

**THE FURNITURE RESOURCE CENTER
D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

**BOISVENU & COMPANY, P.C.
Certified Public Accountants
Bingham Farms, Michigan**

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Furniture Resource Center
d/b/a Furniture Bank of Southeastern Michigan

We have audited the accompanying financial statements of The Furniture Resource Center d/b/a Furniture Bank of Southeastern Michigan (a nonprofit organization), 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.

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 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 organization'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 organization'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 The Furniture Resource Center d/b/a Furniture Bank of Southeastern Michigan 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.

Report on Summarized Comparative Information

We have previously audited The Furniture Resource Center d/b/a Furniture Bank of Southeastern Michigan's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boisvenu & Company, P.C.

June 10, 2021

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020, WITH COMPARATIVE TOTALS FOR 2019

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 241,122	\$ 45,619	\$ 286,741	\$ 118,863
Pledges and accounts receivable	2,231	25,000	27,231	35,643
Prepaid expenses	11,032	-	11,032	9,207
Furniture supplies	52,073	-	52,073	52,095
Total Current Assets	<u>306,458</u>	<u>70,619</u>	<u>377,077</u>	<u>215,808</u>
Non-current Assets				
Security deposits	1,900	-	1,900	1,900
Property and equipment - net	209,203	-	209,203	222,496
Total Non-current Assets	<u>211,103</u>	<u>-</u>	<u>211,103</u>	<u>224,396</u>
TOTAL ASSETS	<u>\$ 517,561</u>	<u>\$ 70,619</u>	<u>\$ 588,180</u>	<u>\$ 440,204</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 11,249	\$ -	\$ 11,249	\$ 7,259
Accrued expenses	5,931	-	5,931	16,389
Deferred revenue	120	-	120	370
Total Liabilities	<u>17,300</u>	<u>-</u>	<u>17,300</u>	<u>24,018</u>
Net Assets				
Without donor restrictions	500,261	-	500,261	352,974
With donor restrictions	-	70,619	70,619	63,212
Total Net Assets	<u>500,261</u>	<u>70,619</u>	<u>570,880</u>	<u>416,186</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 517,561</u>	<u>\$ 70,619</u>	<u>\$ 588,180</u>	<u>\$ 440,204</u>

See accompanying notes to financial statements.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE TOTALS FOR 2019

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
SUPPORT AND REVENUE				
United Way allocations and designations	\$ 816	\$ 85,000	\$ 85,816	\$ 51,605
Donated furniture	686,818	-	686,818	809,803
Contributions	177,677	54,635	232,312	180,566
Governmental grants	108,700	24,775	133,475	15,816
Program and other income	344,501	-	344,501	333,735
Special events - net	42,071	-	42,071	112,166
Loss on sale of assets	-	-	-	(13,448)
	<u>1,360,583</u>	<u>164,410</u>	<u>1,524,993</u>	<u>1,490,243</u>
Net assets released from restrictions	<u>157,003</u>	<u>(157,003)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,517,586</u>	<u>7,407</u>	<u>1,524,993</u>	<u>1,490,243</u>
EXPENSES				
Program services	1,242,423	-	1,242,423	1,421,697
Management and general	37,670	-	37,670	36,742
Fund raising	87,078	-	87,078	91,907
TOTAL EXPENSES	<u>1,367,171</u>	<u>-</u>	<u>1,367,171</u>	<u>1,550,346</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	150,415	7,407	157,822	(60,103)
OTHER CHANGES				
Adjustment to furniture supplies	(3,128)	-	(3,128)	845
CHANGE IN NET ASSETS	147,287	7,407	154,694	(59,258)
NET ASSETS, beginning of year	<u>352,974</u>	<u>63,212</u>	<u>416,186</u>	<u>475,444</u>
NET ASSETS, end of year	<u>\$ 500,261</u>	<u>\$ 70,619</u>	<u>\$ 570,880</u>	<u>\$ 416,186</u>

See accompanying notes to financial statements.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE TOTALS FOR 2019

	Program Services	Management and General	Fund Raising	Total 2020	Total 2019
Salaries	\$ 302,516	\$ 30,155	\$ 66,088	\$ 398,759	\$ 423,865
Payroll taxes	23,126	2,305	5,052	30,483	34,576
Employee benefits	8,517	849	1,861	11,227	17,695
Contract labor	14,862	1,482	7,766	24,110	28,160
Donated furniture	680,562	-	-	680,562	811,492
Program activities and materials	62,464	-	-	62,464	78,950
Occupancy	47,237	384	842	48,463	38,790
Telephone	3,284	327	718	4,329	4,473
Office supplies and expenses	11,726	1,169	2,562	15,457	9,999
Printing, publications and promotion	5,765	575	1,259	7,599	15,630
Equipment rental and maintenance	1,169	116	255	1,540	1,686
Vehicle	64,468	-	-	64,468	56,316
Insurance	4,172	77	168	4,417	3,411
Total Functional Expenses					
Before Depreciation	1,229,868	37,439	86,571	1,353,878	1,525,043
Depreciation	12,555	231	507	13,293	25,303
Total Functional Expenses	<u>\$ 1,242,423</u>	<u>\$ 37,670</u>	<u>\$ 87,078</u>	<u>\$ 1,367,171</u>	<u>\$ 1,550,346</u>

See accompanying notes to financial statements.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020, WITH COMPARATIVE TOTALS FOR 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 154,694	\$ (59,258)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	13,293	25,303
Loss on disposal of asset	-	13,448
Change in donated furniture	(3,128)	845
(Increase) decrease in operating assets		
Pledges and accounts receivable	8,412	(2,803)
Prepaid expenses	(1,825)	1,106
Supplies	3,150	4,030
Security deposits	-	(650)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(6,468)	1,091
Deferred revenue	(250)	(6,225)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	167,878	(23,113)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of asset	-	21,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	21,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	167,878	(2,113)
CASH AND CASH EQUIVALENTS, beginning of year	118,863	120,976
CASH AND CASH EQUIVALENTS, end of year	\$ 286,741	\$ 118,863

See accompanying notes to financial statements.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Furniture Resource Center d/b/a Furniture Bank of Southeastern Michigan (the Organization) is a Michigan nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation.

The Organization's program and supporting services are as follows:

Program Services

The purpose of the Organization is to service residents in need by collecting useable beds, furniture and other household items and distributing as needed. The main geographic area served is Southeastern Michigan.

Management and General

This includes the functions necessary to maintain an adequate working environment, provide proper administrative support of the Organization's programs, and manage the financial and budgeting responsibilities of the Organization.

Fund Raising

This provides the structure necessary to encourage and secure support from individuals, foundations and government agencies.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported period. Actual results could differ from those estimates.

New Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for fiscal years beginning after December 15, 2018. Prior to the clarifications provided in ASU 2018-08, transactions with customers (foundations, corporations or governmental agencies) that benefited the general public were considered to be exchange transactions. Under ASU 2018-08, revenue from agency contracts are considered conditional contributions because the resource provider does not receive commensurate value for the consideration received by the Organization; rather, the purpose of these arrangements are for the benefit of the general public. There are no significant changes in any financial statement line item that resulted from adopting ASU 2018-08, in comparison with the prior period.

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments with maturities of three months or less when purchased are considered cash equivalents and recorded at cost, which approximates fair value.

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges and Accounts Receivable

The Organization considers pledges and accounts receivable to be fully collectible at December 31, 2020; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Property and equipment are carried at cost or, if donated, at fair value at the time of the donation. Depreciation is provided on a straight-line basis over the estimated useful lives of 5 to 39 years. The Organization's policy is to capitalize acquisitions of \$500 or more. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Revenue and Support

Agency contract arrangements with foundations, corporations or governmental agencies constitute and are accounted for as conditional contributions since the customer does not receive commensurate value for the consideration received by the Organization; rather, the purpose of an arrangement is for the benefit of the general public. Revenue is recognized when the condition is satisfied. Conditions are satisfied based on incurring qualified expenses, and/or satisfying a milestone, and/or execution of other deliverable units of service. A refundable advance is recorded when the Organization receives assets (i.e. cash) in advance of the satisfaction of the conditions within these arrangements. As of December 31, 2020, there were no refundable advances recorded for agency contracts.

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

With the implementation of ASU 2018-08, the Organization elects to report restricted contributions that were initially conditional and for which both the condition and the restriction simultaneously occur as increases in net assets without donor restrictions.

The Organization reports unconditional gifts of cash and other assets as support with donor restrictions, if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Support

The Organization reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization receives donated services and supplies from various organizations and individuals in order to accomplish its program objectives. Contributions of donated services that create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donations are recorded at their fair values in the period received.

Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Directly identifiable expenses are charged to the associated program and supporting services. Certain indirect costs have been allocated among the programs and supporting services benefited. Personnel and related costs are allocated based on estimates of time and effort. Other costs, such as occupancy, are allocated on a square footage basis.

Tax Positions

The Organization is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for fiscal years ending prior to December 31, 2013.

Fair Value Disclosure

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash and cash equivalents, pledges and accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
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NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year end	\$ 313,972
Less those unavailable for general expenditures within one year, due to: Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	<u>(70,619)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 243,353</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due.

3. FAIR VALUE MEASUREMENTS

Various inputs may be used in determining the fair value of the Organization's assets and liabilities measured on a recurring basis. These inputs are market-based measurements based on and determined by the assumptions that market participants would use in pricing an asset or a liability and are summarized into three levels:

- Level (1): Inputs to the valuation methodology are quoted prices for identical assets in active markets.
- Level (2): Inputs to the valuation methodology include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable for the asset, either directly or indirectly.
- Level (3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement (including the Organization's own assumptions in determining the fair value of an asset or a liability) and inputs that are not corroborated by market data.

THE FURNITURE RESOURCE CENTER D/B/A FURNITURE BANK OF
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NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (continued)

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about projections market participants would use in developing a price that would be received to sell an asset or paid to transfer a liability based on the best information available in the circumstances. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following table summarizes the Organization's inputs used to determine their values on December 31, 2020:

	Level 1	Level 2	Level 3
Furniture supplies	\$ -	\$ -	\$ 52,073

The following table summarizes the changes in the fair values for level 3 assets for the year ended December 31, 2020:

	Furniture Supplies
Balance at December 31, 2019	\$ 52,095
Change in supplies	(22)
Balance at December 31, 2020	\$ 52,073

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NOTES TO FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

At December 31, 2020, property and equipment consist of the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Warehouse and office building	382,983	-	-	382,983
Land improvements	31,377	-	-	31,377
Office equipment and software	34,659	-	-	34,659
	<u>\$ 465,019</u>	<u>\$ -</u>	<u>\$ -</u>	465,019
Less accumulated depreciation				255,816
				<u>\$ 209,203</u>

5. LEASE COMMITMENTS

The Organization leases office equipment under a lease agreement expiring September 2024. The Organization also leases warehouse and office space and vehicles which expire on various dates through December 2023.

Future minimum lease payments are as follows for the years ending December 31:

	Office Equipment	Warehouse	Vehicles
2021	\$ 1,164	\$ 23,750	\$ 29,775
2022	1,164	10,000	29,775
2023	1,164	-	27,293
2024	776	-	-
	<u>\$ 4,268</u>	<u>\$ 33,750</u>	<u>\$ 86,843</u>

For the year ended December 31, 2020, rental expense for office equipment, warehouse and vehicles was approximately \$1,200, \$23,200 and \$29,800, respectively.

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NOTES TO FINANCIAL STATEMENTS

6. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020, net assets with donor restrictions consist of cash and cash equivalents and pledges receivable and are available for the following:

Subject to expenditure for specified purpose:	
Beds for kids	\$ 9,783
Materials to build furniture	9,160
Bedding	426
Subject to the passage of time:	
Future operations	<u>51,250</u>
	<u>\$ 70,619</u>

7. SPECIAL EVENTS

Revenue from special events was \$59,043 with related expenses of \$16,972 for the year ended December 31, 2020.

Due to the spread of the COVID-19 coronavirus, some of the events were canceled. These funds were recognized as support at December 31, 2020.

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year are as follows:

Subject to expenditure for specified purpose:	
Trucking costs	\$ 39,775
COVID-19 expenses	35,000
Furniture for families	12,501
Beds for kids	4,942
Bedding	1,035
Subject to the passage of time:	
Future operations	<u>63,750</u>
	<u>\$ 157,003</u>

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NOTES TO FINANCIAL STATEMENTS

9. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution in Michigan. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020, the uninsured cash balances totaled approximately \$27,800.

10. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, there could be outstanding contingent liabilities resulting from lawsuits, governmental agency assessments, etc., which are not known to the Organization and therefore have not been reflected in the accompanying financial statements. The Organization's management is of the opinion that such liabilities, if any, will be either immaterial or the Organization's insurance coverage is adequate to cover any potential losses.

The Organization received financial assistance from various resource providers. These funds were originally received as part of fundraising events; however, due to the spread of the COVID-19 coronavirus, the fundraising events were cancelled with these funds being recognized as income.

11. COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 10, 2021, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which could affect the Organization's operations both directly and indirectly through its impact on funding sources, vendors, staff, and contracted services. The financial effects on the Organization are not readily determinable. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.