

JESSIE REES FOUNDATION

FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

with

INDEPENDENT AUDITOR'S REPORT THEREON

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Wertz & Company^{LLP}

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jessie Rees Foundation
Irvine, California

We have audited the accompanying financial statements of Jessie Rees Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

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 Jessie Rees Foundation as of December 31, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wertz & Company, LLP

Wertz & Company, LLP

Irvine, California
July 29, 2021

JESSIE REES FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 1,075,781	\$ 751,695
Cash restricted to program	-	205,000
Contributions receivable	6,227	27,870
Other current assets	<u>9,421</u>	<u>9,421</u>
Total current assets	1,091,429	993,986
Investments	485,977	400,827
Property and equipment, net	<u>100,905</u>	<u>167,945</u>
Total assets	<u>\$ 1,678,311</u>	<u>\$ 1,562,758</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 20,182	\$ 127,695
Accrued expenses	<u>62,516</u>	<u>38,967</u>
Total current liabilities	82,698	166,662
Net assets:		
Without donor restrictions	1,589,386	1,160,529
With donor restrictions	<u>6,227</u>	<u>235,567</u>
Total net assets	<u>1,595,613</u>	<u>1,396,096</u>
Total liabilities and net assets	<u>\$ 1,678,311</u>	<u>\$ 1,562,758</u>

See accompanying notes to financial statements

JESSIE REES FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 3,082,795	\$ 210,000	\$ 3,292,795
Special events revenue	130,675	-	130,675
Less: costs of direct benefits to donors	(186,798)	-	(186,798)
Net realized and unrealized gain on investments	9,286	-	9,286
Interest income	12,744	-	12,744
PPP loan forgiveness	172,100	-	172,100
Net assets released from restrictions	<u>439,340</u>	<u>(439,340)</u>	<u>-</u>
 Total revenues and other support	 3,660,142	 (229,340)	 3,430,802
Expenses:			
Program services	2,665,542	-	2,665,542
Management and general	215,157	-	215,157
Fundraising	<u>350,586</u>	<u>-</u>	<u>350,586</u>
 Total expenses	 <u>3,231,285</u>	 <u>-</u>	 <u>3,231,285</u>
 Increase (decrease) in net assets	 428,857	 (229,340)	 199,517
 Net assets at beginning of year	 <u>1,160,529</u>	 <u>235,567</u>	 <u>1,396,096</u>
 Net assets at end of year	 <u>\$ 1,589,386</u>	 <u>\$ 6,227</u>	 <u>\$ 1,595,613</u>

See accompanying notes to financial statements

JESSIE REES FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 2,910,049	\$ 1,395,924	\$ 4,305,973
Special events revenue	301,077	-	301,077
Less: costs of direct benefits to donors	(135,780)	-	(135,780)
Net realized and unrealized gain on investments	10,474	-	10,474
Interest income	13,987	-	13,987
Net assets released from restrictions	<u>1,166,973</u>	<u>(1,166,973)</u>	<u>-</u>
Total revenues and other support	4,266,780	228,951	4,495,731
Expenses:			
Program services	3,664,965	-	3,664,965
Management and general	254,152	-	254,152
Fundraising	<u>562,101</u>	<u>-</u>	<u>562,101</u>
Total expenses	<u>4,481,218</u>	<u>-</u>	<u>4,481,218</u>
Increase (decrease) in net assets	(214,438)	228,951	14,513
Net assets at beginning of year	<u>1,374,967</u>	<u>6,616</u>	<u>1,381,583</u>
Net assets at end of year	<u>\$ 1,160,529</u>	<u>\$ 235,567</u>	<u>\$ 1,396,096</u>

See accompanying notes to financial statements

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services		Supporting Services			Total Program and Supporting Services
	Encourage Kids/Families	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Advertising and promotion	\$ 170,750	\$ 170,750	\$ -	\$ -	\$ -	\$ 170,750
Bank and merchant charges	-	-	-	12,367	12,367	12,367
Conferences, conventions, and meetings	4,690	4,690	-	1,416	1,416	6,106
Depreciation	62,231	62,231	8,229	-	8,229	70,460
Donor relations	-	-	-	29,649	29,649	29,649
Dues and subscriptions	1,360	1,360	720	21,567	22,287	23,647
Equipment rental	11,416	11,416	-	-	-	11,416
Gifts	2,655	2,655	-	3,566	3,566	6,221
Information technology	109,539	109,539	-	1,227	1,227	110,766
Insurance	72,746	72,746	15,697	16,520	32,217	104,963
Legal fees	37,478	37,478	56,216	-	56,216	93,694
Licenses and fees	1,444	1,444	3,675	-	3,675	5,119
Miscellaneous	13,967	13,967	-	150	150	14,117
Office	11,147	11,147	411	-	411	11,558
Postage and shipping	294,979	294,979	-	-	-	294,979
Printing and copying	10,692	10,692	-	18,543	18,543	29,235
Professional fees	66,500	66,500	23,042	21,474	44,516	111,016
Program supplies and expenses	993,240	993,240	-	1,060	1,060	994,300
Rent	126,181	126,181	31,545	-	31,545	157,726
Repairs and maintenance	-	-	360	-	360	360
Salaries and payroll taxes	610,106	610,106	70,281	223,047	293,328	903,434
Special events	7,121	7,121	-	-	-	7,121
Telephone and internet	13,544	13,544	1,823	-	1,823	15,367
Travel	31,122	31,122	-	-	-	31,122
Utilities	12,634	12,634	3,158	-	3,158	15,792
	<u>\$ 2,665,542</u>	<u>\$ 2,665,542</u>	<u>\$ 215,157</u>	<u>\$ 350,586</u>	<u>\$ 565,743</u>	<u>\$ 3,231,285</u>

See accompanying notes to financial statements

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services		Supporting Services			Total Program and Supporting Services
	Encourage Kids/Families	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Advertising and promotion	\$ 96,166	\$ 96,166	\$ -	\$ -	\$ -	\$ 96,166
Bank and merchant charges	-	-	-	50,345	50,345	50,345
Conferences, conventions, and meetings	17,727	17,727	-	4,559	4,559	22,286
Depreciation	80,761	80,761	8,698	-	8,698	89,459
Donor relations	-	-	-	41,548	41,548	41,548
Dues and subscriptions	2,895	2,895	410	-	410	3,305
Equipment rental	18,207	18,207	-	-	-	18,207
Gifts	4,100	4,100	-	-	-	4,100
Information technology	104,975	104,975	-	500	500	105,475
Insurance	63,156	63,156	9,436	14,358	23,794	86,950
Legal fees	43,206	43,206	64,809	-	64,809	108,015
Licenses and fees	1,887	1,887	3,887	75	3,962	5,849
Miscellaneous	12,554	12,554	2,435	7,634	10,069	22,623
Office	2,263	2,263	9,834	-	9,834	12,097
Postage and shipping	394,431	394,431	118	1,283	1,401	395,832
Printing and copying	8,111	8,111	-	20,092	20,092	28,203
Professional fees	81,479	81,479	32,675	33,167	65,842	147,321
Program supplies and expenses	1,808,258	1,808,258	-	500	500	1,808,758
Rent	121,826	121,826	30,457	-	30,457	152,283
Repairs and maintenance	-	-	490	-	490	490
Salaries and payroll taxes	621,297	621,297	82,610	215,238	297,848	919,145
Special events	16,380	16,380	-	172,802	172,802	189,182
Telephone and internet	13,804	13,804	5,887	-	5,887	19,691
Travel	141,856	141,856	-	-	-	141,856
Utilities	9,626	9,626	2,406	-	2,406	12,032
	<u>\$ 3,664,965</u>	<u>\$ 3,664,965</u>	<u>\$ 254,152</u>	<u>\$ 562,101</u>	<u>\$ 816,253</u>	<u>\$ 4,481,218</u>

See accompanying notes to financial statements

JESSIE REES FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 199,517	\$ 14,513
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	70,460	89,459
Realized and unrealized gains from investments	(9,286)	(10,474)
Noncash contributions	-	(30,000)
Changes in operating assets and liabilities:		
Contributions receivable	21,643	(16,254)
Accounts payable	(107,513)	55,801
Accrued expenses	23,549	8,196
Net cash provided by operating activities	198,370	111,241
Cash flows from investing activities:		
Purchase of marketable securities	(451,811)	(447,030)
Proceeds from sale of marketable securities	375,947	457,720
Purchases of property and equipment	(3,420)	-
Net cash provided by (used in) investing activities	(79,284)	10,690
Net increase in cash	119,086	121,931
Cash and restricted cash at beginning of year	956,695	834,764
Cash and restricted cash at end of year	\$ 1,075,781	\$ 956,695
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

See accompanying notes to financial statements

NOTE 1 – GENERAL**Organization and Nature of Operations**

Jessie Rees Foundation (“Organization”) was incorporated in Colorado on April 20, 2011 for the purpose of ensuring every child and family impacted by childhood cancer has the support and encouragement to never ever give up. The Organization fulfills their mission by connecting with courageous families, bringing awareness to their stories, providing them helpful resources and sending them continuous doses of encouragement throughout their journey. The Organization is supported primarily through donor contributions. The Organization supports families in the United States and worldwide from their office in Irvine, California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

The financial statements have been prepared using the accrual basis of accounting whereby revenues are recognized when they are earned, not when cash is received, and expenses are recognized when incurred, not when cash is disbursed.

The Organization classifies its net assets, revenues, gains, expenses, and losses as without donor restrictions or with donor restrictions based on the following criteria:

- Net assets without donor restrictions represent funds available for operations that are not otherwise limited by donor-imposed restrictions.
- Net assets with donor restrictions represent funds subject to specific donor-imposed restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the donor restrictions are satisfied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include, but are not limited to, fair market value of in-kind donations and the realization of property and equipment through future operations. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all investments with a maturity of three months or less to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUEDFair Value Measurements

The Organization categorizes the fair value of its financial assets and liabilities according to the framework established by the Financial Accounting Standards Board. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Observable, quoted market prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data. This input level includes those financial instruments that are valued using models or other valuation methodologies where substantially all of the assumptions are observable in the marketplace, can be derived from observable market data or are supported by observable levels at which transactions are executed in the marketplace.
- Level 3 – Unobservable inputs that are not corroborated by market data. This level of input includes financial instruments whose fair value is estimated based on internally developed models or methodologies utilizing significant inputs that are generally less readily observable from observable sources.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Cash in Excess of Insured Limits

At December 31, 2020 and 2019, the Organization had approximately \$465,000 and \$511,000 respectively, held banks in excess of the Federal Deposit Insurance Corporation's (FDIC) insurance limit.

Contributions Receivable

Contributions receivable consist of unconditional promises to give and are stated at their estimated realizable value. Management monitors outstanding balances and writes off account balances that it considers uncollectible to an allowance account. The allowance for doubtful accounts was \$0 at both December 31, 2020 and 2019.

Investment Valuation and Income Recognition

The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Investment Valuation and Income Recognition, continued**

The Organization adjusts its investments to fair value at the end of each accounting period, with gains and losses included in the statement of activities. Unrealized gains and losses are charged to earnings. The Organization uses the specific identification method to compute gains and losses. Purchases and sales of securities are recorded on a trade date basis. Interest and dividend income is recorded when earned. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Property and Equipment

The Organization capitalizes acquisitions of property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is 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. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 15 years.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals of a major nature are capitalized. Gains or losses are recognized upon sale or disposal of assets.

Contributions

Contributions are recognized when received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

In-Kind Contributions

The Organization records the value of donated goods when there is an objective basis available to measure their value. Donated goods are reflected as contributions revenues in the accompanying statements at their estimated values at the date of receipt.

Contributed Services

The organization recognizes the contribution of services when the services received either create or enhance a nonfinancial asset, or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such contributed services are recorded at fair value at the date of donation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Contributed Services, continued**

In addition, the Organization utilizes the services of many volunteers throughout the year, but these services do not meet the criteria for recognition of contributed services. The organization received approximately 3,000 and 24,000 volunteer hours, respectively, during the years ended December 31, 2020 and 2019.

Allocation of Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are allocated include rent, which is allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2020 and 2019 totaled \$170,750 and \$96,166, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income taxes under Section 23701(d) of the California Bank and Corporation Tax Law. The Organization is not a private foundation. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

Date of Management's Review

Management has evaluated subsequent events through July 29, 2021, which is the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY CONSIDERATIONS

The Organization has \$1,075,781 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, consisting of cash of \$1,075,781. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a policy to structure its financial assets to be available to meet its general expenditures, liabilities, and other obligations as they become due.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH AND RESTRICTED CASH

On occasion, the Organization receives donations restricted for program use. The following is a reconciliation of cash and restricted cash reported within the statement of net assets that sum to the total of the same such amounts shown in the statements of cash flows as of December 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,075,781	\$ 751,695
Restricted cash	<u>-</u>	<u>205,000</u>
Total cash and restricted cash	<u>\$ 1,075,781</u>	<u>\$ 956,695</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 6,227	\$ 21,643
Receivable in one to five years	-	6,227
Receivable in more than five years	<u>-</u>	<u>-</u>
Total contributions receivable	<u>\$ 6,227</u>	<u>\$ 27,870</u>

NOTE 6 – INVESTMENTS

Investments are carried at fair value and are intended to provide income for the Organization's programs. The Organization has a policy to invest in assets that are considered to be both liquid in nature and of high quality.

Investments consist of the following at December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Bonds	\$ 147,065	\$ -	\$ -	\$ 147,065
Exchange-Traded Funds	40,958	-	-	40,958
Mutual Funds	82,070	-	-	82,070
U.S. Treasury Obligations	127,665	-	-	127,665
Money Market Fund	<u>88,219</u>	<u>-</u>	<u>-</u>	<u>88,219</u>
	<u>\$ 485,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 485,977</u>

NOTE 6 – INVESTMENTS, CONTINUED

Investments consist of the following at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Bonds	\$ 147,846	\$ -	\$ -	\$ 147,846
Exchange-Traded Funds	10,096	-	-	10,096
Mutual Funds	51,768	-	-	51,768
U.S. Treasury Obligations	134,971	-	-	134,971
Money Market Fund	<u>56,146</u>	<u>-</u>	<u>-</u>	<u>56,146</u>
	<u>\$ 400,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 400,827</u>

Investment income from these investments consists of the following for the year ended December 31:

	<u>2020</u>	<u>2019</u>
Realized gain (loss)	\$ (395)	\$ 690
Unrealized gain (loss)	2,010	-
Interest and dividends	<u>7,671</u>	<u>9,784</u>
	<u>\$ 9,286</u>	<u>\$ 10,474</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Furniture	\$ 5,483	\$ 5,483
Equipment	36,554	33,134
Vehicles	106,001	106,001
Leasehold improvements	70,006	70,006
Software	<u>207,780</u>	<u>207,780</u>
	425,824	422,404
Less accumulated depreciation	<u>(324,919)</u>	<u>(254,459)</u>
Property and equipment, net	<u>\$ 100,905</u>	<u>\$ 167,945</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$70,460 and \$89,459, respectively.

NOTE 8 – CONTRIBUTED SERVICES

The organization recognizes contribution revenue for certain services at the fair value of those services. Those services include the following at December 31:

	<u>2020</u>	<u>2019</u>
Program services:		
Legal services	\$ 35,478	\$ 42,006
Advertising	127,000	36,000
Management and general:		
Legal services	<u>53,216</u>	<u>63,009</u>
Total contributed services	<u>\$ 215,694</u>	<u>\$ 141,015</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Organization leases a facility under a non-cancelable operating lease agreement, expiring in January 2022. Monthly rent as of December 31, 2020 was \$10,677. The lease contains provisions for annual rent increases. Rent expense under this lease for the years ended December 31, 2020 and 2019 was \$138,409 and \$123,027, respectively.

Estimated future minimum lease payments over the terms of the aforementioned lease is as follows for the years ending December 31:

2021	\$ 128,000
2022	<u>11,000</u>
	<u>\$ 139,000</u>

NOTE 10 – EMPLOYEE BENEFIT PLAN

The Organization offers a defined contribution 403(b) benefit plan (the "Plan") for all eligible employees. The Plan permits participants to make contributions up to amounts allowed under federal law. The Plan provides a matching provision at the employer's discretion. Employer contributions vest at the rate of 25% per year after the completion of one year of service and 25% annually thereafter. The Organization made \$11,682 and \$11,129, respectively, in elective matching contributions to the Plan during the years ended December 31, 2020 and 2019.

NOTE 11 – PAYROLL PROTECTION PROGRAM

On April 21, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$172,100 (the “PPP Loan”). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with principal and interest deferred for ten months following the end of the covered period, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program.

The Organization has elected to account for the PPP Loan under the government grant model, whereby the forgiveness of the PPP Loan is recognized as income at the time the Organization substantially meets the conditions required for forgiveness of the loan. As of December 31, 2020, the Organization believes it has substantially met the conditions required for complete forgiveness of the loan and has recognized the \$172,100 as income for the year ended December 31, 2020. Subsequent to year end, the Organization received notification from the SBA that the PPP Loan was formally forgiven.

NOTE 12 – RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization characterized a novel strain of coronavirus (COVID-19) as a global pandemic. The ongoing COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization’s operations will depend on future developments, including the duration and spread of the outbreak within markets in which the Organization operates. Therefore, significant uncertainty remains regarding the ongoing impact of the COVID-19 outbreak upon the Organization’s financial condition and future results of operations.

NOTE 13 – SUBSEQUENT EVENT

Subsequent to year end, the Company applied for and was approved a second draw loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration in the amount of \$169,288. The loan accrues interest at 1%. The loan is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal Government.