

READ AHEAD, INC.

Financial Statements

For the Years Ended September 30, 2020 and 2019



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For the Years Ended September 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Read Ahead, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Read Ahead, Inc. (the "Organization"), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

One Pennsylvania Plaza
Suite 3200
New York, NY 10119
212.695.5003

150 Clove Road
5th Floor
Little Falls, NJ 07424
973.812.0100

6720-A Rockledge Drive
Suite 510
Bethesda, MD 20817
240.200.1400

7370A Grace Drive
Columbia, MD 21044
301.262.3262

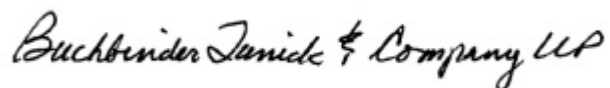
Buchbinder Tunick & Company LLP
Certified Public Accountants
buchbinder.com
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Read Ahead, Inc. as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2019, the Organization adopted new accounting guidance ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.



BUCHBINDER TUNICK & COMPANY LLP

New York, NY
August 12, 2021

READ AHEAD, INC.
Statements of Financial Position
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 1,008,228	\$ 779,584
Investments in mutual funds	10,418	-
Contributions receivable	17,460	156,140
Other receivable	45,063	-
Prepaid expenses	<u>55,714</u>	<u>39,451</u>
Total current assets	1,136,883	975,175
Office equipment (less accumulated depreciation of \$54,364 and \$49,003 at September 30, 2020 and 2019, respectively)	40,689	2,124
Security deposits	<u>45,996</u>	<u>21,918</u>
Total assets	<u>\$ 1,223,568</u>	<u>\$ 999,217</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 136,154	\$ 81,012
Deferred income	<u>312,304</u>	<u>187,382</u>
Total current liabilities	448,458	268,394
Deferred rent	<u>-</u>	<u>7,166</u>
Total liabilities	<u>448,458</u>	<u>275,560</u>
Commitments		
Net assets:		
Without donor restrictions	775,110	682,157
With donor restrictions	<u>-</u>	<u>41,500</u>
Total net assets	<u>775,110</u>	<u>723,657</u>
Total liabilities and net assets	<u>\$ 1,223,568</u>	<u>\$ 999,217</u>

See notes to financial statements.

READ AHEAD, INC.
Statement of Activities
For the year ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020
Revenue:			
Contributions	\$ 783,613	\$ -	\$ 783,613
Grants - Foundation	59,000	-	59,000
Grants - government	201,330	-	201,330
	1,043,943	-	1,043,943
Event income	517,236	-	517,236
Less: costs of direct benefits to donors	37,680	-	37,680
Net event income	479,556	-	479,556
Interest income	390	-	390
Other income	46,439	-	46,439
Net (loss) on sale of investments	(791)	-	(791)
Contributed goods and services	156,144	-	156,144
Net assets released from purpose restrictions	41,500	(41,500)	-
Total revenue	1,767,181	(41,500)	1,725,681
Expenses:			
Program services:			
Reading and mentoring activities with schoolchildren	1,231,340	-	1,231,340
Supporting activities:			
Management and general	200,681	-	200,681
Fundraising	242,207	-	242,207
Total expenses	1,674,228	-	1,674,228
Change in net assets	92,953	(41,500)	51,453
Net assets:			
Beginning of year	682,157	41,500	723,657
End of year	\$ 775,110	\$ -	\$ 775,110

See notes to financial statements.

READ AHEAD, INC.
Statement of Activities (Continued)
For the year ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2019
Revenue:			
Contributions	\$ 546,227	\$ 45,000	\$ 591,227
Grants - Foundation	55,250	-	55,250
	601,477	45,000	646,477
Event income	856,498	-	856,498
Less: cost of direct benefits to donors	105,523	-	105,523
Net event income	750,975	-	750,975
Interest income	512	-	512
Other income	1,457	-	1,457
Net gain on sale of investments	162	-	162
Contributed goods and services	78,205	-	78,205
Net assets released from purpose restrictions	3,500	(3,500)	-
Total revenue	1,436,288	41,500	1,477,788
Expenses:			
Program services:			
Reading and mentoring activities with schoolchildren	1,010,180	-	1,010,180
Supporting activities:			
Management and general	128,914	-	128,914
Fundraising	297,042	-	297,042
Total expenses	1,436,136	-	1,436,136
Change in net assets	152	41,500	41,652
Net assets:			
Beginning of year	682,005	-	682,005
End of year	\$ 682,157	\$ 41,500	\$ 723,657

See notes to financial statements.

READ AHEAD, INC.
Statement of Functional Expenses
For the year ended September 30, 2020

	<u>Total</u>	Program	Supporting Activities	
		Services	Management	Fundraising
		<u>Reading and</u>	<u>and General</u>	
		<u>Mentoring</u>		<u>Fundraising</u>
Salaries	\$ 996,032	\$ 797,124	\$ 42,232	\$ 156,676
Payroll taxes	89,847	71,904	3,810	14,133
Payroll expenses	10,013	8,013	425	1,575
Rent	65,012	52,029	2,757	10,226
Telephone	11,253	8,607	(31)	2,677
Stationery, printing and postage	1,141	576	275	290
Insurance	23,216	18,580	984	3,652
Employee benefits	101,389	81,142	4,299	15,948
Promotional materials	8,096	8,096	-	-
Depreciation	5,359	-	5,359	-
School recognition events	17,116	17,116	-	-
Subscriptions	20,385	14,098	2,235	4,052
Professional fees	63,910	6,166	53,406	4,338
Meals and entertainment	4,783	1,141	1,631	2,011
Travel	10,946	9,060	1,849	37
Staff training	12,349	12,349	-	-
Filing fees	125	-	125	-
Credit card fees	19,717	-	-	19,717
Computer and website services	28,905	23,444	823	4,638
Office supplies	25,896	21,328	2,426	2,142
In-kind expense	156,144	80,567	75,577	-
Miscellaneous	2,594	-	2,499	95
Total expenses	<u>\$ 1,674,228</u>	<u>\$ 1,231,340</u>	<u>\$ 200,681</u>	<u>\$ 242,207</u>

See notes to financial statements.

READ AHEAD, INC.
Statement of Functional Expenses (Continued)
For the year ended September 30, 2019

	<u>Total</u>	Program Services	Supporting Activities	
		<u>Reading and Mentoring</u>	<u>Management and General</u>	<u>Fundraising</u>
Salaries	\$ 826,588	\$ 598,780	\$ 58,109	\$ 169,699
Payroll taxes	78,748	57,045	5,536	16,167
Payroll expenses	6,753	4,892	475	1,386
Rent	91,845	66,532	6,457	18,856
Telephone	17,105	13,684	855	2,566
Stationery, printing and postage	2,295	1,836	115	344
Insurance	25,573	18,525	1,798	5,250
Employee benefits	94,650	68,564	6,654	19,432
Promotional materials	1,072	1,072	-	-
Depreciation	1,475	-	1,475	-
Books and program materials	128	128	-	-
Pension processing fees	2,911	-	2,911	-
School buses	14,250	14,250	-	-
School recognition events	9,599	9,599	-	-
Subscriptions	14,162	11,330	708	2,124
Professional fees	84,019	17,965	32,654	33,400
Meals and entertainment	3,818	2,176	1,642	-
Travel	7,595	6,075	760	760
Staff training	9,752	9,752	-	-
Filing fees	140	-	140	-
Credit card fees	20,462	-	-	20,462
Computer and website services	9,722	7,043	683	1,996
Office supplies	28,077	22,461	2,808	2,808
In-kind expense	78,205	78,205	-	-
Miscellaneous	7,192	266	5,134	1,792
Total expenses	\$ 1,436,136	\$ 1,010,180	\$ 128,914	\$ 297,042

See notes to financial statements.

READ AHEAD, INC.
Statements of Cash Flows
For the years ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 51,453	\$ 41,652
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,359	1,475
Net loss (gain) on sale of investments	791	(162)
Changes in operating assets and liabilities:		
Decrease (increase) in contributions receivable	138,680	(95,850)
(Increase) in other receivable	(45,063)	-
(Increase) in prepaid expenses	(16,263)	(4,710)
(Increase) in security deposits	(24,078)	-
Increase in accounts payable and accrued expenses	55,142	26,777
Increase in deferred income	124,922	27,789
(Decrease) in deferred rent	(7,166)	(14,752)
Net cash provided by (used in) operating activities	283,777	(17,781)
Cash flows from investing activities:		
(Purchase of) furniture and equipment	(43,925)	(1,077)
Sale of investments	31,652	10,436
(Purchase of) investments	(42,860)	(10,274)
Net cash (used in) investing activities	(55,133)	(915)
Net increase (decrease) in cash	228,644	(18,696)
Cash:		
Beginning of year	779,584	798,280
End of year	\$ 1,008,228	\$ 779,584

See notes to financial statements.

READ AHEAD, INC.
Notes to Financial Statements
September 30, 2020 and 2019

Note 1 - Nature of Operations

Read Ahead, Inc. (the "Organization"), formerly Everybody Wins Organization Inc., is a corporation which was organized in the State of New York as a not-for-profit entity on March 7, 1991.

The purpose of the Organization is to recruit, train and supervise corporate employees and other members of the community who engage in reading and mentoring activities with schoolchildren.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The Organization's net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – net assets subject to donor-imposed stipulations. These stipulations may be met either by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained permanently.

Revenue is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions whose restrictions are met in the year of contribution are reported as net assets without donor restrictions.

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuation

Investment in common stock is stated at fair value as determined by quoted market prices.

Contributions Receivable

The Organization carries its contributions receivable at cost, less an allowance for doubtful accounts as needed. On a periodic basis the Organization evaluates its contributions receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections, and current credit conditions. No allowance for doubtful accounts was deemed necessary by management as of September 30, 2020 and 2019.

Equipment

It is the Organization's policy to capitalize equipment over \$1,000. Lesser amounts are expensed. Purchased equipment is capitalized at cost. Donations of equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted contributions. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which is 3-5 years for furniture and computer equipment, and the life of the lease for the leasehold improvements.

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions of Securities

Contributions of securities are recorded at their fair value at the date of the contribution.

Sources of Revenue

Sources of revenue for the Organization's services are provided by contributions from individuals, corporations and private organizations, its annual fundraising event, as well as from other fundraising events.

Functional Expenses

In the accompanying statements of activities, expenses have been reported by their functional classification, a method of grouping expenses according to the purpose for which they were incurred. The primary functional classifications are program services and supporting activities. Program services are the activities that result in services being provided that fulfill the purposes or mission for which the organization exists. Supporting activities are all activities of an organization other than program services.

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, payroll taxes, and employee benefits	Time and effort
Rent	Time and effort
Telephone	Time and effort
Stationery, printing, and postage	Time and effort
Promotional materials, books and program materials, school buses	Purpose of expenditure
Insurance	Purpose of expenditure
Professional fees	Purpose of expenditure
School recognition events	Purpose of expenditure
Subscriptions	Time and effort
Travel, meals and entertainment	Purpose of expenditure
Credit card fees	Purpose of expenditure
In-kind expense	Time and effort
Computer and website services	Purpose of expenditure
Office supplies	Time and effort
Staff training	Purpose of expenditure
Miscellaneous	Time and effort
Depreciation	Time and effort

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributed Goods and Services

Contributed goods and services are recognized if the goods or services received: (a) create or enhance long-lived assets, or (b) required specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization recognizes contributed goods and services for professional fees and books that were utilized principally in the Organization's program operations during the years ended September 30, 2020 and 2019. These contributed goods and services have been recorded at their approximate fair value. Contributed goods and services for the years ended September 30, 2020 and 2019 totaled \$156,144 and \$78,205, respectively.

Income Taxes

The Organization files an annual Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service (the "IRS"). At September 30, 2020, the Organization's Form 990s for the years 2017 through 2020 remain eligible for examination by the IRS.

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2020 and 2019

Note 3 - Concentrations of Credit Risk

Financial instruments that subject the Organization to concentrations of credit risk include cash. The Organization maintains an account at a high quality financial institution and its deposit balance may, at times, exceed federally insured limits. The Organization has not experienced any losses on this account.

Note 4 - Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Note 5 - Commitments

The Organization relocated during the year ended September 30, 2009 from its previous location and leased office space under an operating lease which expired in the current year. Total rent expense was \$65,012 and \$91,843 for the years ended September 30, 2020 and 2019, respectively. During the year, the Organization signed an agreement to move to a different location in the same building under an operating lease which expires in November 2027.

The future minimum annual rental commitments as of September 30, 2020 are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2021	\$ 131,088
2022	141,782
2023	145,681
2024	162,523
2025	166,992
Thereafter	<u>377,271</u>
Total	<u>\$ 1,125,337</u>

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2020 and 2019

Note 6 - Fair Value Measurements

Financial Accounting Standards Board (“FASB”) *Accounting Standards Codification* (“ASC”) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. It defines fair value as an exit price, which is the price that would be received for an asset or paid to transfer a liability in the Organization’s principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date.

The fair value hierarchy generally requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity’s own assumptions based on market data and the entity’s judgments about the assumptions that market participants would use in pricing the asset or liability, and are to be developed based on the best information available in the circumstances.

The Organization determines the fair market value of its investments in securities based on the established fair value definition and hierarchy levels. The three levels within the hierarchy that may be used to measure fair value are:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs, including Level 1 prices that have been adjusted; quoted prices for similar assets or liabilities; quoted prices in markets that are less active than traded exchanges; and other inputs that are observable or can be substantially corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities.

The lowest level of input that is a significant component of the fair value measurements determines the placement of the entire fair value measurement in the hierarchy. The Organization’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels.

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2020 and 2019

Note 6 - Fair Value Measurements (Continued)

The following is a description of the valuation methods used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2020.

Mutual funds:

Mutual funds are valued at the net asset value of the shares held by the Organization at year end. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

The preceding valuation methods may produce a fair value calculation 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 following table sets forth, by level, the Organization's assets that were accounted for at fair value on a recurring basis as of September 30, 2020:

Investments in securities:

	<u>Total Fair Value</u>	<u>Quoted Prices (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Investments at fair value:				
Mutual funds:				
Index funds	\$ 10,418	\$ 10,418	\$ -	\$ -
Total investments	<u>\$ 10,418</u>	<u>\$ 10,418</u>	<u>\$ -</u>	<u>\$ -</u>

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2020 and 2019

Note 6 - Fair Value Measurements (Continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the years ended September 30, 2020 and 2019, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 7 - Retirement Plan

Beginning in November 2013, the Organization sponsors a defined contribution 403(b) plan (the "Plan") covering all eligible employees of the Organization. The Organization makes annual contributions to the Plan equal to a percentage determined by the Organization prior to the end of each year. The Organization made a contribution of \$18,296 and \$12,953 for the years ended September 30, 2020 and 2019, respectively.

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions at September 30, 2020 and 2019 are being held in cash and are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Specific purpose:		
Full-time Chief of Staff	\$ -	\$ 41,500

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2020 and 2019

Note 9 - Availability and Liquidity

Financial assets consist of the following at September 30, 2020 and 2019:

	2020	2019
Financial assets at year end:		
Cash	\$ 1,008,228	\$ 779,584
Contributions receivable	17,460	156,140
Total financial assets	1,025,688	935,724
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
Less net assets with purpose restrictions to be met in less than a year	-	-
	-	-
Financial assets available to meet general expenditures over the next twelve months	\$ 1,025,688	\$ 935,724

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$360,000). As part of its liquidity plan, excess cash is maintained in interest-bearing bank accounts at an FDIC insured institution.

Note 10 - Paycheck Protection Program Loan

The Organization applied for the Paycheck Protection Program Loan ("PPP Loan") to assist in paying its employees and certain other qualifying expenses during the COVID-19 crisis. On May 1, 2020, the Organization received \$201,330 of loan proceeds from Chase Bank. The Organization has used all of the proceeds of the PPP Loan to pay its qualified expenses, as defined in the SBA PPP loan requirements, and substantially met all conditions. Therefore, in May 2021, the Organization submitted its application for loan forgiveness.

On May 17, 2021, the forgiveness of the \$201,330 loan under the Paycheck Protection Program was approved and is shown in the Statement of Activities as "Grants – government".

READ AHEAD, INC.
Notes to Financial Statements (Continued)
September 30, 2020 and 2019

Note 10 - Paycheck Protection Program Loan (Continued)

Consequently, the Organization has elected to recognize the entire loan balance as income, as allowed under FASB ASC 958-605, *Not-for-Profit (NFP) Entities – Revenue Recognition*. Under this ASC, the PPP Loan forgiveness is dependent on meeting certain conditions and would be considered a conditional contribution. Conditional contributions are recognized as income when the conditions on which they depend are met.

Note 11 - Subsequent Events

The Organization has evaluated subsequent events and transactions through August 12, 2021, the date that the financial statements were available to be issued.

On February 4, 2021, the Organization received a second PPP Loan in the amount of \$199,437, also from Chase Bank. The Organization intends to apply for forgiveness of the loan, on the basis that it used the proceeds for eligible expenses, which will be subject to government approval which cannot be assured.