

Financial Statements

EDGEWOOD CHILDREN'S RANCH, INC.

June 30, 2021

EDGEWOOD CHILDREN'S RANCH, INC.

Financial Statements

June 30, 2021

(With Independent Auditor's Report Thereon)

EDGEWOOD CHILDREN’S RANCH, INC.

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Independent Auditor's Report

The Board of Trustees
Edgewood Children's Ranch, Inc.:

We have audited the accompanying financial statements of Edgewood Children's Ranch, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 of 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 Edgewood Children's Ranch, Inc. as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Edgewood Children's Ranch, Inc.'s 2020 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated August 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schatz, Tschopp, Whitcomb, Mitchell & Shuilen, LLP

Maitland, Florida
October 21, 2021

EDGEWOOD CHILDREN'S RANCH, INC.

Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 761,561	744,023
Investment securities	134,766	93,527
Inventory	61,000	70,000
Other assets	3,633	3,633
Total current assets	960,960	911,183
Contribution receivable from remainder trust	167,250	167,260
Beneficial interest in assets held by Central Florida Foundation	962,938	783,174
Property and equipment, net	3,363,519	3,204,116
Total assets	<u>\$ 5,454,667</u>	<u>5,065,733</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 175,250	-
Accrued payroll expenses	510	1,000
Total current liabilities	175,760	1,000
Net assets:		
Without donor restrictions	5,112,923	4,908,252
With donor restrictions	165,984	156,481
Total net assets	5,278,907	5,064,733
Total liabilities and net assets	<u>\$ 5,454,667</u>	<u>5,065,733</u>

See accompanying notes to financial statements.

EDGEWOOD CHILDREN'S RANCH, INC.

Statement of Activities

Year ended June 30, 2021

(With summarized comparative information for the year ended June 30, 2020)

	Year ended June 30, 2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support:				
Contributions	\$ 703,371	38,752	742,123	648,317
Endowment	296,541	-	296,541	14,809
Paycheck protection program grant	167,757	-	167,757	164,200
Special events	146,838	-	146,838	378,533
Thrift shop	285,609	-	285,609	166,580
Donated food	265,000	-	265,000	278,000
In-kind services	6,000	-	6,000	6,000
Tuition	212,957	-	212,957	163,234
Investment income	26,982	-	26,982	937
Unrealized gain on investment securities	15,752	-	15,752	22,373
	2,126,807	38,752	2,165,559	1,842,983
Net assets released from restrictions	29,249	(29,249)	-	-
Total revenue and support	2,156,056	9,503	2,165,559	1,842,983
Expenses:				
Program services	1,756,048	-	1,756,048	1,713,433
General and administrative	164,605	-	164,605	186,330
Fundraising expenses	30,732	-	30,732	68,643
Total expenses	1,951,385	-	1,951,385	1,968,406
Change in net assets	204,671	9,503	214,174	(125,423)
Net assets, beginning of year	4,908,252	156,481	5,064,733	5,190,156
Net assets, end of year	\$ 5,112,923	165,984	5,278,907	5,064,733

See accompanying notes to financial statements.

EDGEWOOD CHILDREN'S RANCH, INC.

Statement of Functional Expenses

Year ended June 30, 2021
(With summarized comparative information for the year ended June 30, 2020)

	Program Services			Supporting Services			2021 Total	2020 Total
	Children's Services	Thrift Shop	Total	Management and General	Fundraising	Total		
Salaries	\$ 580,598	80,810	661,408	104,937	7,741	112,678	774,086	813,966
Employee health benefits	104,792	13,694	118,486	11,453	-	11,453	129,939	169,663
Payroll taxes	58,525	288	58,813	817	-	817	59,630	63,812
Insurance	192,185	96	192,281	271	-	271	192,552	172,869
Local transportation	8,169	-	8,169	-	-	-	8,169	12,619
Miscellaneous	14,400	-	14,400	-	-	-	14,400	13,495
Advertising	-	-	-	-	4,692	4,692	4,692	-
Office expense	2,977	-	2,977	-	1,262	1,262	4,239	3,776
Dues and subscriptions	7,834	-	7,834	-	-	-	7,834	4,870
Professional fees	-	-	-	47,127	-	47,127	47,127	45,382
Repairs and maintenance	134,939	-	134,939	-	-	-	134,939	71,568
In-kind services	6,000	-	6,000	-	-	-	6,000	6,000
Special events	-	-	-	-	17,037	17,037	17,037	59,236
Supplies	14,657	1,097	15,754	-	-	-	15,754	15,523
Taxes and licenses	8,621	99	8,720	-	-	-	8,720	3,137
Telephone	16,373	1,699	18,072	-	-	-	18,072	10,994
Utilities	83,164	12,810	95,974	-	-	-	95,974	87,340
Food costs, donated	274,000	-	274,000	-	-	-	274,000	276,000
Total expenses before depreciation	1,507,234	110,593	1,617,827	164,605	30,732	195,337	1,813,164	1,830,250
Depreciation	138,221	-	138,221	-	-	-	138,221	138,156
Total expenses	\$ 1,645,455	110,593	1,756,048	164,605	30,732	195,337	1,951,385	1,968,406

See accompanying notes to financial statements.

EDGEWOOD CHILDREN'S HOME, INC.

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 214,174	(125,423)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	138,221	138,156
Provision for doubtful accounts	-	(3,000)
Gain on sale of investments	(24,905)	-
Unrealized (gain) loss on investment securities	(15,752)	(22,373)
Changes in operating assets and liabilities:		
Tuition receivable	-	6,270
Assets held by Central Florida Foundation	(179,764)	13,814
Inventory	9,000	(2,000)
Contribution receivable from remainder trust	10	27
Accounts payable	175,250	-
Accrued payroll expenses	(490)	(42,222)
Postemployment benefits payable	-	(13,080)
Net cash provided by (used in) operating activities	<u>315,744</u>	<u>(49,831)</u>
Cash flows from investing activities:		
Proceeds from sale of investment securities	46,690	-
Purchase of investment securities	(47,272)	-
Purchase of property and equipment	(297,624)	(29,086)
Net cash used in investing activities	<u>(298,206)</u>	<u>(29,086)</u>
Net change in cash	17,538	(78,917)
Cash at beginning of year	<u>744,023</u>	<u>822,940</u>
Cash at end of year	<u>\$ 761,561</u>	<u>744,023</u>

See accompanying notes to financial statements.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

June 30, 2021

(1) **Organization and Summary of Significant Accounting Policies**

(a) **Organization and Purpose**

Edgewood Children's Ranch, Inc. (the "Ranch" or "Organization"), located in Orlando, Florida, is a Christian rehabilitation organization providing a home, education and family counseling to abused and troubled children, primarily from the Central Florida area. The Ranch's mission is to help such children return to a normal life by exposing them to a loving and caring environment and schooling that instills Christian moral values.

(b) **Basis of Accounting**

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

The Organization prepares its financial statements on an entity wide basis, focusing on the organization as a whole. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, 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 and, therefore, available for use in general operations.
- Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donor-imposed restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

(c) **Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(d) **Inventory**

Inventory consists of food and sundries donated to the Ranch on a continuing basis. Amounts on hand at year-end are valued by management at their estimated fair value.

(e) **Investment Securities**

The Ranch is required to report its investments in equity securities with readily determinable fair values, and all investments in debt securities, at their fair values. Unrealized gains and losses associated with market fluctuations are included in the statement of activities. Gifts of investments are recorded at their fair value at the date of gift. Purchases and sales of investments are recorded on the trade date.

(f) **Property and Equipment**

Property and equipment are recorded at cost or, if donated, at their estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Land improvements	10 – 20 years
Buildings and improvements	5 - 40 years
Office equipment, furniture and fixtures	5 – 10 years
Vehicles	5 – 10 years

Maintenance and repairs are charged to expense when incurred, betterments with a life of 1 year or more and a cost or fair value at date of donation of \$1,000 or greater are capitalized.

(g) **Beneficial Interest in Assets Held by Community Foundation**

The Organization has an interest in the Central Florida Foundation (CFF) which carries investments in marketable securities with readily determinable fair values and all investments in debt securities are at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(h) **Functional Allocation of Expenses**

The costs of providing programs and administration of the Organization have been summarized on a functional basis as indicated in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of expenses according to function, including payroll and occupancy costs which cannot be directly attributed to specific functions, is based on estimates by the Organization's management, of the time of employees involved and of percentages of assets utilized.

(i) **Income Taxes**

The Ranch is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and exempt from Federal Income taxes and from state income tax pursuant to Florida law, except that unrelated business income is taxable. The Ranch had no unrelated business income tax during the year ended June 30, 2021.

Tax positions are recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of June 30, 2021, the Ranch had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The tax years that remain subject to examination are the periods beginning July 1, 2017 for all major tax jurisdictions.

(j) **Impairment of Long-Lived Assets**

In the event that facts and circumstances indicate that long-lived assets or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down is required. If a write-down is required, the Ranch would prepare a discounted cash flow analysis to determine the amount of the write-down. As of June 30, 2021, no such impairment has been identified.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(k) **Financial Statement Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities as of the date of the statements and the financial condition and activities. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Significant estimates used in preparing these financial statements include estimating the value of donated food and services (including food inventory held at year-end), estimating the present value of the contribution receivable from the remainder trust, and allocating expenses to the proper function.

(l) **Donated Assets and Services**

Food and sundries donated and consumed are reflected in the financial statements as support and expense at their estimated fair value. Items donated for resale in the Thrift Shop are recognized as support when the items are subsequently sold since there is no objective basis available to measure the value of such items at the date of donation. As such, no Thrift Shop inventory is reflected in the financial statements. Professional services donated for the annual fundraiser are recognized as fundraising expense at their estimated fair value.

A substantial number of volunteers have contributed significant amounts of their time to the Ranch's programs, fundraising campaigns, and management. Contributions of services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

For the years ended June 30, 2021 and 2020, the Ranch recorded \$271,000 and \$284,000, respectively, of contributed food, fundraiser venue space, and property and equipment. The fundraiser venue space and property and equipment are included as contributions and the food is included as donated food in the accompanying statement of activities.

(m) **Subsequent Events**

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through October 21, 2021 which is the date the financial statements were available to be issued.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

(2) Liquidity and Availability

As of June 30, 2021, the Organization has \$730,343 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. Financial assets subject to donor or other restrictions that make them unavailable for general expenditure within one year of the balance sheet date were \$165,984 as of June 30, 2021. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Organization's financial assets as of June 30, 2021 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash and cash equivalents	\$ 761,561
Investments	<u>134,766</u>
Total financial assets	896,327
Restricted cash	<u>(165,984)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 730,343</u>

(3) Investment Securities

Investment securities are comprised of the following at June 30:

	<u>2021</u>		<u>2020</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash	\$ 24,791	24,791	24,212	24,212
Equity funds	<u>109,975</u>	<u>6,382</u>	<u>69,315</u>	<u>6,382</u>
	<u>\$134,766</u>	<u>31,173</u>	<u>93,527</u>	<u>30,594</u>

Investment income includes dividends and interest earned during the year. Included in investment income are realized gains/(losses) of \$24,905 and \$0 for the years ended June 30, 2021 and 2020, respectively.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

(4) **Contribution Receivable From Remainder Trust**

Edgewood Children's Ranch has been named as a co-beneficiary of an irrevocable Charitable Remainder Trust ("Remainder Trust"). The Remainder Trust is being managed by the donors. The present value of the estimated future distribution expected to be received by the Ranch upon the death of the donors is reflected in the statements of financial position as a receivable. This present value is calculated as the difference between the fair value of the assets held in trust at fiscal year end and the present value of the expected payments to the donor, based on actuarially determined life expectancy over the term of the trust. Changes in the present value of the estimated future distribution expected to be received by the Ranch are reflected in the statements of activities as an increase or decrease in temporarily restricted contribution revenue and totaled \$(10) and \$(27) for the years ended June 30, 2021 and 2020, respectively.

(5) **Beneficial Interest in Assets Held by Central Florida Foundation**

The Central Florida Foundation, Inc. (the "Foundation") is a charitable entity established for the long-term benefit and development of the Central Florida community. This endowment is for charitable, educational, scientific or civic uses, pursuant to the incorporating documents and policies adopted by the Foundation naming the Ranch as sole beneficiary. The endowment fund is designed to provide the Ranch with a fixed 5.0% annual return with additional earnings accumulating in principal.

The investment in the Foundation totaled \$962,938 and \$783,174 as of June 30, 2021 and 2020, respectively. It includes accrued interest income, realized gains and losses from investment transactions and unrealized gains and losses on the fund. For the years ended June 30, 2021 and 2020, the Ranch had gains (losses) totaling \$179,764 and \$(13,814), respectively.

The Board of Directors of the Foundation shall have the power to modify or eliminate any restrictions, limitations, or condition on the distribution of funds, including their use for any specified purposes or their distribution to specific organizations, if the Board of Directors determines that such restrictions, limitation or condition becomes, by material and significant change of circumstances, in effect unnecessary, incapable of fulfillment, or inconsistent with the proper charitable, religious, scientific, literary, cultural or educational uses and purposes of the Central Florida area.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

(6) **Fair Value Measurement**

Fair value of assets measured on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Quote Prices In Active Markets for Identical Assets Level 1</u>	<u>Significant Unobservable Inputs Level 3</u>
<u>June 30, 2021</u>			
Investment securities	\$ 109,975	109,975	-
Contribution receivable from remainder trust	167,250	-	167,250
Beneficial interest in assets held by Central Florida Foundation	<u>962,938</u>	<u>-</u>	<u>962,938</u>
Total	<u>\$ 1,240,163</u>	<u>109,975</u>	<u>1,130,188</u>
<u>June 30, 2020</u>			
Investment securities	\$ 69,315	69,315	-
Contribution receivable from remainder trust	167,260	-	167,260
Beneficial interest in assets held by Central Florida Foundation	<u>783,174</u>	<u>-</u>	<u>783,174</u>
Total	<u>\$ 1,019,749</u>	<u>69,315</u>	<u>950,434</u>

Fair values for investment securities and investment in Central Florida Foundation are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the remainder trust is estimated as the present value of expected future cash inflows.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

(6) **Fair Value Measurement (Continued)**

Assets measured at fair value on a recurring basis using significant unobservable inputs:

Contribution receivable from remainder trust

June 30, 2019	\$ 167,287
Change in value	<u>(27)</u>
June 30, 2020	\$ 167,260
Change in value	<u>(10)</u>
June 30, 2021	<u>\$ 167,250</u>

The change in value of the remainder trust is attributable to the revaluation of the contribution receivable from remainder trust based on applicable mortality tables and current market conditions and is included in the change in temporarily restricted net assets in the accompanying statement of activities for the years ended June 30, 2021 and 2020, respectively.

(7) **Property and Equipment**

Property and equipment consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 1,490,120	1,490,120
Buildings and improvements	4,391,179	4,376,186
Office equipment, furniture and fixtures	428,594	420,553
Vehicles	352,228	332,638
Construction in process	255,000	-
	<u>6,917,121</u>	<u>6,619,497</u>
Less: accumulated depreciation	<u>(3,553,602)</u>	<u>(3,415,381)</u>
	<u>\$ 3,363,519</u>	<u>3,204,116</u>

(8) **Postemployment Benefits Payable**

Postemployment benefits are provided to a retired Executive Director of the Ranch under the terms of a contractual agreement. The agreement requires the Ranch to make monthly retirement payments equal to 70% of the retiree's salary as of the date of his retirement, adjusted for any social security benefits he also receives. For the years ended June 30, 2021 and 2020, respectively, annual payments totaled \$0 and \$3,211, respectively.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

(8) **Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Remainder trust (time restricted)	<u>\$ 165,984</u>	<u>156,481</u>
Total restricted funds	<u>\$ 165,984</u>	<u>156,481</u>

(9) **Contributions from Edgewood Ranch Endowment, Inc.**

Edgewood Ranch Endowment, Inc. (the "Endowment") is a charitable entity established for the long-term benefit of the Ranch. One person serves on both the board of trustees of the Endowment and the Ranch's board. The goal of the Endowment was to accumulate a fund of \$1,000,000, the earnings from which would provide a stable source of operating income for the Ranch in the future. This was reached in 1999. The incorporating documents of the Endowment prohibit the use of the principal for any short-term financial needs the Ranch may have. The Ranch received grants of \$87,500 and \$0 from the Endowment for the years ended June 30, 2021 and 2020, respectively.

(10) **Concentrations**

Financial instruments which potentially subject the Ranch to concentrations of credit risk consist of cash and cash equivalents, investment securities, and other investments. The Ranch places its cash and investments with high quality credit institutions. At times, such cash and investments may be in excess of federally insured limits.

(11) **Paycheck Protection Program (PPP) Loan**

In February 2021 and April 2020 the Organization applied for and received loans in the amount of \$167,757 and 164,200, respectively, pursuant to the Paycheck Protection Program (PPP) established by the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide relief in connection with the coronavirus pandemic. The notes bear interest at 1% and are subject to a payment deferral period of six months. However, the notes and related interest are subject to forgiveness when the proceeds of the loans are used to fund payroll and other allowable expenses as defined by the PPP. As of June 30, 2021 and 2020, the Organization incurred \$167,757 and 164,200, respectively, of qualifying expenditures and, accordingly, has recorded that amount as PPP grant revenue in the accompanying statement of activities. In addition, as a result of the forgiveness described herein, the loan balances are considered satisfied in full as of June 30, 2021 and 2020.

EDGEWOOD CHILDREN'S RANCH, INC.

Notes to Financial Statements

(12) Coronavirus Pandemic

In December 2020, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that the effects of the pandemic will continue for some time. With respect to the Organization's operations, future potential impacts may include disruptions or restrictions on our employees' ability to work or on our supporters, members and participant's ability to pay. Changes to the operating environment may increase operating costs. Additional effects may include the ability of donors to continue making donations as a result of job loss, overall economic slowdown or other pandemic related issues. The ultimate outcome of these matters on the Organization cannot be determined at this time.