

**FIRST DESCENTS
and Subsidiary
(a non-profit corporation)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2020

**FIRST DESCENTS
and Subsidiary
(a non-profit corporation)**

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ROBERT R. FEIS, CPA

INDEPENDENT AUDITORS' REPORT

Board of Directors
First Descents
Denver, CO

Opinion

We have audited the accompanying financial statements of First Descents (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of First Descents and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about First Descents' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 First Descents' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about First Descents' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Feis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
Brighton, CO

December 16, 2022

**FIRST DESCENTS
and Subsidiary
(a non-profit corporation)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

| | <u>2020</u> |
|--|----------------------------|
| <u>ASSETS</u> | |
| Assets: | |
| Cash and cash equivalents | \$ 5,934,592 |
| Contributions and grants receivable, net | 882,735 |
| Prepaid expenses | 190,979 |
| Other assets | 146,155 |
| Furniture and equipment, net | 30,473 |
| Total Assets | \$ <u>7,184,934</u> |
| <u>LIABILITIES AND NET ASSETS</u> | |
| Liabilities | |
| Accounts payable | \$ 23,266 |
| Accrued liabilities | 10,565 |
| Deferred revenue | 1,516,774 |
| Short term debts | 36,412 |
| PPP Loan | 257,561 |
| Total Liabilities | <u>1,844,578</u> |
| Net Assets: | |
| With donor restrictions | 702,710 |
| Without donor restrictions: | |
| Undesignated | 3,887,646 |
| Board designated | 750,000 |
| | <u>4,637,646</u> |
| Total Net Assets | <u>5,340,356</u> |
| Total Liabilities and Net Assets | \$ <u>7,184,934</u> |

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

**FIRST DESCENTS
and Subsidiary
(a non-profit corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Totals 2020</u> |
|--|---------------------------------------|------------------------------------|------------------------|
| Revenues: | | | |
| Individual contributions, net | \$ 188,088 | \$ 682,879 | \$ 870,967 |
| Corporate contributions, net | 146,659 | 172,590 | 319,249 |
| Foundations and other organizations | 3,206,612 | 364,524 | 3,571,136 |
| Program services revenue | 1,318,520 | - | 1,318,520 |
| Special events, net | (2,250) | - | (2,250) |
| In-kind donations | 159,834 | - | 159,834 |
| Other income, net | 23,106 | - | 23,106 |
| Net assets released from restrictions: | | | |
| Satisfaction of use restrictions | 1,734,486 | (1,734,486) | - |
| Total Revenues | <u>6,775,055</u> | <u>(514,493)</u> | <u>6,260,562</u> |
| Expenses: | | | |
| Program Services: | | | |
| Adventure programs | <u>2,611,312</u> | <u>-</u> | <u>2,611,312</u> |
| | 2,611,312 | - | 2,611,312 |
| Supporting services: | | | |
| Management and general | 668,436 | - | 668,436 |
| Fundraising | <u>619,022</u> | <u>-</u> | <u>619,022</u> |
| Total supporting services | 1,287,458 | - | 1,287,458 |
| Total Expenses | <u>3,898,770</u> | <u>-</u> | <u>3,898,770</u> |
| Change in Net Assets | 2,876,285 | (514,493) | 2,361,792 |
| Acquisition - Stoke Broker | 435,500 | - | 435,500 |
| Net Assets at Beginning of Year | <u>1,325,861</u> | <u>1,217,203</u> | <u>2,543,064</u> |
| Net Assets at End of Year | <u>\$ 4,637,646</u> | <u>\$ 702,710</u> | <u>\$ 5,340,356</u> |

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

FIRST DESCENTS
and Subsidiary
(a non-profit corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | | | | 2020 Total Functional Expenses |
|---|---------------------|-------------------------|-------------------|---|
| | Programs | Management & General | Fundraising | |
| Direct program expenses | \$ 1,539,459 | \$ - | \$ - | \$ 1,539,459 |
| Salaries and wages | 632,637 | 479,290 | 325,389 | 1,437,316 |
| Payroll taxes and benefits | 136,293 | 55,039 | 83,971 | 275,303 |
| Contract services | 5,021 | 929 | 4,402 | 10,352 |
| Occupancy | 95,782 | 26,402 | 40,102 | 162,286 |
| Office expenses | 2,411 | 13,122 | 1,540 | 17,073 |
| Information technology | 18,994 | 3,749 | 14,663 | 37,406 |
| Travel and meals | 11,646 | 10,020 | 17,287 | 38,953 |
| Event costs | - | - | 66,454 | 66,454 |
| Insurance | 2,916 | 7,059 | 1,944 | 11,919 |
| Legal, accounting, and consulting | 135,593 | 49,403 | 22,372 | 207,368 |
| Bank and merchant fees | 3,650 | 1,758 | 30,867 | 36,275 |
| Advertising and promotion | 13,897 | 14,380 | 9,458 | 37,735 |
| Printing, postage, and shipping | 2,634 | 856 | 16,950 | 20,440 |
| Other | 290 | 2,267 | 121 | 2,678 |
| Depreciation and amortization | 10,089 | 4,162 | 4,224 | 18,475 |
| Total expenses | 2,611,312 | 668,436 | 639,744 | 3,919,492 |
| OLI project costs netted against revenue | - | - | (11,097) | (11,097) |
| Special event expenses netted against revenue | - | - | - | - |
| FD store expenses netted against revenue | - | - | (9,625) | (9,625) |
| Total expenses in the statement of activities | <u>\$ 2,611,312</u> | <u>\$ 668,436</u> | <u>\$ 619,022</u> | <u>\$ 3,898,770</u> |

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

FIRST DESCENTS
and Subsidiary
(a non-profit corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>2020</u> |
|---|---------------------|
| Cash flows from operating activities: | |
| Change in Net Assets, Increase (Decrease) | \$ 2,797,292 |
| Adjustments to reconcile change in assets to net cash provided (used) by operating activities: | |
| Depreciation | 18,475 |
| Change in receivables | 91,673 |
| Change in prepaid expenses | 124,145 |
| Change in other assets | (135,279) |
| Change in accounts payable | (46,950) |
| Change in other liabilities | (1,461) |
| Change in deferred revenue | 859,023 |
| Change in long term debt | 257,561 |
| Net cash provided (used) by operating activities | <u>3,964,479</u> |
| Cash flows from investing activities: | |
| Purchase of property and equipment | (25,805) |
| Net cash provided (used) by investing activities | <u>(25,805)</u> |
| Cash flows from financing activities: | |
| Debt payments | 15,572 |
| Net cash provided (used) by financing activities | <u>15,572</u> |
| Net increase in cash and cash equivalents | 3,954,246 |
| Cash and cash equivalents at beginning of period | 1,980,346 |
| Cash and cash equivalents at end of year | <u>\$ 5,934,592</u> |

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

**FIRST DESCENTS
and Subsidiary
(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies

A. Nature of the Organization

First Descents (the “Organization”) is a non-profit corporation established in 2003; formed under the laws of the State of Colorado and is located in Denver, Colorado. First Descents provides life-changing outdoor adventures to young adults impacted by cancer and other serious health conditions. As a leader in adventure-based healing, the Organization uses outdoor adventure, community building, and skills development to improve health outcomes and quality of life for young adults impacted by cancer and other serious health conditions. All services are fully adaptive and free of charge. First Descents achieves diversified revenues through events, major gifts, foundation and corporate grants, and grassroots peer-to-peer fundraising.

Stoke Broker, Inc, a wholly owned for-profit subsidiary of First Descents, was established in 2016, in the state of Montana. In April 2020, First Descents acquired ownership of Stoke Broker, Inc. via donation. Stoke Broker, Inc. creates life-defining adventures that ignite impact for private, corporate, and impact-oriented clients. (See note 9-Acquisition for further information)

When the COVID-19 outbreak occurred in 2020, First Descents canceled all its oncology and MS focused programs for the remainder of the year. The Organization was able to start providing programs focused on healthcare workers who were on the frontlines of COVID relief work.

B. Basis of Accounting

The accrual basis of accounting is used for financial statement presentation. Under the accrual method of accounting, revenues and the related assets are recognized when earned rather than when received, and expenses and the related liabilities are recognized when incurred rather than when paid.

Annual operating budgets are prepared by management and approved by the Board of Directors. The budget is used as a guideline and control document for financial operations.

See independent auditors' report.

**FIRST DESCENTS
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies – (continued)

C. Financial Statement Presentation

Financial statement presentation follows the requirements under accounting principles generally accepted in the United States of America for *Not-for-Profit Organizations*. Under this presentation the Organization is required to report information regarding its financial position and activities according to two classes of net assets; with donor restrictions and without donor restrictions. Net assets without donor restrictions come primarily from donations, grants, and contributions and are used by the Organization for program or supporting services. Net assets with donor restrictions are those net assets whose use has been limited by donors to later periods of time, after specified dates or to specified purposes.

D. Net Assets

The Organization reports all contributions and grants as unrestricted revenue unless the donor imposes specific restrictions as to the use of the contribution or grant. Net assets with donor restrictions totaled \$1,108,296 as of December 31, 2020.

E. Estimates in the Financial Statements

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

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

See independent auditors' report.

**FIRST DESCENTS
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(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies - (continued)

G. Contributions and Grants Receivable

Unconditional contributions and grants receivable are recognized as revenue in the period the pledge is received. Unconditional contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. There were no conditional grants or contributions as of December 31, 2020.

The Organization uses the allowance method to record uncollectible accounts. The allowance is based on past experience and on management's analysis of specific pledges made.

H. Prepaid Expenses

Prepaid expenses consist of expenses paid in advance of services or goods provided. The majority of such amounts are for down payments to secure outfitter services and lodging for upcoming programs and to secure facility rentals for future fundraising activities. Typically, 25-50% is paid upfront to secure the reservations and the remaining balance is paid at the time of the program or event.

I. Fair Value Measurements

The Organization has adopted the requirements of Statement of Financial Accounting Standards Codification 820, *Fair Value Measurements*. This statement requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1), inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2), and unobservable inputs from the asset or liability (Level 3).

The Organization's financial instruments include cash and cash equivalents, receivables, and accounts payable. The fair value of these financial instruments approximates their carrying amounts based on current market indicators such as prevailing interest rates and their nearness to maturity.

See independent auditors' report.

**FIRST DESCENTS
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies - (continued)

J. Property and Equipment

Property and equipment are recorded at cost or fair value, if donated, and depreciated using the straight-line method over an estimated useful life of three to seven years. All expenditures for property and equipment in excess of \$500 is capitalized. Depreciation expense for the year ended December 31, 2020 was \$18,475. Property and equipment consist of the following as of December 31, 2020:

| | |
|--|------------------|
| Equipment and Furniture | \$80,995 |
| Intangible Assets | 9,945 |
| Software | <u>5,000</u> |
| Total Property and Equipment | \$ 95,940 |
| Less: Accumulated Depreciation and Amortization | <u>65,467</u> |
| Property and Equipment, Net | <u>\$ 30,473</u> |

K. Contributions and Support

Contributions are recorded as support with or without donor restrictions, depending on the existence or nature of any donor restrictions.

All donor-restricted support is recorded as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

L. Contributed Goods and Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs and general operations throughout the year that are not recognized as contributions in the financial statements because the nature of the services does not meet the recognition criteria.

Donated goods and services meeting the criteria for recognition in the financial statements are reflected as in-kind contributions at their estimated fair market value on the date of receipt. For the year ended December 31, 2020, donated professional services amounted to \$159,834.

See independent auditors' report.

**FIRST DESCENTS
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies - (continued)

M. Advertising Costs

Advertising and marketing costs are expensed in the year incurred. Advertising expense for the year ended December 31, 2020 was \$37,736.

N. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Organization places its cash and cash equivalents with creditworthy, high-quality, financial institutions. Concentration risks associated with accounts receivable are limited as no significant balances are due from any single entity.

As of December 31, 2020, the organization's cash deposits had a carrying balance of \$5,934,592 and corresponding bank balances as follows:

| | |
|------------------------------------|-------------------------|
| Insured Deposits | \$ 809,856 |
| Cash on Hand | 1,030 |
| Uninsured Deposits | <u>5,123,706</u> |
| Total cash and cash equivalent | \$ <u>5,934,592</u> |

O. Functional Expenses

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

P. Asset Liquidity

From time to time, the Organization receives support from restricted contributions and grants. Because a donors' restriction requires resources to be used in a particular manner in a future period, The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of The Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, The Organization invests cash in excess of daily requirements in short term investments.

See independent auditors' report.

**FIRST DESCENTS
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(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies - (continued)

P. Asset Liquidity – (continued)

| | |
|------------------------------|--------------------|
| Financial assets at year end | \$ 7,206,779 |
| Less: current liabilities | <u>(1,844,578)</u> |

| | |
|---|---------------------|
| Financial assets available to meet cash needs for general expenditures within one year | \$ <u>5,362,201</u> |
|---|---------------------|

Q. Deferred Revenue

Grant revenue received in advance is deferred and recognized during the grant period. The deferred revenue balance at December 31, 2020 was \$1,516,774.

2. Income Taxes

First Descents is exempt from income tax under Internal Revenue Code Section 501(c) (3).

In accordance with accounting principles generally accepted in the United States of America, a private entity is required to disclose any material uncertain tax positions that management believes does not meet a “more-likely-than-not” standard of being sustained under an income tax audit and to record a liability for any such income tax, including penalties and related interest expense. Management has not identified any uncertain tax positions that require the recording of a liability mentioned above or further disclosure. Income tax years ending December 31, 2018 through 2020 remain subject to examination by the Internal Revenue Service.

3. Contributions and Grants Receivable

The following is a summary of unconditional contributions and grants receivable as of December 31, 2020:

| | |
|---|-------------------|
| Receivable in less than one year | \$ 620,694 |
| Receivable in one to five years | <u>297,500</u> |
| Face value of contributions and grants receivable | 918,914 |
| Less: discount to net present value | <u>(40,459)</u> |
| Total contributions and grants receivable, net | \$ <u>877,735</u> |

Amounts receivable are reflected at the present value of the estimated future cash flows using a discount of 4.5% based upon economic conditions at the time the pledges were made.

See independent auditors' report.

**FIRST DESCENTS
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. Contributions and Grants Receivable – (continued)

As of December 31, 2020, all grants and contributions receivable are deemed collectible and therefore, no allowance has been recorded on grants and contributions receivable.

4. Net Assets

Net Assets with Donor Restrictions are restricted for the following purposes as of December 31, 2020:

| | |
|----------|---------------------|
| Programs | \$ --- |
| Time | <u>1,108,296</u> |
| Total | <u>\$ 1,108,296</u> |

5. Special Events

Special events for the year ended December 31, 2020 consisted of:

| | |
|--------------------------------|------------------|
| Income | \$ 30,509 |
| Less: Direct benefit to donors | <u>---</u> |
| Special event revenue, net | <u>\$ 30,509</u> |

6. OLI Project

OLI Project for the year ended December 31, 2020 consisted of:

| | |
|--------------------------|-------------------|
| Income | \$ 239,567 |
| Less: Direct expenses | <u>(11,097)</u> |
| OLI Project revenue, net | <u>\$ 228,470</u> |

7. Operating Lease

In January 2014, the Organization entered into a lease agreement for office space in Denver, Colorado. That lease has since been amended to extend the lease term and increase the space leased. The lease was terminated as of December 31, 2020. The rent expense for 2020 was \$73,411.

See independent auditors' report.

**FIRST DESCENTS
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

8. Deferred Compensation Plan

The Organization has adopted a defined contribution plan under Internal Revenue Code Section 403(b). Under this plan employees are allowed to contribute and defer up to \$19,500 of their annual compensation. As the employer, the Organization is required to contribute an amount not to exceed four-percent (4%) of the employee's annual compensation. The employer contribution totaled 41,517 for the year ended December 31, 2020.

9. Acquisition

On April 6, 2020, First Descents (a Colorado non-profit corporation) acquired, through donation, a 100% equity interest in Stoke Broker, Inc., (a Montana corporation) anticipates that, over time, Stoke Broker, Inc., will provide the First Descents with a source of annual income for its operations. Due to its controlling interest in Stoke Broker, Inc., First Descents will report the combined activities and net position of both entities. Stoke Broker, Inc., offers custom-curated adventure experiences for individuals, companies, and nonprofit organizations. All company profits support the mission of First Descents. First Descents acquired all assets and liabilities associated with Stoke Broker, Inc.

The assets at the date of acquisition included a cash balance of \$382,711, accounts receivable balance of \$4,579, and deposits of \$344,940. The liabilities at the date of acquisition included a deferred revenue balance of \$685,902, accounts payable and accrued expenses balance of \$7,814, and credit card payables of \$9,424.

10. Functional Expense Allocation

The functional expense allocations for each entity for the year ended December 31, 2020 consisted of the following:

First Descents

| | |
|----------------------|---------------------|
| Programs | \$ 1,482,615 |
| Management & General | 231,657 |
| Development | <u>619,023</u> |
| Total | \$ <u>2,333,295</u> |

Stoke Broker, Inc.

| | |
|----------------------|---------------------|
| Programs | \$ 1,128,698 |
| Management & General | 436,779 |
| Development | <u>---</u> |
| Total | \$ <u>1,565,477</u> |

See independent auditors' report.

**FIRST DESCENTS
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(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

11. Subsequent Events

In accordance with the provisions of Statement of Financial Accounting Standards Codification 855, Subsequent Events, management must evaluate, through the date the financial statements are issued or are available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Organization's financial statements were available to be issued on the date of the Independent Accountant's Review Report and this is the date through which subsequent events were evaluated. The Organization identified the following subsequent events requiring disclosure.

The COVID-19 outbreak, which was declared a worldwide pandemic on March 11, 2020 by the World Health Organization ("WHO"), has caused business disruption in a variety of industries, markets and geographic regions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent to which the Organization's operational and financial performance will be affected is also uncertain. Therefore, while the Organization expects this matter to negatively impact their business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

See independent auditors' report.