

**National Association  
of Free and Charitable Clinics, Inc.**

*FINANCIAL STATEMENTS*

December 31, 2016 and 2015

# **National Association of Free and Charitable Clinics, Inc.**

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# National Association of Free and Charitable Clinics, Inc.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2016	2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 104,436	\$ 528,698
Investments	413,871	751,857
Contributions receivable	66,484	11,200
Other receivables	3,000	-
Prepaid expenses	19,662	87,079
<b>Total current assets</b>	607,453	1,378,834
<b>Property and equipment, net</b>	18,935	25,790
<b>Security deposit</b>	26,760	26,760
<b>Total assets</b>	<u>\$ 653,148</u>	<u>\$ 1,431,384</u>

See independent auditor's report and notes to the financial statements.

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2016                      2015

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable	\$ 34,867	\$ 42,357
Accrued expenses	43,941	34,314
Deferred revenue	<u>74,862</u>	<u>125,628</u>

**Total current liabilities**

<u>153,670</u>	<u>202,299</u>
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**Net assets**

Unrestricted	364,352	1,079,785
Temporarily restricted	<u>135,126</u>	<u>149,300</u>

**Total net assets**

<u>499,478</u>	<u>1,229,085</u>
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**Total liabilities and net assets**

<u>\$ 653,148</u>	<u>\$ 1,431,384</u>
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# National Association of Free and Charitable Clinics, Inc.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, gains, and other support</b>			
Donations and grants	\$ 414,582	\$ 89,150	\$ 503,732
Donated services	376,364	-	376,364
Symposium income	182,406	-	182,406
Member dues	207,115	-	207,115
Other income	98	-	98
Portfolio income	29,728	-	29,728
(Loss) on disposal of property and equipment	(83)	-	(83)
Net unrealized gain on investment	41,615	-	41,615
Net assets released from restrictions	103,324	(103,324)	-
	<u>1,355,149</u>	<u>(14,174)</u>	<u>1,340,975</u>
<b>Total revenues, gains, and other support</b>			
	<u>1,355,149</u>	<u>(14,174)</u>	<u>1,340,975</u>
<b>Expenses</b>			
Program expense	1,754,457	-	1,754,457
General and administrative	237,966	-	237,966
Fundraising	78,159	-	78,159
	<u>2,070,582</u>	<u>-</u>	<u>2,070,582</u>
<b>Total expenses</b>			
	<u>2,070,582</u>	<u>-</u>	<u>2,070,582</u>
<b>Changes in net assets</b>	(715,433)	(14,174)	(729,607)
<b>Net assets - beginning of year</b>	<u>1,079,785</u>	<u>149,300</u>	<u>1,229,085</u>
<b>Net assets - end of year</b>	<u>\$ 364,352</u>	<u>\$ 135,126</u>	<u>\$ 499,478</u>

# National Association of Free and Charitable Clinics, Inc.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, gains, and other support</b>			
Donations and grants	\$ 515,378	\$ 415,756	\$ 931,134
Donated services	200,263	-	200,263
Symposium income	212,388	-	212,388
Member dues	220,821	-	220,821
Other income	4,652	-	4,652
Portfolio income	24,325	-	24,325
Net unrealized (loss) on investment	(45,233)	-	(45,233)
Net assets released from restrictions	326,456	(326,456)	-
<b>Total revenues, gains, and other support</b>	<u>1,459,050</u>	<u>89,300</u>	<u>1,548,350</u>
<b>Expenses</b>			
Program expense	1,522,387	-	1,522,387
General and administrative	263,350	-	263,350
Fundraising	124,447	-	124,447
<b>Total expenses</b>	<u>1,910,184</u>	<u>-</u>	<u>1,910,184</u>
<b>Changes in net assets</b>	(451,134)	89,300	(361,834)
<b>Net assets - beginning of year</b>	<u>1,590,919</u>	<u>-</u>	<u>1,590,919</u>
<b>Net assets - as previously reported</b>	1,139,785	89,300	1,229,085
<b>Adjustment for understatement of grant income</b>	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>
<b>Net assets - end of year, as restated</b>	<u>\$ 1,079,785</u>	<u>\$ 149,300</u>	<u>\$ 1,229,085</u>

# National Association of Free and Charitable Clinics, Inc.

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Expense</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank fees	\$ -	\$ 10,734	\$ -	\$ 10,734
Program services - C.A.R.E. Clinics	395,616	-	4,970	400,586
Contributions	-	4,250	-	4,250
Data processing	4,800	-	-	4,800
Depreciation	-	9,845	-	9,845
Program services - Donated Services	368,364	-	8,000	376,364
Dues and subscriptions	2,547	-	-	2,547
Employee benefits	31,098	15,378	1,081	47,557
Equipment rental	-	1,296	-	1,296
Insurance	-	8,376	-	8,376
Marketing	18,139	4,500	14,785	37,424
Meetings	116	17,687	-	17,803
Office and printing	11,477	5,743	1,647	18,867
Postage and shipping	2,362	1,783	83	4,228
Professional fees	111,349	78,582	27,500	217,431
Rent	121,592	21,108	4,254	146,954
Salaries	308,425	54,835	10,791	374,051
Program services - Symposium	353,587	-	4,622	358,209
Telephone and website	14,863	1,566	-	16,429
Travel	10,122	2,283	426	12,831
<b>Total expenses</b>	<b>\$ 1,754,457</b>	<b>\$ 237,966</b>	<b>\$ 78,159</b>	<b>\$ 2,070,582</b>

# National Association of Free and Charitable Clinics, Inc.

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Expense</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bank fees	\$ -	\$ 9,826	\$ -	\$ 9,826
Program services - C.A.R.E. Clinics	297,490	-	14,611	312,101
Contributions	100.00	550	-	650
Data processing	6,450	-	-	6,450
Depreciation	-	4,197	-	4,197
Program services - Donated Services	200,263	-	-	200,263
Dues and subscriptions	535	-	-	535
Employee benefits	23,591	14,373	2,083	40,047
Equipment rental	143	1,548	-	1,691
Insurance	-	18,457	-	18,457
Marketing	18,078	2,384	20,353	40,815
Meetings	11	13,410	-	13,421
Office and printing	12,416	4,852	-	17,268
Postage and shipping	1,694	2,004	-	3,698
Professional fees	160,651	96,445	40,250	297,346
Rent	123,383	19,278	11,422	154,083
Salaries	318,006	49,687	29,439	397,132
Program services - Symposium	326,916	-	6,289	333,205
Telephone and website	13,776	20,596	-	34,372
Travel	18,884	5,743	-	24,627
<b>Total expenses</b>	<b>\$ 1,522,387</b>	<b>\$ 263,350</b>	<b>\$ 124,447</b>	<b>\$ 1,910,184</b>



# National Association of Free and Charitable Clinics, Inc.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

2016

2015

	2016	2015
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ (729,607)	\$ (361,834)
Adjustments to reconcile changes in net assets to net cash (used) by operating activities:		
Depreciation	9,845	4,197
Unrealized (gain) loss on investments	(41,615)	45,233
Loss on disposal of property and equipment	83	-
(Increase) decrease in assets:		
Contributions receivable	(55,284)	(11,200)
Other receivable	(3,000)	-
Prepaid expenses	67,417	(1,092)
Increase (decrease) in liabilities:		
Accounts payable	(7,490)	(33,054)
Accrued expenses	9,627	5,284
Deferred revenue	(50,766)	21,383
<b>Net cash (used) by operating activities</b>	<u>(800,790)</u>	<u>(331,083)</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(3,073)	(20,064)
Proceeds on sale of securities	453,060	58,859
Investment in securities	(73,459)	(100,906)
<b>Net cash provided (used) by investing activities</b>	<u>376,528</u>	<u>(62,111)</u>
<b>Net (decrease) in cash and cash equivalents</b>	(424,262)	(393,194)
<b>Cash and cash equivalents - beginning of year</b>	<u>528,698</u>	<u>921,892</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 104,436</u>	<u>\$ 528,698</u>

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

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### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Organization

The National Association of Free and Charitable Clinics, Inc. (the Association) is a not-for-profit corporation. The Association's mission is to ensure that the medically underserved have access to quality health care and the vision is to be a national voice promoting quality health care for all. The Association provides direct patient care through one day health clinics, health education and training to volunteers and 1,200 clinics across the United States of America. The Association is supported primarily through donations, grants, and member dues.

#### Method of Accounting

The financial statements are prepared on the accrual basis of accounting.

#### Basis of Presentation

Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. Under this Topic, the Association 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. There were no permanently restricted net assets for the years ended December 31, 2016 and 2015.

#### Cash and Cash Equivalents

The Association considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents. The Association maintains their cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association's management believes they are not exposed to any significant credit risk on their balances.

#### Depreciation

Property and equipment are stated at cost when purchased or fair value at date of donation for donated items. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	5 years
Website	3 years
Furniture	5 years
Software	3 years

#### Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association had no unrelated business income for the years ended December 31, 2016 and 2015.

The Association believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Association files its forms 990 in the U.S. federal jurisdiction and various states. The Association is generally no longer subject to examination by the Internal Revenue Service for years before 2013.

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

**DECEMBER 31, 2016 and 2015**

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### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Contributions**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when 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 restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

#### **Donated Securities**

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. The policy of the Association is to sell the securities upon receipt.

#### **Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Contributions Receivable**

Contributions receivable are recorded at the amount expected to be collected. Management reviews receivables at year end to determine the collectability of them on an individual basis. No allowance against contributions receivable is provided because the full value is expected to be collected within one year.

#### **Investments**

The Not-for-Profit Entities Topic of the FASB Accounting Standards Codification requires that investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the Statement of Financial Position. The unrealized gains and losses are included in the change in unrestricted net assets.

#### **Fair Value**

The Association follows the Fair Value Measurement and Disclosure Topic of the FASB Accounting Standards Codification, which provides a framework for measuring the fair value of assets and liabilities. The Topic also provides guidance regarding a fair value hierarchy, which prioritizes information used to measure fair value and the effect of fair value measurements on earnings and provides for enhanced disclosures determined by the level within the hierarchy of information used in the valuation. The Topic applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances.

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

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### NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair Value (continued)

The three levels of the fair value hierarchy and investments that fall into each of the levels are described below:

- **Level 1:** Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- **Level 2:** Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** Level 3 inputs are unobservable and cannot be corroborated by observable market data. They are based on the best information available in the circumstances.

#### Deferred Revenue

Income from membership dues is deferred and recognized over the periods to which the dues relate.

#### Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. The Association receives donated services from doctors, nurses, and other professionals and recognizes such items at fair value.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### NOTE B. PRIOR PERIOD ADJUSTMENT

During 2016, the Association was made aware of assets, liabilities and grants that were not recorded properly for accrual basis financial statements as of December 31, 2015. These adjustments have an effect on several accounts included on the statement of financial position, with material adjustments to contributions receivable, net, deferred income, unrestricted net assets, and temporarily restricted net assets. The correction has been accounted for in the statement of financial position and the statement of activities as a restatement of the December 31, 2015 contributions receivable, net in the amount of \$4,484, unrestricted net assets and temporarily restricted net assets in the amount of \$60,000.

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

### DECEMBER 31, 2016 and 2015

#### NOTE C. CONTRIBUTIONS RECEIVABLE, net

Contributions receivable, net consists of grant funds to be received in future periods ranging between one and seven years. The amounts to be received in future periods has been discounted at 4.25%, the current prime rate set by the Federal Reserve of the United States of America. The discount on grant funds of \$4,216 and \$1,516 are included as a reduction to donations and grants income on the statement of activities for the years ended December 31, 2016 and 2015, respectively.

At December 31, contributions receivable consisted of the following:

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 70,700	\$ 12,716
Less: discount on grant funds	(4,216)	(1,516)
	<u>\$ 66,484</u>	<u>\$ 11,200</u>

#### NOTE D. PROPERTY AND EQUIPMENT, net

At December 31, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 11,848	\$ 22,135
Website	20,064	20,064
Furniture	1,611	1,611
Software	3,201	3,201
	<u>36,724</u>	<u>47,011</u>
Less: accumulated depreciation	(17,789)	(21,221)
<b>Property and equipment, net</b>	<u>\$ 18,935</u>	<u>\$ 25,790</u>
<b>Depreciation</b>	<u>\$ 9,845</u>	<u>\$ 4,197</u>

#### NOTE E. INVESTMENTS

The following table reflects a summary of investments held by the Association as of December 31:

<u>Investments</u>	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stocks and ETFs	\$ 128,677	\$ 150,187	\$ 236,061	\$ 262,844
Preferred securities	23,212	23,901	23,556	23,845
Open end mutual funds	242,153	239,783	515,611	465,168
<b>Total investments</b>	<u>\$ 394,042</u>	<u>\$ 413,871</u>	<u>\$ 775,228</u>	<u>\$ 751,857</u>

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

**DECEMBER 31, 2016 and 2015**

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### NOTE F. COMMITMENTS

#### Operating Lease

The Association leases office space and parking spaces in Virginia under a lease agreement which expires October 31, 2018. The Association's lease will auto renew at the expiration of the current lease for consecutive 12 month periods at an increased monthly charge of 5%. Rent expense was \$146,954 and \$154,083 for the years ended December 31, 2016 and 2015, respectively.

At December 31, 2016, the remaining minimum payments required under the office leases are as follows:

October 31, 2017	\$ 108,158
2018	<u>90,132</u>
<b>Total future minimum lease payments</b>	<b>\$ <u>198,290</u></b>

The Association leases parking spaces for its employees and members. The cost ranged between \$540 and \$780 for the years ended December 31, 2016 and 2015.

The Association entered into a management services contract to increase donations and recognition of the Association which expires May 15, 2017. The monthly cost of the contract is \$1,400 per month plus additional out of pocket expenses. Total expenses incurred were \$10,500 and \$0 for the years ended December 31, 2016 and 2015, respectively and are included in marketing expense.

<b>Future minimum management services payments</b>	<b>\$ <u>5,600</u></b>
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### NOTE G. DEFERRED REVENUE

The change in the Association's deferred revenue account for the years ended December 31, 2016 and 2015 is comprised of the following:

	<u>2016</u>	<u>2015</u>
<b>Balance at beginning of year</b>	\$ 125,628	\$ 104,245
Additions:		
Memberships sold	212,217	204,510
Grants, Summit and C.A.R.E. Clinics	27,150	100,694
Reductions:		
Memberships sold	(207,115)	(220,821)
Grants and Summit	<u>(83,018)</u>	<u>(3,000)</u>
<b>Balance at end of year</b>	<b>\$ <u>74,862</u></b>	185,628
<b>Prior period adjustment</b>		<u>(60,000)</u>
<b>Balance at end of year, as restated</b>		<b>\$ <u>125,628</u></b>

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

### NOTE H. DONATED SERVICES

The fair value of donated services included as contributions in the financial statements and the corresponding program expenses are as follows for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Program services - C.A.R.E. Clinics		
Legal expenses	\$ 153,429	\$ 59,950
Medical professional services	197,949	115,427
Supplies	16,986	24,886
Fundraising consulting services	8,000	-
	<u>376,364</u>	<u>200,263</u>
<b>Total</b>	<b>\$ 376,364</b>	<b>\$ 200,263</b>

### NOTE I. NATIONAL C.A.R.E CLINICS

The Association was a participant in a grassroots effort to raise funds and awareness in regards to the free clinics throughout the United States of America. This effort was able to raise a significant amount of funding in order to conduct large scale free clinic operations in the metropolitan areas throughout the United States of America. The following is a summary of the expenditures by location for these care clinics for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Restricted donations received	\$ 133,405	\$ 315,756
Sponsorships	60,000	-
Unrestricted donations used for C.A.R.E. Clinics	207,181	-
	<u>400,586</u>	<u>315,756</u>
<b>Total</b>	<b>\$ 400,586</b>	<b>\$ 315,756</b>

	<u>2016</u>	<u>2015</u>
Kanas City, Missouri C.A.R.E. Clinic	\$ -	\$ 294,084
Charlotte, North Carolina C.A.R.E. Clinic	13,136	-
New Orleans, Louisiana C.A.R.E. Clinic	36,378	-
Dallas, Texas C.A.R.E. Clinic	332,695	-
General expenses used for C.A.R.E. Clinics	18,377	18,017
	<u>400,586</u>	<u>312,101</u>
<b>Total</b>	<b>\$ 400,586</b>	<b>\$ 312,101</b>

### NOTE J. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2016 and 2015, temporarily restricted net assets consisted of remaining grants or donations that fund technology, staffing, general capacity expansion, technical assistance development and volunteer outreach and marketing expansion of the Association. The remaining balances in temporarily restricted net assets of \$135,126 and \$149,300 at December 31, 2016 and 2015, respectively, are to be spent in future years for the specific purposes mentioned above.

# National Association of Free and Charitable Clinics, Inc.

## NOTES TO THE FINANCIAL STATEMENTS

**DECEMBER 31, 2016 and 2015**

### NOTE K. EMPLOYEE RETIREMENT PLAN

The Association has a 403(b) Plan covering essentially all employees that was implemented in February 2012. Employees are eligible for a 3% match from the Association. The Association contributed \$10,156 and \$10,754 to the Plan for the years ended December 31, 2016 and 2015, respectively and are included in employee benefits.

### NOTE L. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of assets measured on a recurring basis are as follows at December 31:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>2016</b>				
Stocks and ETFs	\$ 150,187	\$ 150,187	\$ -	\$ -
Preferred securities	23,901	23,901	-	-
Open end mutual funds	<u>239,783</u>	<u>239,783</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 413,871</u>	<u>\$ 413,871</u>	<u>\$ -</u>	<u>\$ -</u>
<b>2015</b>				
Stocks and ETFs	\$ 262,844	\$ 262,844	\$ -	\$ -
Preferred securities	23,845	23,845	-	-
Open end mutual funds	<u>465,168</u>	<u>465,168</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 751,857</u>	<u>\$ 751,857</u>	<u>\$ -</u>	<u>\$ -</u>

### NOTE M. SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions subsequent to December 31, 2016 through **REPORT DATE**, the date these financial statements were available to be issued. As required by the Subsequent Events Topic of the FASB Accounting Standards Codification, the Association is not aware of any subsequent events which would require recognition or disclosure in the financial statements.