

**EISNERAMPER**

**SECURITY COUNCIL REPORT, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 and 2019**



# SECURITY COUNCIL REPORT, INC.

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Security Council Report, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Security Council Report, Inc. ("SCR"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

SCR's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Security Council Report, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*EisnerAmper LLP*

EISNERAMPER LLP  
New York, New York  
June 4, 2021



# SECURITY COUNCIL REPORT, INC.

## Statements of Financial Position

	December 31,	
	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,668,435	\$ 895,299
Grants receivable, net	478,900	1,555,118
Security deposit	166,012	166,012
Prepaid expenses and other assets	44,269	45,397
	<u>\$ 2,357,616</u>	<u>\$ 2,661,826</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 170,259	\$ 151,477
Line of credit	13,463	10,110
Paycheck Protection Program loan payable	267,300	-
Deferred rent obligation	149,338	139,023
	<u>600,360</u>	<u>300,610</u>
Total liabilities		
	<u>600,360</u>	<u>300,610</u>
Commitment and Other Uncertainty (Notes E and J)		
Net assets:		
Without donor restrictions (including cumulative foreign currency losses of \$64,587 and \$91,861 in 2020 and 2019, respectively)	<u>1,278,356</u>	<u>751,938</u>
With donor restrictions:		
Time restricted for future periods	68,228	461,330
Purpose restrictions	410,672	1,147,948
	<u>478,900</u>	<u>1,609,278</u>
Total net assets with donor restrictions		
	<u>478,900</u>	<u>1,609,278</u>
Total net assets	<u>1,757,256</u>	<u>2,361,216</u>
	<u>\$ 2,357,616</u>	<u>\$ 2,661,826</u>

# SECURITY COUNCIL REPORT, INC.

## Statements of Activities

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public support:</b>						
Grants and contributions	\$ 1,666,358	\$ 221,434	\$ 1,887,792	\$ 1,337,043	\$ 2,440,480	\$ 3,777,523
Other income	<u>23,923</u>	<u>-</u>	<u>23,923</u>	<u>16,478</u>	<u>-</u>	<u>16,478</u>
Total public support before release of restrictions	1,690,281	221,434	1,911,715	1,353,521	2,440,480	3,794,001
Net assets released from restrictions	<u>1,351,812</u>	<u>(1,351,812)</u>	<u>-</u>	<u>1,124,153</u>	<u>(1,124,153)</u>	<u>-</u>
Total public support	<u>3,042,093</u>	<u>(1,130,378)</u>	<u>1,911,715</u>	<u>2,477,674</u>	<u>1,316,327</u>	<u>3,794,001</u>
<b>Expenses:</b>						
Program services	<u>2,034,157</u>	<u>-</u>	<u>2,034,157</u>	<u>2,115,508</u>	<u>-</u>	<u>2,115,508</u>
Supporting services:						
Management and general	382,946	-	382,946	359,685	-	359,685
Fund-raising	<u>125,846</u>	<u>-</u>	<u>125,846</u>	<u>125,922</u>	<u>-</u>	<u>125,922</u>
Total supporting services	<u>508,792</u>	<u>-</u>	<u>508,792</u>	<u>485,607</u>	<u>-</u>	<u>485,607</u>
Total expenses	<u>2,542,949</u>	<u>-</u>	<u>2,542,949</u>	<u>2,601,115</u>	<u>-</u>	<u>2,601,115</u>
Change in net assets before foreign currency translation gains	499,144	(1,130,378)	(631,234)	(123,441)	1,316,327	1,192,886
Foreign currency translation gains	<u>27,274</u>	<u>-</u>	<u>27,274</u>	<u>11,487</u>	<u>-</u>	<u>11,487</u>
<b>Change in net assets</b>	<b>526,418</b>	<b>(1,130,378)</b>	<b>(603,960)</b>	<b>(111,954)</b>	<b>1,316,327</b>	<b>1,204,373</b>
Net assets, beginning of year	<u>751,938</u>	<u>1,609,278</u>	<u>2,361,216</u>	<u>863,892</u>	<u>292,951</u>	<u>1,156,843</u>
<b>Net assets, end of year</b>	<b><u>\$ 1,278,356</u></b>	<b><u>\$ 478,900</u></b>	<b><u>\$ 1,757,256</u></b>	<b><u>\$ 751,938</u></b>	<b><u>\$ 1,609,278</u></b>	<b><u>\$ 2,361,216</u></b>

See notes to financial statements.

## SECURITY COUNCIL REPORT, INC.

### Statements of Functional Expenses

	Year Ended December 31,							
	2020				2019			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Informational Product Services	Management And General	Fund-raising	Total	Informational Product Services	Management And General	Fund-raising	Total
Salaries and benefits	\$ 1,475,719	\$ 280,200	\$ 112,080	\$ 1,867,999	\$ 1,462,312	\$ 260,034	\$ 111,147	\$ 1,833,493
Occupancy	319,835	49,498	11,423	380,756	315,995	47,510	12,154	375,659
Publications	73,224	-	-	73,224	158,837	-	-	153,837
Insurance	10,890	1,685	389	12,964	10,500	1,579	403	12,482
Professional fees	62,474	11,676	-	74,150	48,901	12,011	-	60,912
Telephone	10,444	1,616	373	12,433	9,946	1,447	370	11,763
Office expenses	8,163	930	215	9,308	12,828	1,523	390	14,741
Information technology	38,264	5,923	1,366	45,553	32,110	4,828	1,235	38,173
Catering expenses	-	-	-	-	-	2,387	-	2,387
Travel	24,658	119	-	24,777	27,390	203	223	27,816
Meetings and conferences	8,130	-	-	8,130	40,689	-	-	40,689
Bad debt expense	-	-	-	-	-	25,159	-	25,159
Other	2,356	31,299	-	33,655	1,000	3,004	-	4,004
Total expenses per statements of activities	<u>\$ 2,034,157</u>	<u>\$ 382,946</u>	<u>\$ 125,846</u>	<u>\$ 2,542,949</u>	<u>\$ 2,115,508</u>	<u>\$ 359,685</u>	<u>\$ 125,922</u>	<u>\$ 2,601,115</u>

See notes to financial statements.

## SECURITY COUNCIL REPORT, INC.

### Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (603,960)	\$ 1,204,373
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	-	25,159
Changes in:		
Grants receivable, net	1,076,218	(1,109,566)
Prepaid expense and other assets	1,128	(16,630)
Accounts payable and accrued expenses	18,781	21,958
Deferred rent obligation	10,315	21,434
Net cash provided by operating activities	<u>502,482</u>	<u>146,728</u>
<b>Cash flows from financing activities:</b>		
Proceeds under line-of-credit agreement	70,510	61,087
Principal payments under line-of-credit agreement	(67,156)	(68,390)
Proceeds from Paycheck Protection Program loan	<u>267,300</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>270,654</u>	<u>(7,303)</u>
<b>Increase in cash and cash equivalents</b>	<b>773,136</b>	<b>139,425</b>
Cash and cash equivalents, beginning of year	<u>895,299</u>	<u>755,874</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 1,668,435</u></b>	<b><u>\$ 895,299</u></b>

## SECURITY COUNCIL REPORT, INC.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### [1] Organization:

Security Council Report, Inc. ("SCR"), a not-for-profit organization incorporated in New York, was established in 2004 to provide timely, accurate and objective information and analysis on the activities of the United Nations Security Council (the "Security Council"). This information and analysis is provided for the benefit of member states of the United Nations, particularly the ten elected members of the Security Council, but also the wider United Nations membership, the United Nations Secretariat and the public.

SCR is incorporated as a not-for-profit corporation and exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws.

##### [2] Basis of accounting:

The financial statements of SCR have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

##### [3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

##### [4] Cash and cash equivalents:

For financial-reporting purposes, SCR considers all highly liquid investments, with maturities of three months or less, to be cash equivalents.

##### [5] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their appropriate fair values at the dates of donation. SCR capitalizes items of property and equipment that have a cost of \$5,000 or more and a useful life greater than one year, of which there are none as of December 31, 2020 and 2019.

##### [6] Paycheck Protection Program loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and qualifying expenditures during the coronavirus ("COVID-19") pandemic. During 2020, SCR applied for and received PPP funds.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. SCR has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470, *Debt*. SCR is in the process of applying for loan forgiveness, which will be recognized when the application is formally approved by the bank and the SBA; however, no assurance can be provided that SCR will be eligible for forgiveness, in whole, or in part (see Note F).



## SECURITY COUNCIL REPORT, INC.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [7] Accrued vacation:

SCR's employees are entitled to be paid for unused vacation time if they leave SCR. Accordingly, at each year-end, SCR must recognize a liability for the amount that would be incurred if employees with such unused vacation were to leave. The accrued vacation obligation for 2020 and 2019 was approximately \$125,000 and \$108,000, respectively, and is included in accounts payable and accrued expenses, respectively, in the accompanying statements of financial position.

##### [8] Deferred rent:

For financial statement purposes, the difference between rent expense incurred by SCR on an accrual basis and the rent amounts paid in cash, as well as the unamortized portion of rent concessions and landlord contributions to leasehold improvement projects, is reported as deferred rent payable in the accompanying statements of financial position.

##### [9] Net assets:

SCR's net assets and changes therein are classified and reported as follows:

###### (i) *Net assets without donor restrictions:*

Net assets without donor restrictions represent those resources that are not subject to donor-imposed restrictions and are available for current operations.

###### (ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the accompanying statements of activities as "net assets released from restrictions."

##### [10] Revenue recognition:

The operations of SCR are financed principally by foundation grants and contributions received from foreign governments. Grants and contributions are recognized as revenue upon the receipt of either cash or other assets, or unconditional pledges. Grants and contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional grants and contributions are recorded when the conditions have been met, and, if received in advance, are recognized in the statement of financial position as funds received in advance. Grants and contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

During 2020, SCR received grants from various donors including; \$88,721 from Ireland, \$413,655 from Norway, \$148,719 from Denmark and \$130,000 from Switzerland. During 2019, SCR received grants from various donors including; \$83,232 from Ireland, \$395,679 from Norway, \$248,361 from Denmark and \$130,000 from Switzerland. All funds were disbursed and spent per the respective grant agreement guidelines. These grants are included in the accompanying statements of activities as "grants and contributions."

## SECURITY COUNCIL REPORT, INC.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [11] Functional allocation of expenses:

The costs of providing SCR's programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by natural classification and function. Accordingly, certain costs that are directly attributable to a specific functional area of SCR are reported as an expense to the appropriate program or supporting service. Natural expenses attributable to more than one functional expense category have been allocated among the programs and supporting services based on the time and effort spent by employees and the nature of the expense. The expenses that are allocated include occupancy, publications, professional fees, information technology and meetings and conferences.

##### [12] Income taxes:

SCR is subject to the provisions of the FASB ASC Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. Because of SCR's general tax-exempt status, management believes ASC Topic 740 has not had, and is not expected to have, a material impact on SCR's financial statements.

##### [13] Foreign currency translation:

The gains or losses on foreign currency translations are the inherent result of the process of translating into U.S. dollars, for financial-reporting purposes, those foreign grants and contributions that SCR receives as stated in their respective functional currencies. Such annual translation adjustments are not included in determining the net change in assets from operations, but they are instead disclosed as a separate component in the accompanying statements of activities. Likewise, the cumulative translation gains or losses continue to be reported as an element of net assets without donor restrictions in the accompanying statements of financial position.

##### [14] Upcoming accounting pronouncement:

In February 2016, the FASB issued its new lease accounting guidance in Accounting Standards Update ("ASU") 2016-02, *Leases*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. This ASU is required to be adopted on a modified retrospective basis. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements and related note disclosures.

##### [15] Subsequent events:

SCR evaluates subsequent events through June 4, 2021, the date at which the financial statements were available to be issued.

## SECURITY COUNCIL REPORT, INC.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE B - GRANTS RECEIVABLE

At each year-end, grants receivable consisted of the following:

	December 31,	
	2020	2019
Due in less than one year	\$ 478,900	\$1,313,742
Due in one to five years	-	295,536
	478,900	1,609,278
Less allowance for doubtful collection	-	(25,159)
Less: discount to present value, at a rate of 5.3% in 2019	-	(29,001)
	<u>\$ 478,900</u>	<u>\$ 1,555,118</u>

During 2020 and 2019, approximately 85% and 83%, respectively, of SCR's total gross grants receivable were due from three grantors.

#### NOTE C - NET ASSETS WITH DONOR RESTRICTIONS

At each year-end, net assets with donor restrictions consisted of the following:

	December 31,	
	2020	2019
Restricted for future periods	\$ 68,228	\$ 461,330
Restricted for the following purposes:		
Capacity Building Program	5,000	-
What's in Blue	126,728	311,619
Technical Assistance Program	30,132	77,159
Outreach	84,486	207,747
Monthly Forecast	164,326	551,423
	410,672	1,147,948
	<u>\$ 478,900</u>	<u>\$ 1,609,278</u>

## SECURITY COUNCIL REPORT, INC.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE C - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During each year, net assets with donor restrictions were associated with the following:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Time restrictions satisfied	<b>\$ 545,330</b>	\$ 613,261
Purpose restrictions satisfied:		
Capacity Building Program	-	19,080
What's in Blue	<b>184,891</b>	243,646
Technical Assistance Program	<b>111,233</b>	111,846
Outreach	<b>123,261</b>	136,320
Monthly Forecast	<b>387,097</b>	-
	<b>806,482</b>	510,892
	<b>\$ 1,351,812</b>	\$ 1,124,153

#### NOTE D - RELATED-PARTY TRANSACTIONS

Three and four members, respectively, of the SCR Board of Directors in 2020 and 2019, respectively, were also stewards of private foundations and/or foreign governments that are principal contributors of resources to SCR; the total amount contributed by these related parties was approximately \$506,000 and \$1,019,000 for 2020 and 2019, respectively. Total contributions from these related parties represented 27% of total contribution revenues for both 2020 and 2019.

#### NOTE E - COMMITMENT

During 2018, SCR entered into a new lease agreement for office space in New York City for a term that ends in January 2026. As discussed in Note A[8], the aggregate minimum lease payments are being amortized using the straight-line method over the lease term. The cumulative difference between rent expense attributable to SCR and amounts paid by SCR amounted to \$149,338 and \$139,023, as of December 31, 2020 and 2019, respectively, and has been reported as a deferred rent obligation in the accompanying statements of financial position. Future minimum non-cancelable annual lease payments for this space, excluding escalations for operating expense and real estate tax increases, are as follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Amount</u></b>
2021	\$ 351,012
2022	359,787
2023	375,586
2024	405,386
2025	415,521
Thereafter	<u>35,272</u>
	<b><u>\$ 1,942,564</u></b>

## SECURITY COUNCIL REPORT, INC.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE E - COMMITMENT (CONTINUED)

Rent expense for 2020 and 2019 was \$380,756 and \$375,659, respectively.

SCR's lease security deposit is held by the lessor.

#### NOTE F - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On May 3, 2020, SCR received \$267,300 in funds from the PPP and is reported as a Paycheck Protection Program loan payable in the statement of financial position at December 31, 2020. The loan matures on May 3, 2022 and bears interest at a rate of 1%. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. In accordance with SBA guidelines, required monthly principal and interest payments will begin no earlier than the end of the covered period of October 2020. SCR has ten months after the end of the covered period to apply for forgiveness of the loan. Any outstanding principal of the loan that is not forgiven under the PPP loan program at the end of the ten-month deferral period will convert to a term loan with an interest rate of 1% payable in equal installments of principal and interest over the next twenty-four months, beginning in September 2021. Until determination of forgiveness, the scheduled future principal maturities as of December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 44,180
2022	133,426
2023	<u>89,694</u>
	<u>\$ 267,300</u>

#### NOTE G - LINE OF CREDIT

SCR has a business line of credit agreement in the amount of \$35,000 with a bank and is secured by the general assets of SCR. Interest on the line is payable at a variable rate subject to the market rate and the prime rate, which at December 31, 2020 was equivalent to 24.99%. At December 31, 2020 and 2019, the outstanding balances were approximately \$14,000 and \$10,000, respectively.

#### NOTE H - RISK CONSIDERATIONS

Financial instruments that potentially subject SCR to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in high-credit-quality financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, due to the high credit quality of these institutions, management believes that SCR does not face a significant risk of loss on these accounts that would be due to the failure of these institutions.

In addition, as a percentage of its total public support in 2020 and 2019, SCR received 81% and 67%, respectively, from nine and eight grantors, respectively.

## SECURITY COUNCIL REPORT, INC.

### Notes to Financial Statements December 31, 2020 and 2019

#### NOTE I - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects SCR's financial assets available for general use within one year of the statements of financial position date:

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	<b>\$ 1,668,435</b>	\$ 895,299
Grants receivable, net	<b>478,900</b>	1,555,118
Total financial assets available within one year	<b><u>2,147,335</u></b>	<u>2,450,417</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose and time restrictions	<b><u>(478,900)</u></b>	<u>(1,609,278)</u>
Total financial assets available to meet cash general expenditures within one year	<b><u>\$ 1,668,435</u></b>	<u>\$ 841,139</u>

#### Liquidity policy:

SCR has a policy to structure its financial assets to maintain a sufficient level of operating cash to be available as its general expenditures, liabilities and other obligations come due as part of SCR's liquidity management. Additionally, SCR has access to a \$35,000 bank line of credit, as discussed in Note G, which is available for short-term liquidity needs.

#### NOTE J - OTHER UNCERTAINTY

The ongoing impact of the COVID-19 outbreak on SCR's operations and services will depend on continuing developments, including the availability of funding, all of which are highly uncertain and cannot be predicted. If SCR's funding is impacted for an extended period, SCR's operations may be materially adversely affected.