

FRIENDS OF QUARRY HILL NATURE CENTER, INC.

Financial Statements

For the Years Ended December 31, 2019 and 2018

FRIENDS OF QUARRY HILL NATURE CENTER, INC.

For the Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors
Friends of Quarry Hill Nature Center, Inc.
Rochester, Minnesota

We have audited the accompanying financial statements of Friends of Quarry Hill Nature Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

To the Board of Directors
Friends of Quarry Hill Nature Center, Inc.
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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 Friends of Quarry Hill Nature Center, Inc. as of December 31, 2019 and 2018, 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.

Alan C. Anderson C.F.D.

Rochester, Minnesota

October 10, 2020

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
 Statements of Financial Position
 December 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 470,850	\$ 420,266
Investments	402	-
Accounts receivable	3,350	12,232
Inventory	2,873	2,757
Prepaid expenses	9,668	9,216
Total current assets	<u>487,143</u>	<u>444,471</u>
Property and Equipment, at cost, less accumulated depreciation of \$73,958 for 2019 and \$77,798 for 2018	524,941	550,373
Other Assets		
Beneficial interest in assets held by Foundation	<u>377,953</u>	<u>334,374</u>
TOTAL ASSETS	<u>\$ 1,390,037</u>	<u>\$ 1,329,218</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 7,245	\$ 10,635
Accrued wages	18,633	16,882
Unearned revenue	9,021	10,537
Total current liabilities	<u>34,899</u>	<u>38,054</u>
Net Assets		
Without donor restrictions		
Undesignated	1,334,047	1,276,865
With donor restrictions - purpose restricted	21,091	14,299
Total net assets	<u>1,355,138</u>	<u>1,291,164</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,390,037</u>	<u>\$ 1,329,218</u>

(See notes to financial statements)

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
In-kind contributions	\$ 287,760	\$ 2,380	\$ 290,140
Tuition	282,163		282,163
Undesignated donations	125,091		125,091
Fundraisers and exhibits	35,390	7,921	43,311
Realized and unrealized gains on investments	42,601		42,601
Reimbursements	40,035		40,035
Designated donations		30,500	30,500
Rentals	23,496		23,496
Merchandise sales	12,234		12,234
United Way programs		4,860	4,860
Interest and dividends	3,620		3,620
Net assets released from restrictions			
United Way programs	4,860	(4,860)	
Program supplies/equipment	8,009	(8,009)	
Where Nature Takes Root	26,000	(26,000)	
Total revenues, gains, and other support	<u>891,259</u>	<u>6,792</u>	<u>898,051</u>
Expenses			
Program services	718,652		718,652
General and administrative	100,951		100,951
Fundraising events	14,474		14,474
Total expenses	<u>834,077</u>	<u>-</u>	<u>834,077</u>
Changes in net assets	57,182	6,792	63,974
Net assets - beginning of year	<u>1,276,865</u>	<u>14,299</u>	<u>1,291,164</u>
Net assets - end of year	<u>\$ 1,334,047</u>	<u>\$ 21,091</u>	<u>\$ 1,355,138</u>

(See notes to financial statements)

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
In-kind contributions	\$ 271,433	\$ 5,009	\$ 276,442
Tuition	264,017		264,017
Designated donations		113,480	113,480
Undesignated donations	107,194		107,194
Fundraisers and exhibits	44,156	3,593	47,749
Reimbursements	36,171		36,171
Rentals	15,671		15,671
Merchandise sales	11,025		11,025
United Way programs		10,260	10,260
Interest and dividends	4,777		4,777
Net assets released from restrictions			
United Way programs	10,260	(10,260)	
Program supplies/equipment	11,032	(11,032)	
Exploration Hall	138,268	(138,268)	
Where Nature Takes Root	245,270	(245,270)	
Total revenues and other support	<u>1,159,274</u>	<u>(272,488)</u>	<u>886,786</u>
Expenses and losses			
Program services	654,889		654,889
General and administrative	94,948		94,948
Fundraising events	15,445		15,445
Unrealized losses on investments	29,288		29,288
Total expenses and losses	<u>794,570</u>	<u>-</u>	<u>794,570</u>
Changes in net assets	364,704	(272,488)	92,216
Net assets - beginning of year	<u>912,161</u>	<u>286,787</u>	<u>1,198,948</u>
Net assets - end of year	<u>\$ 1,276,865</u>	<u>\$ 14,299</u>	<u>\$ 1,291,164</u>

(See notes to financial statements)

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and payroll taxes	\$ 327,377	\$ 69,203	\$ 2,125	\$ 398,705
Accounting and professional fees	7,933	882		8,815
Advertising	1,363	152		1,515
Bank/investment fees		13,617		13,617
Community education/programs	31,751			31,751
Cost of goods sold	5,343			5,343
Custodial	17,433			17,433
Employee benefits	4,647	982	30	5,659
Fundraising/events			12,319	12,319
Insurance	11,160	1,240		12,400
Membership fees	753			753
Office expense and website	5,483	609		6,092
Rent	270,409	14,232		284,641
Sales tax	1,401			1,401
Transfers to City of Rochester for facility	25,630			25,630
Travel/staff expenses	5,567			5,567
Vehicle expense	1,102			1,102
Volunteer expense	653			653
Total expenses before depreciation	<u>718,005</u>	<u>100,917</u>	<u>14,474</u>	<u>833,396</u>
Depreciation	<u>647</u>	<u>34</u>	<u>-</u>	<u>681</u>
Total expenses	<u>\$ 718,652</u>	<u>\$ 100,951</u>	<u>\$ 14,474</u>	<u>\$ 834,077</u>

(See notes to financial statements)

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and payroll taxes	\$ 302,500	\$ 65,348	\$ 2,079	\$ 369,927
Accounting and professional fees	6,495	722		7,217
Advertising	1,050	117		1,167
Bank/investment fees		12,390		12,390
Community education/programs	24,549			24,549
Cost of goods sold	5,032			5,032
Custodial	29,235			29,235
Employee benefits	4,148	896	30	5,074
Fundraising/events			13,336	13,336
Insurance	10,229	1,136		11,365
Membership fees	554			554
Office expense and website	6,576	731		7,307
Rent	257,511	13,553		271,064
Sales tax	1,034			1,034
Travel/staff expenses	1,917			1,917
Vehicle expense	2,387			2,387
Volunteer expense	637			637
Total expenses before depreciation	<u>653,854</u>	<u>94,893</u>	<u>15,445</u>	<u>764,192</u>
Depreciation	<u>1,035</u>	<u>55</u>	<u>—</u>	<u>1,090</u>
Total expenses	<u>\$ 654,889</u>	<u>\$ 94,948</u>	<u>\$ 15,445</u>	<u>\$ 765,282</u>

(See notes to financial statements)

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ 63,974	\$ 92,216
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	681	1,090
Noncash contribution of assets	(5,573)	(5,351)
Realized and unrealized (gain) loss on investments	(42,601)	29,288
(Increase) decrease in operating assets		
Accounts receivable	8,882	4,144
Inventory	(116)	366
Prepaid expenses	(452)	(31)
Increase (decrease) in operating liabilities		
Accounts payable	(3,390)	1,524
Accrued wages	1,751	(1,044)
Unearned revenue	(1,516)	(5,748)
Net cash provided by operating activities	<u>21,640</u>	<u>116,454</u>
 Cash Flows From Investing Activities		
Proceeds from sale of investments	5,158	5,647
Purchase of other assets	(965)	(2,756)
Purchase of property and equipment	(879)	(449,441)
Transfers of property to City of Rochester	25,630	
Net cash provided (used) by investing activities	<u>28,944</u>	<u>(446,550)</u>
 Net increase (decrease) in cash and cash equivalents	50,584	(330,096)
 Cash and cash equivalents - beginning of year	<u>420,266</u>	<u>750,362</u>
 Cash and cash equivalents - end of year	<u>\$ 470,850</u>	<u>\$ 420,266</u>

(See notes to financial statements)

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

A. Organization

Friends of Quarry Hill Nature Center, Inc. was formed to enhance and support the environmental education programs for students and adults at Quarry Hill Nature Center in Rochester, Minnesota. Numerous classes and activities are conducted that are open both to school children and the general public. Friends of Quarry Hill Nature Center Inc.'s major sources of revenue are class tuition, contributions and grants, fundraisers and events, and reimbursements.

Quarry Hill Nature Center is operated under an agreement with the City of Rochester. Friends of Quarry Hill Nature Center, Inc. has its own employees. The City of Rochester owns and insures the buildings, provides upkeep and capital improvements to buildings and grounds, and pays for utility costs and daily custodial care.

B. Basis of Accounting

The financial statements of Friends of Quarry Hill Nature Center, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

C. Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

D. Revenue Recognition

Contributions received and revenue from special fundraising events are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases 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.

E. Donated Services and Materials

Donated materials are recorded as contributions at their estimated fair market value at date of receipt. The estimated fair market value of donated services are determined and recognized in the financial statements if the services created or enhanced non-financial assets or required specialized skills specific to the service performed and would have been purchased if not provided through donations. Donated services of \$0 and \$75 were recognized for the years ended December 31, 2019 and 2018, respectively, for work done on exhibit and event preparation. These amounts are included in in-kind contributions revenue.

F. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as other than a private foundation. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

The Organization has not been audited by the Internal Revenue Service or Minnesota Revenue, and accordingly tax returns for the past three and one-half years are open to examination.

G. Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

H. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets in the statement of financial position. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

FASB ACS 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

I. Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding receivables and charges off to expense all amounts that are determined to be uncollectible. No interest is recognized on past due accounts. At December 31, 2019 and 2018, management considered all remaining receivables to be fully collectible; accordingly, there was no allowance for doubtful accounts.

J. Inventory

Inventory consists of educational and promotional materials, is valued at cost and is determined on the first-in, first-out (FIFO) basis.

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Notes to Financial Statements (continued)

1. Organization and Summary of Significant Accounting Policies (continued)

K. Property and Equipment

Purchased equipment and vehicles in excess of \$500 are capitalized at cost. Donations of property and 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 property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Expenditures for maintenance and repairs are charged to expense as incurred.

L. Advertising

The Organization expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations for the years ended December 31, 2019 and 2018, amounted to \$1,515 and \$1,167, respectively.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Functional Allocation of Expenses

The financial statements of Friends of Quarry Hill Nature Center, Inc. report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, accounting and professional fees, advertising, insurance, office expense and website, rent, and depreciation, all of which are allocated based on estimates of time and specific costs incurred.

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Notes to Financial Statements (continued)

2. Investments

The following is a summary of assets held at fair value:

At December 31, 2019:

Description	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Stock	\$ 402	\$ 402	\$ -	\$ -
Beneficial Interest in Assets Held by Foundation	\$377,953	\$ -	\$ -	\$377,953

At December 31, 2018:

Description	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Stock	\$ -	\$ -	\$ -	\$ -
Beneficial Interest in Assets Held by Foundation	\$334,374	\$ -	\$ -	\$334,374

The beneficial interest in assets held by Foundation has been valued, as a practical expedient, at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Notes to Financial Statements (continued)

2. Investments (continued)

The Foundation's investments are composed of domestic and foreign equities, U.S. government obligations, large cap common stocks, and alternative investments including hedge funds, real estate and private equity funds. The beneficial interest in assets held by Foundation is not redeemable by the Organization as described in Note 8. Financial instruments classified as Level 3 in the fair value hierarchy represent the Organization's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model. The following table represents a reconciliation of the activities for Level 3 financial instruments:

Balance at January 1, 2018	\$360,906
Additional amounts invested in fund	5,609
Share of depreciation of fund	(29,288)
Fees paid	<u>(2,853)</u>
Balance at January 1, 2019	334,374
Additional amounts invested in fund	3,850
Share of appreciation of fund	42,614
Fees paid	<u>(2,885)</u>
Balance at December 31, 2019	<u>\$377,953</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Interest and dividends, net	\$ 3,620	\$ 4,777
Realized and unrealized gain (loss)	<u>42,601</u>	<u>(29,288)</u>
Total investment return	<u>\$ 46,221</u>	<u>\$(24,511)</u>

3. Property and Equipment

Property and equipment as of December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Minibus	\$ 42,518	\$ 42,518
Equipment	33,119	36,761
Improvements, held as temporary assets	<u>523,262</u>	<u>548,892</u>
Total property and equipment	598,899	628,171
Less accumulated depreciation	<u>(73,958)</u>	<u>(77,798)</u>
Net property and equipment	<u>\$524,941</u>	<u>\$ 550,373</u>

Depreciation expense was \$681 and \$1,090 for the years ended December 31, 2019 and 2018, respectively.

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Notes to Financial Statements (continued)

4. Net Assets

The Organization had net assets with donor restrictions for the following purposes at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
SNC Scholarships	\$21,018	\$13,981
Technology/Equipment	<u>73</u>	<u>318</u>
Totals	<u>\$21,091</u>	<u>\$14,299</u>

5. Availability and Liquidity

The following represents Friends of Quarry Hill Nature Center, Inc.'s financial assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$470,850	\$420,266
Investments	402	
Accounts receivable	<u>3,350</u>	<u>12,232</u>
Total financial assets	474,602	432,498
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(21,091)</u>	<u>(14,299)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$453,511</u>	<u>\$418,199</u>

6. In-Kind Contribution of Facilities

The City of Rochester allows the organization to use the facilities free of charge. For 2019 and 2018, rent expense and an in-kind contribution have been recorded for \$284,567 and \$271,016, respectively. The basis used for valuing the in-kind contribution is an average of the rental rates paid by other local nonprofit organizations.

FRIENDS OF QUARRY HILL NATURE CENTER, INC.
Notes to Financial Statements (continued)

7. Unearned Revenue

Unearned revenue is provided for that portion of fees received for services which were not performed as of the Organization's year end. Unearned revenue amounted to \$9,021 and \$10,537 at December 31, 2019 and 2018, respectively.

8. Employee Benefit Plan

The Friends of Quarry Hill Nature Center, Inc. has a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Organization contributes a percentage of each eligible employee's salary. Plan contributions during 2019 and 2018 were \$5,659 and \$5,074, respectively.

9. Beneficial Interest in Assets Held by Foundation

The Friends of Quarry Hill Nature Center, Inc. has established a fund that is managed by the Rochester Area Foundation which is known as the Friends of Quarry Hill Nature Center Fund. This Fund and all future income is the property of the Rochester Area Foundation and is under the complete control of the Foundation. Distributions from the Fund may be made, but will be at the discretion of the Rochester Area Foundation Board of Trustees.

10. Concentrations of Credit Risk

The Organization maintains cash accounts which exceed the federally insured limit of \$250,000 at times. Management believes that the Organization is not exposed to any significant credit risk on its cash accounts.

11. Evaluation of Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 10, 2020, the date these financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact future operations; the potential impact, however, is unknown at this time.

12. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.