

GOOD NEWS PARTNERS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
AUGUST 31, 2020 AND 2019

WSDD

WSDD CPAs, Ltd.
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
GOOD NEWS PARTNERS
Chicago, IL

Report of Financial Statements

We have audited the accompanying financial statements of GOOD NEWS PARTNERS (a nonprofit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities and changes in net assets, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GOOD NEWS PARTNERS as of August 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

WSDD CPAs, Ltd.

WSDD CPAs, Ltd.

Chicago, Illinois
January 29, 2021

GOOD NEWS PARTNERS
Statements of Financial Position
August 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 326,104	\$ 111,950
Note receivable		15,849
Accounts receivable, net of allowance for doubtful accounts of \$436,192 for 2020 and \$336,986 for 2019	49,598	73,650
Utility deposits	6,875	6,500
Real estate escrow	12,041	7,787
Prepaid expenses	12,322	20,800
Total Current Assets	<u>406,940</u>	<u>236,536</u>
PROPERTY AND EQUIPMENT		
Land	513,200	513,200
Buildings	2,564,629	2,564,629
Improvements	2,451,482	2,451,482
Equipment	115,553	114,424
Construction in process	12,447	
	<u>5,657,311</u>	<u>5,643,735</u>
Less: Accumulated depreciation	1,669,549	1,559,211
Net Property and Equipment	<u>3,987,762</u>	<u>4,084,524</u>
OTHER ASSETS		
Other	39,777	39,777
Advances to Co-ops	338,116	377,162
Note receivable (net of current portion)		257,169
Total Other Assets	<u>377,893</u>	<u>674,108</u>
TOTAL ASSETS	<u>\$ 4,772,595</u>	<u>\$ 4,995,168</u>

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Statements of Financial Position (Continued)
August 31, 2020 and 2019

LIABILITIES AND NET ASSETS		
	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts payable	\$ 64,395	\$ 171,541
Accrued expenses	143,501	129,896
Co-op accrued expenses	24,219	24,219
Tenant security deposits		43,519
Deferred gain		100,970
Current maturities of mortgages payable	27,182	63,763
Current portion of unsecured notes payable due to related parties	<u>378,997</u>	<u>338,377</u>
Total Current Liabilities	<u>638,294</u>	<u>872,285</u>
NON-CURRENT LIABILITIES		
Mortgages payable (net of current maturities)	2,554,222	2,765,039
Unsecured notes payable due to related parties (net of current portion)	121,045	170,000
Equity due Co-op occupants	346,681	346,681
Economic injury disaster loan	149,900	
Paycheck protection program loan	<u>176,250</u>	
Total Non-Current Liabilities	<u>3,348,098</u>	<u>3,281,720</u>
NET ASSETS		
Without donor restrictions	450,305	587,715
With donor restrictions	<u>335,898</u>	<u>253,448</u>
Total Net Assets	<u>786,203</u>	<u>841,163</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,772,595</u>	<u>\$ 4,995,168</u>

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Statements of Activities and Changes in Net Assets
For the Years Ended August 31, 2020 and 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	
			<u>2020</u>	<u>2019</u>
SUPPORT AND REVENUE				
Contributions:				
Individuals	\$ 274,192	\$ 89,800	\$ 363,992	\$ 212,006
Churches	23,651		23,651	119,598
Corporations and foundations	28,245	65,000	93,245	33,390
Government grants	230,861		230,861	232,336
Other				41,125
Program service revenue:				
Rental	812,193		812,193	770,054
Other	9,308		9,308	8,578
Investment income	10,052		10,052	18,812
(Loss) on sale of property				
Gain on sale of Fargo	100,970		100,970	
Gain on dissolution of Co-op				117,558
Miscellaneous	26,326		26,326	4,586
Net assets released from restriction	<u>72,350</u>	<u>(72,350)</u>		
Total Support and Revenue	<u>1,588,148</u>	<u>82,450</u>	<u>1,670,598</u>	<u>1,558,043</u>
EXPENSES				
Program services	1,441,867		1,441,867	1,316,928
Supporting services:				
Management and general	217,423		217,423	248,054
Fundraising	<u>66,268</u>		<u>66,268</u>	<u>87,107</u>
Total Expenses	<u>1,725,558</u>		<u>1,725,558</u>	<u>1,652,089</u>
CHANGE IN NET ASSETS	(137,410)	82,450	(54,960)	(94,046)
NET ASSETS - BEGINNING OF YEAR	<u>587,715</u>	<u>253,448</u>	<u>841,163</u>	<u>935,209</u>
NET ASSETS - END OF YEAR	<u>\$ 450,305</u>	<u>\$ 335,898</u>	<u>\$ 786,203</u>	<u>\$ 841,163</u>

GOOD NEWS PARTNERS
Statements of Cash Flows
For the Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (54,960)	\$ (94,046)
<i>Adjustments to change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation	110,338	113,082
Amortization of debt issuance costs to interest expense	35,838	9,288
(Gain) on dissolution of Co-op		(117,558)
<i>Increase (decrease) in cash due to changes in:</i>		
Advances		3,138
Note receivable	273,018	15,121
Accounts receivable	24,052	(10,723)
Utility deposits	(375)	(2,658)
Real estate escrow	(4,254)	(1,722)
Prepaid expenses	8,478	(3,381)
Other		30,313
Advances to Co-ops	39,046	(33,432)
Accounts payable and accrued expenses	(93,541)	68,597
Co-op accrued expenses		
Tenant security deposits	(43,519)	14,352
Deferred gain	(100,970)	(5,592)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>193,151</u>	<u>(15,221)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments		799
(Purchases) of property and equipment	(13,576)	(70,365)
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(13,576)</u>	<u>(69,566)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in unsecured notes payable	(8,335)	
Increase in equity due co-op occupants		12,157
(Payments) on mortgages	(283,236)	(61,501)
Proceeds from economic injury disaster loan	149,900	
Proceeds from paycheck protection program loan	176,250	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>34,579</u>	<u>(49,344)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	214,154	(134,131)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>111,950</u>	<u>246,081</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 326,104</u>	<u>\$ 111,950</u>

GOOD NEWS PARTNERS
Statements of Functional Expenses
For the Year Ended August 31, 2020
With Comparative Totals for the Year Ended August 31, 2019

	PROGRAM SERVICES										SUPPORTING SERVICES			TOTAL
	Jonquil Hotel	New Life Interim Housing	Rental Housing	Employment, UR Chicago	Education, Children and Youth	Builders and Apprentices	Ministry	Total	Management and General	Fund Raising	2020	2019		
Depreciation and amortization	\$ 18,666	\$ 10,129	\$ 78,543				\$ 2,228	\$ 109,566	\$ 36,610		\$ 146,176	\$ 122,370		
Eviction	5,023		6,597					11,620	3,484		15,104	9,702		
Exterminator		760	78					838	7,556		8,394	838		
Fees and memberships			1,845					1,845	24,691		26,536	39,530		
Food		5,621						5,621			5,621	8,954		
Fund raising events										21,068	21,068	21,400		
Housing and travel										16,255	18,382	17,155		
Insurance	3,328	7,676	23,109		1,302	596		36,011	2,127		38,138	40,477		
Interest	25,137	9,021	89,788				3,894	127,840	12,555		140,395	128,240		
Material and supplies	13,285	7,962	11,501			3,722	221	36,691	5,053		41,744	38,243		
Miscellaneous	3,336	79	6,240		225		66	9,946		331	37,022	36,982		
Office														
Payroll taxes	12,557	15,769	5,826	2,963	1,725	4,984	1,845	45,669	5,178	1,305	52,152	99,419		
Postage and mailing									2,525	3,465	5,990	3,665		
Programs							15,404	15,404		2,921	18,325	32,541		
Provision for bad debts	46,224		63,178					109,402	2		109,404	66,716		
Real estate taxes	1,178	80	57,272					58,530	145		58,675	49,540		
Rent			6,200					6,200	9,625		15,825	6,538		
Repairs and maintenance	2,281	6,590	12,758					21,629	582		22,211	15,357		
Rubbish removal	5,677		10,042					15,719	3,526		19,245	15,719		
Salaries and wages	190,747	239,548	88,502	45,003	26,204	75,709	28,020	693,733	78,650	19,831	792,214	772,861		
Telephone	1,842	1,542	925					4,309	8,124		12,433	10,958		
Training									4,195		4,195	12,872		
Transportation									10,022		10,022	1,135		
Utilities	60,719	10,085	55,466		1,326		3,698	131,294	2,773		134,067	100,877		
TOTAL EXPENSES - 2020	\$ 390,000	\$ 314,862	\$ 517,870	\$ 47,966	\$ 30,782	\$ 85,011	\$ 55,376	\$ 1,441,867	\$ 217,423	\$ 66,268	\$ 1,725,558			
TOTAL EXPENSES - 2019	\$ 324,700	\$ 261,307	\$ 456,357	\$ 101,274	\$ 30,468	\$ 116,376	\$ 26,446	\$ 1,316,928	\$ 248,054	\$ 87,107	\$ 1,652,089			

See independent auditors' report and notes to financial statements.

GOOD NEWS PARTNERS
Notes to Financial Statements
August 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Good News Partners (the "Organization"), incorporated in 1980, is a Christian community organization, striving to empower people to embody the church and to upbuild community. Our community works together through ministries of housing; youth, learning/enrichment, addiction recovery, and spiritual growth programs; job training/employment opportunities; and community development.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Included in the Organization's accounting records are buildings and improvements related to the Co-op Housing Program and their related mortgages payable and equity due Co-op owners. The Co-op Housing Program encourages home ownership and its financial responsibilities among the families it serves. The Organization acts as a financial intermediary by collecting Co-op owners' monthly assessments and remitting them to local financial institutions. Operating costs of the Co-ops are paid for by each of the Co-op Associations independently. Although in theory the Co-ops are independent of Good News Partners, the Organization can and does incur significant operating expenses and rehabilitation expenditures on their behalf and is ultimately liable for their mortgages. As the Co-ops provide cash to reduce principal on the mortgages, the Organization records an equal liability to the Co-ops. Expenses paid directly by the Co-ops are not included in these financial statements.

Basis of Presentation

In accordance with generally accepted accounting principles for non-for-profit organizations, the net assets of the Organization are reported according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. See Note 6 for the composition of net assets with donor restrictions.

Revenue Recognition

All contributions and grants are considered without donor restrictions unless otherwise specified by the donor and are recorded at fair market value at the date of donation. Restricted contributions and grants are recorded as with donor restricted revenue upon receipt and recognized as without donor restricted revenue when expenditures have been made in accordance with donor restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are presented on the statement of financial position net of estimated uncollectible amounts. The Organization records an allowance for doubtful accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. Individual uncollectible accounts are included in the statement of functional expense as bad debts and amounted to \$109,404 and \$66,716 during the years ended August 31, 2020 and 2019, respectively. The Organization recorded an allowance for doubtful accounts of \$436,192 and \$336,986 at August 31, 2020 and 2019.

Property and Equipment

Maintenance, repairs and minor replacements are expensed. Depreciation is computed using the straight-line method over the estimated useful life of five to seven years for equipment and thirty-nine years for buildings and improvements.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code. Thus no provision for income taxes has been provided in the financial statements.

Donated Services

Donation of services is vital to the success of Good News Partners. No amounts have been reflected for donated services since the services provided did not create or enhance nonfinancial assets and did not require specialized skills.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Recently Adopted Authoritative Guidance

Effective July 1, 2019, ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made was adopted. The guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. This standard was implemented to all periods presented, with no effect on net assets.

NOTE 2 - MORTGAGES PAYABLE

In July 2020, the Organization refinanced its mortgages payable with one financial institution. Debt issuance costs incurred as a result of this refinance amounted to \$53,445. These costs are amortized into interest expense over the life of the loans, which is five years. Unamortized debt issuance costs amounted to \$51,663 and \$34,056 at August 31, 2020 and 2019, respectively. During the years ended August 31, 2020 and 2019, the amount amortized into interest expense amounted to \$35,838 and \$9,288, respectively.

Mortgages payable at August 31, consisted of the following:

	<u>2020</u>	<u>2019</u>
A. Independent Co-ops with Residents Remitting		
Monthly Assessments to GNP:		
Mortgage payable at 5.05%, principal and interest in monthly installments on Esperanza Co-op, until 2020, secured by land, building and rents	\$	\$ 403,941
Mortgage payable at 4.5%, principal and interest in monthly installments on Phoenix Co-op, until 2025, secured by land, building and rents	<u>458,232</u>	<u>464,359</u>
Total	458,232	868,300
Less: Portion payable in one year	<u>6,655</u>	<u>22,357</u>
Total Long-Term Portion	<u>451,577</u>	<u>845,943</u>
B. Co-ops with Income and Expenses Included in GNP Program Services:		
Mortgage payable at 5.05%, principal and interest in monthly installments on Fargo Co-op, until 2020, secured by land, building and rents		250,714
Less: Portion payable in one year		<u>6,457</u>
Total Long-Term Portion		<u>244,257</u>
C. Non Co-op Mortgages:		
Mortgage payable at 4.5%, principal and interest in monthly installments on Jonquil Hotel, Lloyd Apartments, New Life, Jancrowe Pierce, and Ministry Center, until 2025, secured by land, building and rents	2,150,000	1,717,826
Other	<u>24,834</u>	<u>26,018</u>
Total Balance	2,174,834	1,743,844
Less: Portion payable in one year	<u>31,215</u>	<u>44,237</u>
Total Long-Term Portion	<u>2,143,619</u>	<u>1,699,607</u>
TOTAL LONG-TERM MORTGAGE DEBT	<u>\$ 2,595,196</u>	<u>\$ 2,789,807</u>

NOTE 2 - MORTGAGES PAYABLE (Continued)

Maturities of mortgages payable and amortization of debt issuance costs for the years ending August 31, are as follows:

	<u>MATURITIES</u>	<u>AMORTIZATION</u>	<u>TOTAL</u>
2021	\$ 37,871	\$ (10,689)	\$ 27,182
2022	59,008	(10,689)	48,319
2023	61,759	(10,689)	51,070
2024	64,596	(10,689)	53,907
2025	<u>2,409,833</u>	<u>(8,907)</u>	<u>2,400,926</u>
	<u>\$ 2,633,067</u>	<u>\$ (51,663)</u>	<u>\$ 2,581,404</u>

NOTE 3 - RELATED PARTIES

The Organization receives loans from its Board Members, former President and others. Interest rates on the loans vary from 0% to 5% and certain loans have no set maturity date. Statement of financial position classification is based on management's anticipated repayment schedule.

NOTE 4 - CO-OP EQUITY BUY-OUTS

As stated in Note 1, the Co-ops are independent of Good News Partners. Good News Partners encourages Co-op owners to find willing buyers for Co-op units or the Co-op Association itself to buy such units from departing owners. In the event no buyers can be found or the Co-op Association cannot fund a buy-out, Good News Partners may expend its own funds for that purpose. Good News Partners is currently working with the Phoenix Co-op, the sole Co-op owner, to update our contract.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes in future periods:

	<u>2020</u>	<u>2019</u>
Building purchases	\$ 162,645	\$ 163,774
New Life Shelter	142,353	
Youth	29,900	30,000
Other	<u>1,000</u>	<u>59,674</u>
	<u>\$ 335,898</u>	<u>\$ 253,448</u>

NOTE 6 - DEPRECIATION POLICY ON CO-OPS

The Organization had been recording depreciation of the Co-op buildings and improvements since inception of the Co-op program. When a Co-op begins operations as an independent Co-op, the Organization ceases to incur any revenue or expenses on the Co-op properties. Since no revenue or expenses are incurred by the Organization, no results of operations are matched against the depreciation expense on the Co-op properties.

NOTE 7 - BUILDING IMPROVEMENTS

Program services expense for Builders and Apprentices excludes salaries, employee benefits and material expenditures in the amount of \$0 and \$35,000 in 2020 and 2019, respectively, were capitalized as building improvements or construction in process.

NOTE 8 - ADVANCES TO CO-OPS

The Organization advances money to the Co-ops for various reasons including improvements and short-term cash flow problems. Good News Partners has classified these advances as long-term since these advances may not be repaid until the Co-ops take title to the properties. Advances are collateralized by the properties.

NOTE 9 - TAX STATUS

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes in the financial statements. Management believes that the Organization continues to qualify and to operate as designated.

Accounting standards provide guidance for how certain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's information returns to determine whether the tax position are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit and asset or expense and liability in the current year. The Organization files information returns in the U.S. federal jurisdiction and Illinois state jurisdiction. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before 2017. As of and for the year ended August 31, 2020, management has determined that there are no uncertain tax positions.

NOTE 10 - SALE OF BUILDING

As of August 31, 2014, the Fargo Building (a rental building owned by the Organization) was sold to the Fargo Co-op (an Illinois Corporation) for approximately \$542,000. The Fargo Co-op ("Fargo") is the home of the Founder, former President and current Director of Good News, Dr. Bud Ogle ("Dr. Ogle"). Dr. Ogle is also the President of the Fargo. The Fargo is not part of the Organization as of August 31, 2014, operating as a separate entity from the Organization. It is the intention of the Fargo management to operate Fargo in the spirit of the Organization to service low income families.

The sale of the building was priced at approximately \$20,000 above market value. Dr. Ogle provided all the cash invested in the transaction for the purchase of the Fargo Building. The transaction was a contract sale with deferred gain of \$126,501 recognized ratably by the Organization as Fargo repaid the balance due of approximately \$273,018 at August 31, 2019. In July 2020, the Fargo Co-op obtained a mortgage on the property and used some of the proceeds to pay the amounts due to the Organization and the remaining mortgage on the Fargo Building, which amounted to \$250,714 at August 31, 2019. As a result, the remaining deferred gain of \$100,970 was recognized during the year ended August 31, 2020.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's net financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 326,104	\$ 111,950
Note receivable		15,849
Accounts receivable	<u>49,598</u>	<u>73,650</u>
Total Financial Assets Available Within One Year	375,702	201,449
Less:		
Amounts unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	(335,898)	(253,448)
Less restricted net assets with liquidity to be met in the next year:		
Net assets with purpose restrictions to be met in the next year	<u>30,900</u>	<u>89,674</u>
	<u>(304,998)</u>	<u>(163,774)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 70,704</u>	<u>\$ 37,675</u>

The Organization maintains a policy of structuring its financial assets to be available as it general expenditures, liabilities, and obligations become due.

NOTE 12 - PAYCHECK PROTECTION PROGRAM LOAN AND ECONOMIC INJURY DISASTER LOAN

In May 2020, the Organization received a \$176,250 loan, under the Paycheck Protection Program ("PPP loan"), implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act. The Organization is eligible for loan forgiveness of up to 100% of the PPP loan, upon meeting certain SBA requirements including using the PPP loan proceeds to pay qualified expenses such as payroll costs and maintaining specified levels of payroll and employment. Management intends to apply for forgiveness of the PPP loan with respect to these covered expenses. To the extent that all or part of the PPP loan is not forgiven, the Organization will be required to pay interest on the PPP loan at a rate of 1.0% per annum and commence principal and interest payments through the maturity date in May 2022. The PPP loan is uncollateralized and is fully guaranteed by the SBA.

In August 2020, the Organization received an Economic Injury Disaster Loan ("EIDL loan") of \$149,900, through the SBA. Proceeds of the EIDL loan can be used to cover working capital and operating expenses. The EIDL loan is collateralized by the general assets of the Organization.

NOTE 13 - NEW ACCOUNTING STANDARDS UPDATE

In May 2014, the FASB Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers ("Topic 606"). The ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB ASC Topic 605, Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. The new guidance will be effective for the year ending August 31, 2021.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which will supersede the current lease recording requirements in Topic 842. The ASU looks to increase transparency and comparability by conforming US GAAP with International Accounting Standards as it relates to leases. The new standard will require that all leases, including operating leases, be included on the balance sheet as a "right of use" asset with an offsetting liability for the payments remaining on the lease. The new guidance will be effective for the year ending August 31, 2022.

Management is evaluating the effects of these pronouncements on its financial statements.

NOTE 14 - SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States may continue to cause significant disruption to operations. While the disruption is expected to be temporary, there is considerable uncertainty around its duration. The related financial impact and duration cannot be reasonably estimated at this time. Management continues to monitor evolving economic and business conditions and the actual and potential impacts on the financial position, change in net assets, and cash flows. Economic uncertainties have arisen which are likely to negatively impact future grants and contributions. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE 14 - SUBSEQUENT EVENTS (Continued)

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 29, 2021, the date the financial statements were available to be issued.