BEHIND THE NUMBERS
EARNINGS QUALITY & DIVIDEND SUSTAINABILITY RESEARCH

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Contents

Introduction of Behind the Numbers *EQ Review Rating*

Behind the Numbers clients know that we have already reviewed the quality of earnings and cash flow for dozens of companies this year. As planned, we are now releasing a new component of the service, the *EQ Review Rating.*

The Goal of the *EQ Review Rating*

Generally Accepted Accounting Principles (GAAP) give company managements significant leeway in making key assumptions that can materially impact their companies' reported earnings. The goal of the Behind the Numbers *EQ Review Rating* is to provide clients with an indication of how reliable and sustainable a company's reported revenue, earnings and cash flow figures are. Our review process incorporates not only proprietary adjustments of results and ratio analysis, but a thorough review of SEC filings, press releases and conference call transcripts to determine the degree to which management is "stretching" the reported numbers and thus increasing the risk of a disappointment when aggressive accruals invariably revert to the mean. The new rating system will allow institutional clients to quickly assess the risk level with a company and compare it to its peers and other companies at large.

It is important for clients to realize that unlike other Behind the Numbers reports, the *EQ Review Rating* does **not** incorporate an analysis of fundamental factors such as a company's market prospects, competitive situation or valuation. Therefore, a company receiving a high *EQ Review Rating* is not necessarily a buy, as it may be overvalued or about to face other headwinds such as increasing competition or changing consumer taste. The high score does let clients know that our analysis determined that there were no hidden problems in the company's reported results that might lead to a disappointment.

The Rating System

The Behind the Numbers *EQ Review Rating* ranks companies from 1 to 6.

6- Exceptionally Strong: To receive a 6, a company must have uncommonly conservative accounting policies to the point that revenue and earnings are essentially understated relative to its peers. Companies in this category are expected to have a higher possibility of reporting positive earnings surprises. Accordingly, few companies will fall into this category.

5- Strong: A 5 rating indicates that a company has no areas of concern with its reported results and we see very little risk of it disappointing due to previous results being overstated from aggressive reporting practices.

4- Acceptable: A 4 rating indicates the company may have exhibited a minor "red flag", but the severity of the issue is not yet a concern. We see very minimal risk of disappointment resulting from previous earnings or cash flow being overstated.

3- Minor Concerns: Companies receiving a 3 rating have exhibited either a larger number of or more serious warning signs than companies receiving a 4. We do not consider the likelihood of an immediate earnings disappointment to be high, but we conclude the issues mentioned deserve a higher degree of attention in the future.

2- Weak: A 2 rating indicates that a company's recent reported results have benefitted materially from aggressive accounting or unsustainable practices. Follow up work should be performed to determine the nature and extent of the problem as there is a material risk that upcoming results could disappoint as the impact of unsustainable benefits disappears.

1- Strong Concern: The 1 rating indicates that recent results are significantly overstated and that we conclude there is a high probability of a disappointment in upcoming quarters.

Going forward, all *EQ Review* initial reports and updates will disapply the current *EQ Review Rating* as well as the previous rating for reference. In addition to the numerical rating, the score may also include either a minus or plus sign. A minus sign indicates that our analysis shows the overall earnings quality of the company has worsened since the last review and there is a possibility the numerical rating will fall should the problem continue into the next quarter. Likewise, a positive sign indicates that the overall earnings quality is improving, and the company may see an upgrade in its numerical rating should the trend continue.

Key Points to Understand About the EQ Score

The *EQ Review Rating* is much more than a blind, quantitative scoring method. While we utilize proprietary adjustments, ratios and methods developed over decades of earnings quality analysis, the foundation of all of our analysis is reading recent SEC filings, press releases, conference call transcripts and in some cases, conversations with managements.

The *EQ Review Rating* is not comparable to a traditional buy/sell rating. The *Rating* is intended to specifically convey the extent to which reported earnings may be over/understated. Fundamental factors such as forecasts for future growth, increasing competition, and valuation are not reflected in the rating itself. Therefore, a high score does not in itself indicate a company is a buy, but rather indicates that recent results are a good indication of the underlying earnings and cash generation capacity of the company. A low score (1-2) will likely result in us performing a more thorough review of fundamental factors to determine if the company warrants a full-blown sell recommendation.

How Companies Are Chosen for Inclusion in the Scored Universe

Due to the high degree of attention given to each review, we will be building out the list of scored companies over time, beginning with the non-financial companies in the S&P 500. We will also exclude highly cyclical, commodity-oriented companies where results are volatile and mostly driven by price movements of the underlying commodities. In addition, we will avoid certain research-focused industries such as biotechnology where the value of the company is tied up in the future value of intellectual property currently in development.

We will be releasing scores on previously reviewed companies as the current quarter progresses. *While our scoring system will focus initially on large cap companies, we will continue to alert clients to earnings quality problems with smaller companies as they are identified.*

Once a company receives a score, it will be reviewed regularly. Institutional clients will receive summaries of reviews in the weekly issue of Behind the Numbers. There will also be a master list of scores made available on the institutional section of the website which will also be distributed by e-mail every quarter.

Welltower (WELL) Update

We are still waiting on WELL's 10-Q to see some of the details about the many recent moves the company has made. In the past, they divested troubled properties into off-balance sheet investments that Welltower owns so we would like to review if that is happening again along with how they positioned other troubled assets they just purchased and sold. The last conference call had some great attempts to spin troubled transactions into positives, so we will share some of those today. While the company did announce that supply continues to exceed demand and blamed the flu for some of the weakness in operating results, they painted an upbeat picture of dumping underperforming properties from the triple-net lease portfolio will retire some debt and make the remaining portfolio appear healthier. Apparently, the flu has never happened until 2017-18, so we should keep that in mind. Maybe someday there will be a vaccine that allows people to get a shot to lower the impact of the flu and WELL will be able to produce stronger results going forward.

We have seen several transactions of late where WELL cut lease payments on properties as well as converted them from triple-net lease to variable accounts, so it was good to see the company tout that it still has automatic rent increases and very few properties are up for lease renewal in the near future. Even when a sizeable part of what is coming due has just been changed:

> Shanka Mitra – *"I also want to point out that we have significantly derisked that cash flow stream (in Triple-Nets) as we have only $28 million of triple net, senior housing, and post acute combined leases rolling before 2024. However, $22 million of that is a well-covered Brookdale lease, and we have effectively taken care of that."*

And, as new supply comes online and continues to exceed demand, Welltower has a very unique plan of turning around older properties formerly with Brookdale (a seasoned operator) that have been underperforming in Triple-Net and some RIDEA structures – it plans to raise prices and boost occupancy:

> Shanka Mitra – *"For the 60 assets that we are transitioning away from Brookdale, we see significant opportunity for growth as occupancy recovers from around 82% and rent levels are enhanced through the implementation of the new operating plans."*

Of course, Welltower still has great assets and its trophy properties are incredible – they just can't service their debt:

Shanka Mitra – "*I'm also delighted to report that we have converted Brandywine Living from a triple net to a RIDEA structure. This portfolio of 27 communities centered around New York MSA is amongst the highest-quality real estate in our portfolio. Brandywine's portfolio has an average of 13 years with a REVPAR $7,500-plus. And through above-average margins, generates an annual NOI per unit of approximately $29,000, placing them at the top of our portfolio. Despite great operating metrics, the portfolio was over-leased and over-leveraged from day one and essentially was covering at 1.0x. We executed a classic debt-to-equity swap in the PropCo, OpCo, and management company. After this transaction, we owned 99.3% of the PropCo and OpCo and 34.9% of the management and development company. Brandywine will operate these buildings under a next-generation management contract, but we'll share the upside and downside together. We believe this structure significantly improves the alignment of interests."*

Readers know that we believe a RIDEA structure does not happen with strong performing assets. The operator of a fully leased facility would gladly pay the fixed rent and pocket the incremental profits with a triple-net lease. Only stuff with inherent problems would take a reduced rent scenario of RIDEA in exchange for splitting any potential upside if operations improve.

Mondelez International (MDLZ) EQ Review Update-6/18 Quarter

Current EQ Rating*	Previous EQ Rating
2-	NA

*For an explanation of the *EQ Review Rating* scale, please refer to the end of this report

We initiate coverage of Mondelez International (MDLZ) with an EQ Rating of 2+ (Weak).

Problems noted in the previous quarter have persisted. While the pace of increasing receivables factoring and extending payables moderated in the quarter, we remain concerned that there is a possibility of a disappointment in cash flow growth if these factors reverse in upcoming quarters.

Our concerns are as follows:

- While overall accounts receivable balances adjusted for factored receivables remain under control, the company continues to expand its use of its factoring program. While its pace of expansion has slowed, it remains elevated. We estimate the increased use of factoring has added about $100 million to recent cash flow growth.

- MDLZ continues to extend the time it is taking to pay suppliers as days payable (DSPs) rose almost 10 days over last year and 1 day from the previous quarter. While the pace of extension has slowed, we estimate extending payables has benefitted recent cash flow growth by around $200 million. We remain concerned cash flow growth could disappoint if this benefit dries up or even reverses going forward.

- The benefit of lower pension contributions will reverse in the back half of 2018 and cash restructuring costs could be higher as well.

Continued Increase in Receivables Factoring

We noted in our previous review of MDLZ that the company utilizes factoring arrangements whereby it sells receivables to third-party financial instructions in order to accelerate the receipt of cash. MDLZ has accelerated its use of its factoring programs in recent quarters. The following table shows reported receivables, factored receivables and other receivables on a days-of-sales basis for the last eight quarters:

	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Sales	$6,112	$6,765	$6,966	$6,530
Reported Trade Receivables	$2,416	$3,113	$2,691	$2,981
Factored Receivables	$719	$866	$843	$650
Adjusted Trade Receivables	$3,135	$3,979	$3,534	$3,631
Other Receivables	$818	$841	$835	$932
Total Adjusted Receivables	$3,953	$4,820	$4,369	$4,563
Reported Trade DSOs	36.1	42.0	35.3	41.7
Factored DSOs	**10.7**	11.7	11.0	9.1
Adjusted Trade DSOs	46.8	53.7	46.3	50.7
Total Adjusted Receivables DSO	59.0	65.0	57.2	63.8
Factored Rec.% of Adj. Trade Receivables	22.9%	21.8%	23.9%	17.9%

	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Sales	$5,986	$6,414	$6,770	$6,396
Reported Trade Receivables	$2,395	$3,035	$2,611	$3,019
Factored Receivables	$594	$630	$644	$589
Adjusted Trade Receivables	$2,989	$3,665	$3,255	$3,608
Other Receivables	$913	$829	$859	$895
Total Adjusted Receivables	$3,902	$4,494	$4,114	$4,503
Reported Trade DSOs	36.5	43.2	35.2	43.1
Factored DSOs	**9.1**	9.0	8.7	8.4
Adjusted Trade DSOs	45.6	52.1	43.9	51.5
Total Adjusted Receivables DSO	59.5	63.9	55.5	64.2
Factored Rec.% of Adj. Trade Receivables	19.9%	17.2%	19.8%	16.3%

From the standpoint of analyzing revenue recognition, the "adjusted trade receivables" line in the above table gives a measure of the company's overall level of trade-related receivables. While the 6/18 adjusted trade DSOs jumped by 1.3 days over the 6/17 quarter, we are not alarmed by this. However, the fact that factored receivables DSOs increased from 9.1 days to 10.7 days indicates that factoring activity remains high. Another way to analyze the level of factoring is to look at the percentage of factored receivables to total adjusted trade receivables. We can see above that factored receivables as a percentage of total trade receivables increased sequentially from 21.8% in the 3/18 quarter to 22.9% in the 6/18 quarter and was a full 300 bps above the year-ago level. While the year-over-year increase in the 6/18 quarter decelerated some from the previous two quarters, it is clear the company is still increasing its use of its factoring program, although its appears to have levelled off some in the most recent quarter.

The increased use of factoring is providing a significant benefit to reported cash flow growth. If the percentage of factored receivables had remained constant with the previous quarter, factored receivables would have been about $35 million lower and cash from operations would have been lower by a like amount. If we compare the level of factoring to last year and assume factored DSOs had remained constant, cash from operations would have been over $110 million lower. While this has been a very real benefit to cash flow growth, factoring has its limits and MDLZ cannot continue to expand the use of it indefinitely. Additionally, accelerating the receipt of cash must include a cost of financing, so the benefit does not come free. This cost will go up if interest rates rise.

DSPs continued to increase

As we noted in our initial review, MDLZ has been aggressively extending the time it takes to pay its suppliers. Accounts payables days of cost of sales (DSPs) are shown in the table below for the last eight quarters:

	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Accounts Payable	$5,248	$5,727	$5,705	$5,139
DSPs	134.1	133.4	121.2	117.9

	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Accounts Payable	$5,012	$4,897	$5,318	$4,884
DSPs	124.5	114.7	116.1	114.0

Payables have risen rapidly over the last several quarters. While payables declined sequentially in the 6/18 quarter, DSPs rose almost 10 days over the year-ago quarter and almost 1 day sequentially. The pace of extension does appear to have slowed in the 6/18 quarter. However, if we assume DSPs had remained at the year-ago level, it would have shaved over $200 million off of cash flow. Our concern is that this significant benefit to cash flow growth is now turning and could even become a headwind if suppliers pressure the company to revert to more historically normal payment patterns.

Cash Flow

MDLZ reported cash from operations of $1.182 million in the six months ended 6/18. That is up over $900 million from the $262 million in the year-ago period. However, we estimate over $100 million came from the increased use of factoring, closer to $200 million from the disproportionate increase in payables, and over $170 million from lower pension contributions. The company expects $136 million in pension contributions in the back half of the year, up from the $115 million made in the comparable 2017 period, so that tailwind reverses going forward. The timing of cash restructuring costs is difficult to estimate, but we still expect approximately $800 million in cash restructuring and implementation costs to be paid over the next several quarters. We also estimate that the company spent about $325 million in cash restructuring and implementation costs in the second half of 2017, so we do not see how lower restructuring-related cash spend will be less in the remaining six months of 2018. Given that the trailing 12-month free cash flow run rate is less than $2.5 billion as of the end of the 6/18 quarter, we still believe the company's target of $2.8 billion for all of 2018 seems like an aggressive forecast which depends on a continued extension of days payable and growth in receivables factoring.

Highly Inflationary Accounting Switch in Argentina

MDLZ disclosed in the 10-Q that the 3-year cumulative inflation rate in Argentina exceeded 100% which will trigger the use of highly inflationary accounting for its Argentinian subsidiary. Beginning on July 1, the company therefore moved to treating the US dollar as its functional currency for its Argentinian subsidiaries which account for only about 2% of revenue. We do not expect a material negative surprise from this development.

Colgate-Palmolive (CL) EQ Update- 6/18 Quarter

Current EQ Rating*	Previous EQ Rating
3+	NA

*For an explanation of the *EQ Review Rating* scale, please refer to the end of this report

We initiate coverage of Colgate-Palmolive (CL) with an EQ Rating of 3+ (Minor Concern).

Colgate (CL) has significant problems generating growth due to increasing competition from generics, consolidating retail customers and rising raw materials costs. While we are not positive on the outlook for the company and do not believe its valuation is compelling, we nonetheless consider the company's earnings and cash flows to be of sound quality. Were it not for the fact that the company cannot internally fund the buyback with free cash flow, we would likely give the company an EQ rating of 4 (Acceptable).

Our observations about the quarter include:

- Free cash flow after buyback is negative.

- We noted a minor concern in our last review that inventory DSIs had jumped over 2 days int eh 3/18 quarter. However, DSI fell back in line in the 6/18 quarter removing this point of concern.

- Advertising as a percentage of sales was flat in the quarter. The company has committed to increasing advertising spend as a percentage for the year, implying there is still a headwind to margins in the back half of the year.

Cash Flow Negative After Buyback

As the following table shows, free cash flow is not adequate to cover both the company's dividend and buyback leaving an approximate $500 million shortfall on a trailing basis.

	6/30/2018	3/31/2018	12/31/2017	9/30/2017
T12 Operating Cash Flow	$3,046	$2,979	$3,054	$3,119
T12 Capex	$540	$550	$553	$583
T12 Free Cash Flow	$2,506	$2,429	$2,501	$2,536
T12 Dividends	$1,569	$1,536	$1,529	$1,525
Dividend % of FCF	63%	63%	61%	60%
T12 Stock Repurchases	$1,435	$1,417	$1,399	$1,477
Cash After Buyback	-$498	-$524	-$427	-$466

	- 6/30/2017	- 3/31/2017	- 12/31/2016	9/30/2016
T12 Operating Cash Flow	$3,126	$3,218	$3,141	$3,158
T12 Capex	$574	$600	$593	$624
T12 Free Cash Flow	$2,552	$2,618	$2,548	$2,534
T12 Dividends	$1,520	$1,513	$1,508	$1,513
Dividend % of FCF	60%	58%	59%	60%
T12 Stock Repurchases	$1,513	$1,439	$1,335	$1,268
Cash After Buyback	-$481	-$334	-$295	-$247

Of the 7% reported increase in adjusted EPS in the 6/18 quarter, almost 2% came from a lower share count. CL's current net debt/EBITDA of 1.4 gives the company cushion to continue this rate of spend for a while, but nonetheless, the trend is unsustainable in the long term.

Inventory DSI Falls Back In-Line

We noted in a previous EQ Review of CL that the company's inventory DSI jumped to 75.1 int eh 3/18 quarter from 72.7 in the year-ago period. However, the 6/18 quarter's DSI of 72.2 was only a half a day higher that the 6/17 reading of 71.7. This alleviates any concern we currently have with the company's inventory levels. However, we do observe that CL's inventory DSIs are notably higher than the other major household products companies which have DSIs in the mid-to-high 50s range, implying CL may have some room for improvement in this area which could potentially be used to boost cash flow growth.

Air Products & Chemicals (APD) EQ Update- 6/18 Quarter

Current EQ Rating*	Previous EQ Rating
4-	NA

*For an explanation of the *EQ Review Rating* scale, please refer to the end of this report

We initiate coverage of Air Products (APD) with an EQ Rating of 4+ (Acceptable).

As we noted in our original review, APD has undergone a massive reorganization in recent years, resulting in huge asset write-offs, major divestitures and restructurings. However, this appears to all be behind the company. Going forward, we will be watching to see if the unusual charges are indeed behind APD. Currently, we see no major issues with the quality of the company's reported earnings or cash flows, although we do note below that accounts receivable DSOs did increase by a couple of days in the most recent period. We also note that we would like to see better quarterly disclosure of payables, customer advances and any unearned revenue amounts associated with the company's percentage-of-completion accounting.

Accounts Receivable DSOs Up but Not a Major Concern Yet

Accounts receivables DSOs as of the end of the 6/18 quarter jumped by 2.5 days over the year-ago period.

	6/30/2018	3/31/2018	12/31/2017	9/30/2017
Accounts Receivable DSOs	53.4	57.2	54.3	52.1

	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Accounts Receivable DSOs	50.9	57.4	55.6	56.8

DSOs are still relatively low and are not overly concerned with the quality of reported revenues in the period. Regardless, this is a point to be monitored in upcoming quarters to verify it is not the start of a trend.

Explanation for Jump in Payables and Accrued Liabilities

We note that accounts payable and accrued liabilities jumped significantly in the quarter.

	6/30/2018	3/31/2018	12/31/2017	9/30/2017
COGS	$1,545	$1,507	$1,572	$1,547
Payables and accrued liabilities	$1,968	$1,552	$1,610	$1,814
Payables and accrued liabilities DSPs	116.2	94.0	93.4	107.0

	6/30/2017	3/31/2017	12/31/2016	9/30/2016
COGS	$1,486	$1,404	$1,317	$1,348
Payables and accrued liabilities	$1,534	$1,491	$1,678	$1,652
Payables and accrued liabilities DSPs	94.2	96.9	116.3	111.9

While we are ordinarily concerned by rise in payables, trade payables account for only around a third of the total account balance with other items such as customer advances and dividends payable comprising the rest. APD does not disclose the breakdown of the account on a quarterly basis, but here is the disclosure from the FY 2017 10-K:

Trade Creditors	$659.5
Customer Advances	$438.9
Accrued Payroll	$187.1
Pension and Retirement Benefits	$22.6
Dividends Payable	$207.5
Outstanding Payments in Excess of Certain Cash Balances	$4.5
Accrued Interest Expense	$42.2
Derivative Instruments	$95.9
Severance and Other Costs	$41.5
Other	$114.6
	$1,814.3

We were initially puzzled by the fact that the payables and accrued liabilities account skyrocketed in the quarter, yet the company's cash flow statement showed that the account was a drain on cash, citing a decline in customer advances, severance payments and incentive compensation as the culprits. One would expect such a large increase in payables and accrued expenses to be a significant boost to cash flow. However, in connection with the company's Lu'An joint venture which was closed in April, the company recognized a liability for its expected cash payments on a loan made by Lu'An in the payables and accrued liabilities account. This was excluded from the statement of cash flows as it was a non-cash transaction. Therefore, the jump in that account is not a concern. However, we do note that we would like to see the company offer more detailed quarterly disclosure breaking out both trade payables and customer advances.

Retroactive Rating of Recent Updates

As we discussed in our introduction of the EQ Rating system above, we will be issuing EQ Ratings as updates are performed on companies with existing reports. Below, are some retroactive ratings on companies which were updated for the May/June quarters.

J.M. Smucker (SJM) EQ Update- 6/18 Quarter

Current EQ Rating*	Previous EQ Rating
3+	NA

*For an explanation of the EQ Rating scale, please refer to the end of this report

We initiate coverage of J.M. Smucker (SJM) with an EQ Rating of 3+ (Minor Concern).

In our 7/12/18 review of SJM, we noted that while the company faces all the major headwinds hat are pummeling the packaged food industry, we consider its earnings and cash flow quality to be among the highest in the group. It collects its accounts receivable more quickly than most of its peers and maintains relatively low, stable inventory levels. Accounts payable jumped by 4 days year over year in the June quarter. While the company joins its peers in the practice of stretching payments to suppliers, the degree of the increase and the absolute level of payables is muted compared to the rest of the group. Much of the reason we rate SJM a 3 instead of a 4 is the ongoing goodwill and intangible write-offs (again common to the group) and the fact that impairment testing revealed more goodwill is less than 1% above its fair value, implying a likelihood of future write-offs.

PepsiCo (PEP) EQ Update- 6/18 Quarter

Current EQ Rating*	Previous EQ Rating
4-	NA

*For an explanation of the EQ Rating scale, please refer to the end of this report

We initiate coverage of PepsiCo (PEP) with an EQ Rating of 4-+ (Acceptable).

In our 7/12/18 review of PEP's 6/18 quarter, we noted that the company regularly fails to exclude gains from the refranchising of bottling operations from its adjusted income figures. In the 6/18 quarter, this resulted in an apparent 10 cps earnings beat, but all but a penny of the upside came from such gains. The company prominently quantifies and discloses these items, but it would be preferable for it to exclude them from adjusted profits altogether.

We also note that accounts payable and accrued liabilities days of sales jumped by 5 days in the quarter. Given that the company does not break out payables from other items such as accrued marketing, it is difficult to determine what drove the increase.

Explanation of EQ Rating Scale

6- "Exceptionally Strong"	Indicates uncommonly conservative accounting policies to the point that revenue and earnings are essentially understated relative to the company's peers. Higher possibility of reporting positive earnings surprises
5- "Strong"	Indicates the company has no areas of concern with its reported results and we see very little risk of the company disappointing due to recent results being overstated from aggressive reporting in recent periods.
4- "Acceptable"	Indicates the company may have exhibited a minor "red flag", but the severity of the issue is not yet a concern. Minimal risk of an earnings disappointment resulting from previous earnings or cash flow overstatement
3- "Minor Concern"	Indicates the company has exhibited either a larger number of or more serious warning signs than companies receiving a 4. The likelihood of an immediate earnings or cash flow disappointment is not considered to be high, but the signs mentioned deserve a higher degree of attention in the future.
2- "Weak"	Indicates the company's recent reported results have benefitted materially from aggressive accounting. Follow up work should be performed to determine the nature and extent of the problem as there is a possibility that upcoming results could disappoint as the impact of unsustainable benefits disappears
1- "Strong Concerns"	Indicates that the company's recent results are significantly overstated and that we view a disappointment in upcoming quarters is highly likely.

Disclosure

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The authors of this report have not audited the financial statements of the companies discussed and do not represent that they are serving as independent public accountants with respect to them. They have not audited the statements and therefore do not express an opinion on them. Other CPAs, unaffiliated with Mr. Middleswart, may or may not have audited the financial statements. The authors also have not conducted a thorough "review" of the financial statements as defined by standards established by the AICPA.

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