restricted	357,678	357,678
Total net assets	9,640,559	8,624,143
Total liabilities and net assets	$ 9,640,559	$ 8,624,230

See accompanying notes to financial statements.

Southern Utah Wilderness Alliance

Statement of Activities
Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

	12/31/2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	12/31/2015 Total
REVENUES AND SUPPORT					
Individual donations	$ 1,681,842	$ -	$ -	$ 1,681,842	$ 1,520,807
Membership renewals	638,230	-	-	638,230	612,078
Legacies and bequests	508,767	-	-	508,767	489,846
Grants	310,238	-	-	310,238	306,000
Interest and dividend income	222,271	-	-	222,271	198,293
Unrealized gains (losses) on investments	161,329	-	-	161,329	(241,178)
New memberships	132,720	-	-	132,720	62,623
Realized gains on sales of investments	15,869	-	-	15,869	206,952
Other revenue	7,700	-	-	7,700	18,400
Loss on sale of assets	(2,869)	-	-	(2,869)	(1,760)
Total revenues and support	3,676,097	-	-	3,676,097	3,172,061
EXPENSES					
Program services	2,263,022	-	-	2,263,022	2,097,542
Management and general	211,069	-	-	211,069	187,895
Fundraising	185,590	-	-	185,590	169,911
Total expenses	2,659,681	-	-	2,659,681	2,455,348
Change in net assets	1,016,416	-	-	1,016,416	716,713
Net assets, beginning of year	8,266,465	-	357,678	8,624,143	7,907,430
Net assets, end of year	$ 9,282,881	$ -	$ 357,678	$ 9,640,559	$ 8,624,143

See accompanying notes to financial statements.

Southern Utah Wilderness Alliance

Statement of Functional Expenses
Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

	12/31/2016									
	Program Services						Supporting Activities			
	Energy	ORV	RS2477	RMP	Wilderness	Total	Management and General	Fundraising	12/31/2016 Total	12/31/2015 Total
Employee compensation	50,428	$ 67,722	$ 184,564	$ 51,010	$ 955,664	$ 1,309,388	$ 74,815	$ 72,808	$ 1,457,011	$ 1,340,020
Membership services	21,851	20,390	44,241	20,692	80,027	187,201	5,223	91,352	283,776	236,792
Public education costs	3,310	-	-	-	190,618	193,928	-	-	193,928	51,286
Legal and professional	9,142	6,144	128,869	20	41,409	185,584	-	-	185,584	302,420
Bank and credit card charges	-	-	-	-	-	-	80,692	-	80,692	64,954
Travel	2,519	5,895	6,068	614	42,325	57,421	-	2,034	59,455	74,564
Rent	1,838	2,468	6,727	1,859	34,832	47,724	2,590	2,654	52,968	50,660
Technology	5,967	6,080	6,841	5,971	11,864	36,723	3,621	7,043	47,387	62,524
Event costs	7,311	7,310	7,310	7,310	7,311	36,552	-	-	36,552	23,702
Accounting and audit	-	-	-	-	-	-	32,290	-	32,290	32,554
Grants	-	-	-	-	23,250	23,250	-	-	23,250	8,150
Repairs and maintenance	793	1,066	2,905	803	15,043	20,610	1,119	1,146	22,875	33,790
Insurance	779	1,047	2,853	789	14,774	20,242	1,099	1,126	22,467	25,286
Grassroots organizing	-	-	-	-	21,645	21,645	-	-	21,645	14,182
Copies and postage	4,475	581	1,887	438	12,024	19,405	610	667	20,682	20,937
Board expenses	2,278	2,278	2,278	2,278	2,278	11,390	2,441	2,441	16,272	17,108
Telephone	549	739	2,013	556	10,422	14,279	775	794	15,848	16,478
Supplies	367	494	1,345	372	8,883	11,461	518	531	12,510	10,335
Training and staff support	1,709	1,709	1,709	1,709	1,709	8,545	-	-	8,545	7,566
Utilities	288	385	1,050	290	5,438	7,451	404	414	8,269	6,649
Office expenses	145	637	330	91	4,958	6,161	879	130	7,170	5,945
Property taxes	-	-	-	-	-	-	1,602	-	1,602	1,327
Total expenses before depreciation	113,749	124,945	400,990	94,802	1,484,474	2,218,960	208,678	183,140	2,610,778	2,407,229
Depreciation	1,697	2,279	6,211	1,716	32,159	44,062	2,391	2,450	48,903	48,119
Total expenses	$ 115,446	$ 127,224	$ 407,201	$ 96,518	$ 1,516,633	$ 2,263,022	$ 211,069	$ 185,590	$ 2,659,681	$ 2,455,348

See accompanying notes to financial statements.

Southern Utah Wilderness Alliance

Statement of Cash Flows
Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

	12/31/2016	12/31/2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,016,416	$ 716,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	48,903	48,119
Unrealized (gains) losses on investments	(161,329)	241,178
Realized gains on sales of investments	(15,869)	(206,952)
Donated securities	(100,175)	(85,564)
Loss on sale of assets	2,869	1,760
Changes in current assets and liabilities:		
Accrued liabilities	(87)	72
Net cash provided by operating activities	790,728	715,326
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	397	(38,825)
Purchase of investments	(858,346)	(3,850,107)
Proceeds from sale of investments	206,952	2,767,091
Net cash used in investing activities	(650,997)	(1,121,841)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net change in cash and cash equivalents	139,731	(406,515)
Cash and cash equivalents, beginning of year	1,454,896	1,861,411
Cash and cash equivalents, end of year	$ 1,594,627	$ 1,454,896
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

See accompanying notes to financial statements.

Southern Utah Wilderness Alliance
Notes to Financial Statements
December 31, 2016

1. ORGANIZATION

Southern Utah Wilderness Alliance (the "Organization") was incorporated under the laws of the State of Utah as a nonprofit corporation on December 12, 1983. The principal purpose of the Organization is the preservation and the management of the outstanding Southern Utah wild lands in their natural state. The Organization's major sources of revenue come from donations from the general public and non-governmental grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Association have been prepared on the accrual basis. The Association follows the provisions of Accounting Standards Codification (ASC) 958, Not-for Profit Entities.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Date of Management's Review

Subsequent events were evaluated through April 29, 2017, which is the date the financial statements were available to be issued. From their review, management has determined that there were no significant recognizable or unrecognizable subsequent events that were not properly disclosed.

Estimates in the Financial Statements

The preparation of financial statements in conformity 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 revenues and expenses during the reporting period. Actual results may differ from those estimates.

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.

b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.

c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Investments

The Organization has adopted the provisions of FASB ASC 958-320, *Investments—Debt and Equity Securities*. Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Endowment Funds

The Organization's endowments consist of two funds established to support the social service mission of the Organization. The endowments consist of donor-restricted and board-designated endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other sources of the Organization
- The investment policies of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce returns that are 2% to 3% higher than the rate of inflation, while assuming a moderate level of investment risk.

Spending Policy

The Organization has a policy in which the general rule of appropriating for distribution each year of its investment income. In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long-term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift.

Strategies Employed for Achieving Objectives

The Organization relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The organization targets a diversified asset allocation that emphasizes equities and fixed income securities to achieve its long-term objectives within prudent risk constraints.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. The Organization's accounts receivable are generally short-term in nature; thus, accounts receivable does not bear interest.

Accounts receivable are periodically evaluated for collectibility based on past credit history with customers and their current financial condition. An allowance for doubtful accounts has not been established because management believes that all accounts receivable will be fully collectible.

Fixed Assets

Fixed assets are recorded at acquisition cost, or if donated, at the fair market value at the date donated. The Organization capitalizes additions that exceed $1,000. Minor repairs and maintenance that do not extend the useful lives of the assets are expended as incurred. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from five to thirty-nine years. Depreciation expense for the year ended December 31, 2016 was $48,903.

The Organization reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, as measured by a comparison of estimated future cash flows (undiscounted and without interest charges) to the carrying value of the asset. Assets held for sale are written down to their fair value, less cost to sell.

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amounts of the assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amounts of the assets against the estimated undiscounted future cash flows associated with them. When future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying amounts of the assets, the assets are adjusted to their fair values.

Contributions

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-imposed time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same year the contribution is received are reported as unrestricted. Capital campaign contributions are considered temporarily restricted until the asset is placed into service.

Concentrations of Credit Risks

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. At December 31, 2016, the Organization had bank deposits of $537,096 that exceeded the FDIC insurance limit of $250,000 per financial institution, and therefore were not insured. The Organization also holds cash and securities at investment firms. The cash and investments held at those firms are insured through the Securities Investor Protection Corporation (SIPC) up to $500,000 per institution. The Organization had cash and securities in the amount of $6,697,574 that exceeded the insurance limit. The Organization has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash and securities.

Income taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2016, 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed. Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization’s primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in the Organization’s tax filings and does not believe that any material uncertain tax positions exist.

In-Kind Donations

A portion of the Organization’s support is derived from donated materials and services. In accordance with FASB ASC 958-605-25-16, *Contributed Services*, the Organization recognizes contributions of services only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provide by donation. There were no services donated during the year ended December 31, 2016.

Functional Allocation of Expenses

The costs of providing the various programs and other activities 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.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Reclassifications

Certain items from December 31, 2015 have been reclassified to conform to the December 31, 2016 presentation.

3. FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable market inputs, but the inputs lack the consistency of Level 1 inputs. They may not be regularly quoted, actively traded, or representative of identical assets. Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Organization had no Level 3 inputs during the year.

Level 1
Mutual funds: Mutual funds are valued at the closing price reported by the fund in the active market.

Common stock: Valued at the closing price reported in the active market in which the individual security is traded.

Level 2
Asset-backed Securities: Valued based on sales of similar securities and pricing models whose inputs are observable.

Certificates of Deposit: Valued based on sales of similar certificates and pricing models whose inputs are observable.

Preferred Stock: Valued based on sales of similar securities and pricing models whose inputs are observable.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

Assets at Fair Value as of December 31, 2016

	Level 1	Level 2	Level 3	Total
Asset-backed securities	$ -	$ 751,945	$ -	$ 751,945
Certificates of deposit	-	-	-	-
Mutual Funds	2,121,853	-	-	2,121,853
Preferred stocks	-	1,658,972	-	1,658,972
Common stocks	2,603,837	-	-	2,603,837
Totals	$ 4,725,690	$ 2,410,917	$ -	$ 7,136,607

Interest and dividend income on investments was $222,271 for the year ended December 31, 2016. Unrealized gains on investments were $161,329 for the year ended December 31, 2016. Realized gains on the sale of investments were $15,869 for the year ended December 31, 2016.

A review of current market fluctuations showed that share values increased by $219,029 through March 20, 2017.

4. PERMANENTLY RESTRICTED NET ASSETS

In December 1995, investments totaling $357,678 were contributed to the Organization for the establishment of an endowment fund and are therefore considered to be permanently restricted.

5. ENDOWMENT FUND

The Organization's endowment fund consists of the Wyss endowment. The Wyss endowment consists of donor-restricted funds, $357,678 of which are permanently restricted. The remainder of the Wyss endowment is unrestricted. Endowment net asset composition by type of fund as of December 31, 2016 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Wyss endowment	$ 1,870,186	$ -	$ 357,678	$ 2,227,864

Changes in endowment net assets for the fiscal years ending December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, December 31, 2015	$ 1,626,390	$ -	$ 357,678	$ 1,984,068
Contributions	100,175	-	-	100,175
Investment return				
Investment income, net of fees	54,547	-	-	54,547
Realized gains from sale	15,869	-	-	15,869
Net appreciation,	73,205	-	-	73,205
Total investment return	143,621	-	-	143,621
Appropriation of endowment assets for expenditure	-	-	-	-
Net assets, December 31, 2016	$ 1,870,186	$ -	$ 357,678	$ 2,227,864

6. RETIREMENT PLAN

The Organization has a 403(b) Retirement Plan, which is a contributory plan and covers all employees. The Organization is entitled to make discretionary contributions to the plan. The Organization made contributions totaling $41,464 for the year ended December 31, 2016.

7. RELATED PARTY TRANSACTIONS

In 2007, the Board of Directors for the Organization unanimously voted for a board member to edit the Organization's three newsletters. The board member received $6,338 for approximately 97.5 hours of editing services for the year ended December 31, 2016.

8. LEASE COMMITMENTS

The Organization leases office space for its satellite offices in Moab, Utah and Washington D.C. under operating lease agreements. The Moab office requires monthly payments of $1,230 and is on a month-to-month basis. The Organization entered into an operating lease for the Washington D.C. location in March 2015 and March 2016. The lease agreements expire on February 28, 2016 and February 28, 2017. The lease requires monthly payments of $2,848 and $2,990, respectively. Future minimum operating lease payments are based on remaining terms of the agreements. The required minimum lease payments are as follows:

Year ending	
12/31/2017	$ 5,980
	$ 5,980

Total rent expense for the year ended December 31, 2016 was $52,968.

9. ALLOCATION OF EXPENSES

Based on management's allocation of expenses, operating expenses have been allocated in the following manner:

	Amount	%
Program services	$ 2,263,023	85.09
Management and general	211,069	7.93
Fundraising	185,589	6.98
	$ 2,659,681	100.00

10. PRIOR YEAR INFORMATION

The accompanying 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 generally accepted accounting principles in the United States of America. The financial statements for the year ended December 31, 2015 are presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2016 only. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015 from which the summarized information was derived.

11. COMMITMENTS AND CONTINGENCIES

The Organization may be involved in certain claims arising from the ordinary course of operations and has purchased insurance policies to cover these risks.