

GLOBAL SMILE FOUNDATION, INC.



***Financial Statements
For the Years Ended December 31, 2020 and 2019***

GLOBAL SMILE FOUNDATION, INC.

Financial Statements
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Raffol and Company, Inc.
Certified Public Accountants

Kenneth J. Raffol, CPA, MST • Richard A. Petrie • Jonathan R. Vitale CPA, MSA

Independent Auditors' Report

To the Board of Directors
Global Smile Foundation, Inc.
Norwood, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Global Smile Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

Auditors' 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 auditors' 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 auditors consider 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 Global Smile Foundation, Inc. as of December 31, 2020 and 2019, 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.

A handwritten signature in cursive script that reads "Raffel and Company, LLP".

Needham, Massachusetts
February 14, 2022

GLOBAL SMILE FOUNDATION, INC.

***Statements of Financial Position
As of December 31, 2020 and 2019***

	<u>2020</u>	<u>2019</u>
<i>Assets</i>		
Cash and cash equivalents	\$ 1,067,685	\$ 961,535
Accounts receivable	60,420	-
Prepaid expenses	45,961	49,818
Property and equipment, net	4,072	6,390
Security deposit	700	700
	<u>1,178,838</u>	<u>1,018,443</u>
<i>Total assets</i>	<u>\$ 1,178,838</u>	<u>\$ 1,018,443</u>
<i>Liabilities and Net Assets</i>		
Liabilities:		
Accounts payable	\$ 24,021	\$ 16,617
Accrued payroll	5,793	-
Refundable advance, PPP loan	37,773	-
Deferred mission revenue	10,218	32,087
	<u>77,805</u>	<u>48,704</u>
<i>Total liabilities</i>	<u>77,805</u>	<u>48,704</u>
Net Assets:		
Without donor restrictions	1,101,033	969,739
	<u>1,101,033</u>	<u>969,739</u>
<i>Total net assets</i>	<u>1,101,033</u>	<u>969,739</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,178,838</u>	<u>\$ 1,018,443</u>

GLOBAL SMILE FOUNDATION, INC.

***Statements of Activities
For the Years Ended December 31, 2020 and 2019***

	2020			2019		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenue and Support:						
Contributions and grants	\$ 547,603	\$ -	\$ 547,603	\$ 814,847	\$ -	\$ 814,847
Program revenue	624	-	624	62,652	-	62,652
Fundraising revenue	58,496	-	58,496	-	-	-
In-kind equipment	41,101	-	41,101	17,028	-	17,028
In-kind medical services	2,983,945	-	2,983,945	8,468,918	-	8,468,918
Net investment income	2,396	-	2,396	3,265	-	3,265
<i>Total revenue and support</i>	3,634,165	-	3,634,165	9,366,710	-	9,366,710
Expenses:						
Program services	3,420,388	-	3,420,388	9,122,361	-	9,122,361
Management and general	74,483	-	74,483	56,715	-	56,715
Fundraising	8,000	-	8,000	12,685	-	12,685
<i>Total expenses</i>	3,502,871	-	3,502,871	9,191,761	-	9,191,761
<i>Change in net assets</i>	131,294	-	131,294	174,949	-	174,949
Net assets, beginning of year	969,739	-	969,739	794,790	-	794,790
Net assets, end of year	<u>\$ 1,101,033</u>	<u>\$ -</u>	<u>\$ 1,101,033</u>	<u>\$ 969,739</u>	<u>\$ -</u>	<u>\$ 969,739</u>

See accompanying notes to financial statements.

GLOBAL SMILE FOUNDATION, INC.

Statements of Functional Expenses For the Years Ended December 31, 2020 and 2019

	<i>2020</i>				<i>2019</i>			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries	\$ 145,981	\$ 36,495	\$ -	\$ 182,476	\$ 145,049	\$ 36,262	\$ -	\$ 181,311
Payroll taxes	9,178	2,295	-	11,473	9,581	4,106	-	13,687
	155,159	38,790	-	193,949	154,630	40,368	-	194,998
Airline travel	56,519	-	-	56,519	112,707	-	-	112,707
Ground transportation	6,109	-	-	6,109	10,722	-	-	10,722
In-kind equipment	41,101	-	-	41,101	17,028	-	-	17,028
In-kind medical services	2,983,945	-	-	2,983,945	8,468,918	-	-	8,468,918
Team lodging	48,904	-	-	48,904	167,285	-	-	167,285
Team meals	7,182	-	-	7,182	30,485	-	-	30,485
Medications and supplies	8,373	-	-	8,373	73,556	-	-	73,556
Internet/telephone	7,257	-	-	7,257	79	-	-	79
Miscellaneous	-	-	-	-	24,320	-	-	24,320
Insurance	2,730	2,730	-	5,460	3,095	3,094	-	6,189
Depreciation	1,159	1,159	-	2,318	1,292	1,291	-	2,583
Professional fees	3,783	7,026	-	10,809	29,169	4,456	-	33,625
Consultants	21,488	5,372	-	26,860	-	-	-	-
Advertising	6,014	1,504	-	7,518	-	-	-	-
Bank service charges	7,558	1,889	-	9,447	-	-	-	-
Online platform commissions	4,309	1,077	-	5,386	-	-	-	-
Dues and subscriptions	416	104	-	520	-	-	-	-
Taxes and licenses	2,686	671	-	3,357	-	-	-	-
Office supplies and expenses	17,073	4,268	-	21,341	14,957	3,739	-	18,696
Website	3,748	937	-	4,685	-	-	-	-
Software and computer expenses	19,477	4,869	-	24,346	-	-	-	-
Rent	15,080	3,770	-	18,850	13,800	3,450	-	17,250
Utilities	318	317	-	635	318	317	-	635
Fundraising expenses	-	-	8,000	8,000	-	-	12,685	12,685
Total expenses	\$ 3,420,388	\$ 74,483	\$ 8,000	\$ 3,502,871	\$ 9,122,361	\$ 56,715	\$ 12,685	\$ 9,191,761

See accompanying notes to financial statements.

GLOBAL SMILE FOUNDATION, INC.

Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 131,294	\$ 174,949
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,318	2,583
Donated securities	-	(16,445)
Realized (gain) loss on investments	-	5,618
Non-cash contributions	(3,025,046)	(8,485,946)
Non-cash expenditures	3,025,046	8,485,946
Changes in:		
Accounts receivable	(60,420)	516
Prepaid expenses	3,857	6,591
Accounts payable	7,404	(20,288)
Accrued payroll	5,793	-
Deferred mission revenue	(21,869)	-
<i>Net cash provided by (used in) operating activities</i>	<u>68,377</u>	<u>153,524</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	-	10,827
<i>Net cash provided by (used in) investing activities</i>	<u>-</u>	<u>10,827</u>
Cash Flows from Financing Activities:		
Proceeds from refundable advance, PPP	37,773	-
<i>Net cash provided by (used in) investing activities</i>	<u>37,773</u>	<u>-</u>
<i>Net increase in cash and cash equivalents</i>	106,150	164,351
Cash and cash equivalents, beginning of year	961,535	797,184
Cash and cash equivalents, end of year	<u>\$ 1,067,685</u>	<u>\$ 961,535</u>

See accompanying notes to financial statements.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

Note 1. Nature of Activities

Global Smile Foundation, Inc. (the Organization), a non-profit organization, was incorporated under the laws of the Commonwealth of Massachusetts and commenced operating on October 1, 2008. The Organization's goal is to alleviate the suffering of underserved patients born with facial congenital deformities with special emphasis on cleft lips and palates with a focus on the urgent need for implementing comprehensive care coupled with educational and preventive programs. During 2020 and 2019, the Organization conducted 4 and 8 missions, respectively, in El Salvador, Peru, Lebanon, Ecuador, and a mission in Chennai for a Cleft Workshop.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenues are recognized when the services are performed, and expenses are recorded as incurred.

Financial Statement Presentation

As required by the FASB Accounting Standards Codification, the Organization's net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor- or certain grantor- 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, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Concentration of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020 and 2019, the Organization's uninsured cash balances totaled \$567,686 and \$461,535, respectively.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Deferred Revenue

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods.

Exchange transactions: Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. The Organization adopted Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("Topic 606") on January 1, 2020, using the modified retrospective method applied to all contracts not completed as of the date of the adoption. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The modified retrospective adoption method requires the Organization to record a transition adjustment for the new revenue standard, if any, as a cumulative effect adjustment to beginning net assets as of the date of adoption.

The Organization applies Topic 606 to exchange transactions in which it receives consideration for products or services offered. Under U.S. GAAP, these arrangements are exchange transactions between the Organization and the customers participating in the Organization's programs or using their services.

The following is a discussion of key revenues streams within the scope of Topic 606. The Organization provides services to customers, which have related performance obligations that the Organization completes in order to recognize revenue. The Organization's revenues are generally recognized either immediately upon the completion of the service or over time as the Organization performs the services. Any services performed over time generally require that the Organization render services each period and therefore the Organization measures progress in completing these services based upon the passage of time.

Deferred revenue represents contributions for missions in future years that was received prior to year-end. These amounts are deferred and recognized once the mission has been completed.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers cash and cash equivalents to be cash on hand, cash in operating bank accounts, and cash in brokerage accounts. For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment, having a unit cost in excess of \$1,000 and having an estimated useful life of at least three years, are capitalized at cost. Donations of property and equipment are recorded as support revenue at their estimated fair value. Depreciation is computed using the straight-line method calculated to extinguish the book value of the respective assets over their estimated useful lives, which are as follows:

Leasehold improvements	Remaining life of lease
Equipment	5-10 years
Motor vehicles	5 years

Investments

The Organization reports investments in equity securities with readily determinable fair values in the statements of financial position at fair value. Investment income is included in the change in net assets as a change in net assets without donor restrictions.

Income Taxes

The Organization is a tax-exempt organization under the Internal Revenue Code 501(c)(3) and as such has no federal income tax liability. This status was granted by the Internal Revenue Service District Director in October 2008.

New Accounting Pronouncements

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. ASU No. 2014-09 eliminated the transaction and industry-specific revenue recognition guidance under previous U.S. GAAP and replaced it with a principle-based approach for determining revenue recognition. The core principle of ASU No. 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of ASU No. 2014-09 resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

The Organization has adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, as amended. ASU No. 2018-08 was issued to make it easier for not-for-profit organizations to evaluate whether gifts, grants or contracts should be accounted for as contributions, or as reciprocal (exchange) transactions accounted for under ASU No. 2014-09. Under the new guidance, all organizations are required to evaluate whether the resource provider (i.e., federal agency, foundation, corporation, etc.) is receiving commensurate value in a transfer of resources (i.e., assets or reduction/settlement of liabilities), and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction should be accounted for as an exchange transaction by applying ASU No. 2014-09. If commensurate value is not received by the resource provider (i.e., the transaction is nonexchange), the recipient organization would determine the transaction to be a contribution and determine whether the contribution is unconditional or conditional. The standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of ASU No. 2018-08 resulted in a change in the way the Organization recognizes mission revenue. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Professional fees, salary, payroll taxes and benefits are allocated depending on time and effort. Depreciation is allocated across the useful life of the assets. Rent is allocated in accordance with square footage used by full time equivalents.

The following functional expenses are directly allocated to the programs, projects and departments as they are utilized:

- Meeting expenses
- Program supplies
- Postage and delivery
- Printing

The following functional expenses are allocated depending on time and effort:

- Office supplies
- Payroll taxes and benefits
- Professional fees
- Rent
- Salary
- Telephone

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements *For the Years Ended December 31, 2020 and 2019*

Note 2. Summary of Significant Accounting Policies (Continued)

Change in Prior Year Accounting for Restricted Mission Donations

During the year ended December 31, 2020, the Organization adopted Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("Topic 606"). The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This change in accounting has impacted the Organization's net assets and deferred revenue in prior years. Donations received for missions will be deferred until missions are complete. See below for a comparison of the change:

	<i>After Change</i> <i>2019</i>	<i>As Reported</i> <i>2019</i>	<i>Effect of</i> <i>Change</i>
<i>Assets</i>			
Cash and cash equivalents	\$ 961,535	\$ 961,535	\$ -
Prepaid expenses	49,818	49,818	-
Property and equipment, net	6,390	6,390	-
Security deposit	700	700	-
			-
<i>Total assets</i>	\$ 1,018,443	\$ 1,018,443	\$ -
<i>Liabilities and Net Assets</i>			
Liabilities:			
Accounts payable	16,617	16,617	-
Deferred mission revenue	32,087	-	32,087
<i>Total liabilities</i>	48,704	16,617	32,087
			-
Net Assets:			-
Without donor restrictions	969,739	969,739	-
With donor restrictions	-	32,087	(32,087)
<i>Total net assets</i>	969,739	1,001,826	(32,087)
			-
<i>Total liabilities and net assets</i>	\$ 1,018,443	\$ 1,018,443	\$ -

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements *For the Years Ended December 31, 2020 and 2019*

Note 2. Summary of Significant Accounting Policies (Continued)

Change in Prior Year Accounting for Restricted Mission Donations (Continued)

	<i>After Change</i> <i>2019</i>	<i>As Reported</i> <i>2019</i>	<i>Effect of</i> <i>Change</i>
Revenue and Support:			
Contributions and grants	\$ 814,847	\$ 811,257	\$ 3,590
Program service fees	62,652	62,652	-
In-kind equipment	17,028	17,028	-
In-kind medical services	8,468,918	8,468,918	-
Net investment income	3,265	3,265	-
Total revenue and support	9,366,710	9,363,120	3,590
Expenses:			
Program services	9,122,361	9,122,361	-
General and administration	56,715	56,715	-
Fundraising	12,685	12,685	-
Total expenses	9,191,761	9,191,761	-
Changes in net assets	174,949	171,359	3,590
			-
Net assets, beginning of year	794,790	830,467	(35,677)
Net assets, end of year	<u>\$ 969,739</u>	<u>\$ 1,001,826</u>	<u>\$ (32,087)</u>

Note 3. Prepaid Mission Expenses

At December 31, 2020 and 2019, the Organization had paid airfare and mission expenses of \$45,681 and \$49,818, respectively, which related to missions and events in the subsequent years.

Note 4. In-Kind Contributions

To provide additional further support for its medical activities, the Organization solicits and receives donations of supplies, equipment, and volunteer support. During the years ended December 31, 2020 and 2019, the Organization received donations such as rent, equipment, supplies, lodging, and airfare with combined values of \$41,101 and \$17,028, respectively. During the years ended December 31, 2020 and 2019, the Organization was provided with medical services, including the services of skilled surgical volunteer labor, valued at \$2,983,945 and \$8,468,918, respectively.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements *For the Years Ended December 31, 2020 and 2019*

Note 5. Concentrations

The Organization receives a large portion of its total support and revenue from a small number of individuals and organizations. During the years ended December 31, 2020 and 2019, 10 individual donors made donations in the amount of \$315,547 and \$299,278, respectively, which made up approximately 52% and 34%, respectively of the Organization's total revenue (excluding in-kind donations). The Organization is also dependent upon the contribution of services from highly skilled medical doctors, dentists, and nurses.

Note 6. Leasing Arrangements

On October 1, 2018, the Organization renewed its Norwood, Massachusetts office lease for an additional three years, expiring on September 30, 2021, with monthly lease payments of approximately \$1,400. Rent expense for the years ended December 31, 2020 and 2019 was \$18,850 and \$17,250, respectively. Future minimum lease payments under the lease total \$13,950 for the year ending December 31, 2021.

Note 7. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets based on the statements of financial position, reduced by amounts not available for general use within one year of the statement of financial position dates:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,067,685	\$ 961,535
Accounts receivable	60,420	-
Total financial assets	<u>1,128,105</u>	<u>961,535</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>-</u>	<u>-</u>
<i>Total financial assets available to meet cash needs for general expenditures and missions within one year</i>	<u>\$ 1,128,105</u>	<u>\$ 961,535</u>

The Organization receives major support from contributions with donor restrictions which require resources to be used in a particular manner or in a future period. The Organization must maintain sufficient resources to meet these responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

GLOBAL SMILE FOUNDATION, INC.

Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 8. Property and Equipment

Property and equipment and accumulated depreciation account balances at December 31, are as follows:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 30,349	\$ 30,349
Accumulated depreciation	<u>(26,277)</u>	<u>(23,959)</u>
<i>Property and equipment, net</i>	<u>\$ 4,072</u>	<u>\$ 6,390</u>

Depreciation expense was \$2,318 and \$2,583 for the years ended December 31, 2020 and 2019, respectively.

Note 9. Refundable Advance, PPP Loan

On November 4, 2020, the Organization was granted a first round loan (the Loan) from a bank, for \$37,773 pursuant to the Paycheck Protection Program (PPP).

The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months following the end of the eight- or 24-week period.

The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, management cannot assure that it will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part. The loan is recorded on the Statement of Financial Position as refundable advance, PPP loan.

Note 10. Subsequent Events

ASC 855-10, Subsequent Events, defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization evaluated events that occurred after December 31, 2020, the date of the statement of financial position, but before the date the financial statements were available to be issued, February 14, 2022, for potential recognition or disclosure in the financial statements. The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. Possible effects may include, but are not limited to, the disruption of the Organization's programs.