



FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



# THE VILLAGE OF MERICI, INC.

## TABLE OF CONTENTS DECEMBER 31, 2019 AND 2018

	Page
<b>Independent Auditor's Report</b>	1 - 2
<b>Financial Statements:</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 15



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Village of Merici, Inc.  
Indianapolis, Indiana

We have audited the accompanying financial statements of The Village of Merici, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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 controls 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 Village of Merici, Inc. as of December 31, 2019 and 2018, and its changes in net assets, functional expenses, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Ashley CPA Gref". The signature is written in a cursive, flowing style.

May 13, 2020

# THE VILLAGE OF MERICI, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

### ASSETS

	<u>2019</u>	<u>2018</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,032,921	\$ 819,873
Accounts receivable	33,168	24,336
Contributions and grants receivable	-0-	25,000
Prepaid expenses	3,049	5,963
Property and equipment, net	88,376	75,233
Earnest deposit for building	<u>50,000</u>	<u>50,000</u>
	<u>\$ 1,207,514</u>	<u>\$ 1,000,405</u>

### LIABILITIES AND NET ASSETS

<b>Liabilities:</b>		
Accounts payable	\$ 9,646	\$ 6,261
Accrued expenses	21,149	15,526
Deferred revenue	2,800	5,000
Other liabilities	<u>2,228</u>	<u>2,682</u>
Total liabilities	<u>35,823</u>	<u>29,469</u>
<b>Net Assets:</b>		
Without donor restrictions	595,897	365,132
With donor restrictions	<u>575,794</u>	<u>605,804</u>
Total net assets	<u>1,171,691</u>	<u>970,936</u>
	<u>\$ 1,207,514</u>	<u>\$ 1,000,405</u>

See accompanying Notes to Financial Statements.

## THE VILLAGE OF MERICI, INC.

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTAL FOR 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
<b>Revenue and Support:</b>				
Contract revenues - service delivery	\$ 760,568	\$ -0-	\$ 760,568	\$ 612,616
Non-contract revenues:				
Individual contributions	158,112	-0-	158,112	82,376
Corporate contributions and grants	110,190	40,500	150,690	123,330
Special events	141,748	-0-	141,748	97,398
In-kind contributions	65,234	-0-	65,234	27,850
Other income, net	12,375	-0-	12,375	14,400
Total non-contract revenues				
Total revenue and support	1,263,660	40,500	1,304,160	965,314
<b>Net Assets Released From Restrictions</b>	<u>70,510</u>	<u>(70,510)</u>	<u>-0-</u>	<u>-0-</u>
	<u>1,334,170</u>	<u>(30,010)</u>	<u>1,304,160</u>	<u>965,314</u>
<b>Expenses:</b>				
Program services	781,737	-0-	781,737	610,669
Management and general	182,404	-0-	182,404	183,471
Fundraising	139,264	-0-	139,264	102,646
Total expenses	<u>1,103,405</u>	<u>-0-</u>	<u>1,103,405</u>	<u>896,786</u>
Change in net assets	230,765	(30,010)	200,755	68,528
<b>Net Assets, Beginning of Year</b>	<u>365,132</u>	<u>605,804</u>	<u>970,936</u>	<u>902,408</u>
<b>Net Assets, End of Year</b>	<u>\$ 595,897</u>	<u>\$ 575,794</u>	<u>\$ 1,171,691</u>	<u>\$ 970,936</u>

See accompanying Notes to Financial Statements.

## THE VILLAGE OF MERICI, INC.

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support:</b>			
Contract revenues - service delivery	\$ 612,616	\$ -0-	\$ 612,616
Non-contract revenues:			
Individual contributions	72,376	10,000	82,376
Corporate contributions and grants	82,590	40,740	123,330
Special events	97,398	-0-	97,398
In-kind contributions	27,850	-0-	27,850
Other income	14,400	-0-	14,400
Total non-contract revenues			
Total revenue and support	914,574	50,740	965,314
<b>Net Assets Released From Restrictions</b>	<u>135,436</u>	<u>(135,436)</u>	<u>-0-</u>
	<u>1,050,010</u>	<u>(84,696)</u>	<u>965,314</u>
<b>Expenses:</b>			
Program services	610,669	-0-	610,669
Management and general	183,471	-0-	183,471
Fundraising	<u>102,646</u>	<u>-0-</u>	<u>102,646</u>
Total expenses	<u>896,786</u>	<u>-0-</u>	<u>896,786</u>
Change in net assets	153,224	(84,696)	68,528
<b>Net Assets, Beginning of Year</b>	<u>211,908</u>	<u>690,500</u>	<u>902,408</u>
<b>Net Assets, End of Year</b>	<u>\$ 365,132</u>	<u>\$ 605,804</u>	<u>\$ 970,936</u>

See accompanying Notes to Financial Statements.

## THE VILLAGE OF MERICI, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries	\$ 594,319	\$ 124,212	\$ 55,907	\$ 774,438	\$ 629,739
Payroll taxes	47,847	10,000	4,501	62,348	56,782
Total salaries and payroll taxes	642,166	134,212	60,408	836,786	686,521
Event expense	16,377	-0-	59,436	75,813	37,796
Meeting expense	185	1,660	4,010	5,855	5,043
Service delivery	19,993	-0-	-0-	19,993	18,920
Professional fees	4,980	22,727	3,096	30,803	43,987
Computer software	6,623	-0-	-0-	6,623	1,006
Insurance	11,847	2,962	-0-	14,809	14,355
Depreciation	8,844	5,616	-0-	14,460	12,562
Office expense	7,054	3,342	3,342	13,738	3,962
Utilities	6,855	2,221	579	9,655	9,847
Auto expense	30,069	-0-	851	30,920	21,991
Advertising	4,140	73	3,696	7,909	1,160
Rent	19,170	6,210	1,620	27,000	27,000
Repairs and maintenance	3,076	996	260	4,332	3,500
Miscellaneous expense	358	2,385	1,966	4,709	9,136
	\$ 781,737	\$ 182,404	\$ 139,264	\$ 1,103,405	\$ 896,786

See accompanying Notes to Financial Statements.



## THE VILLAGE OF MERICI, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 460,270	\$ 116,183	\$ 53,286	\$ 629,739
Payroll taxes	<u>41,501</u>	<u>10,476</u>	<u>4,805</u>	<u>56,782</u>
Total salaries and payroll taxes	501,771	126,659	58,091	686,521
Event expense	8,195	-0-	29,601	37,796
Meeting expense	196	1,759	3,088	5,043
Service delivery	18,920	-0-	-0-	18,920
Professional fees	9,678	28,937	5,372	43,987
Computer software	1,006	-0-	-0-	1,006
Insurance	11,484	2,871	-0-	14,355
Depreciation	6,149	6,413	-0-	12,562
Office expense	338	1,812	1,812	3,962
Utilities	6,991	2,265	591	9,847
Auto expense	21,521	-0-	470	21,991
Advertising	868	116	176	1,160
Rent	19,170	6,210	1,620	27,000
Repairs and maintenance	2,485	805	210	3,500
Miscellaneous expense	<u>1,897</u>	<u>5,624</u>	<u>1,615</u>	<u>9,136</u>
	<u>\$ 610,669</u>	<u>\$ 183,471</u>	<u>\$ 102,646</u>	<u>\$ 896,786</u>

See accompanying Notes to Financial Statements.

# THE VILLAGE OF MERICI, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 200,755	\$ 68,528
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,460	12,562
Donated property and equipment	(8,703)	-0-
Loss on disposal of assets	2,100	-0-
Changes in operating assets and liabilities:		
Accounts receivable	(8,832)	(6,423)
Contributions and grants receivable	25,000	31,250
Prepaid expenses	2,914	(3,995)
Accounts payable	3,385	(5,618)
Accrued expenses	5,623	4,154
Deferred revenue	(2,200)	(3,500)
Other liabilities	(454)	(318)
Net cash provided by operating activities	<u>234,048</u>	<u>96,640</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(21,000)	(48,879)
Earnest deposit for building	-0-	(50,000)
Net cash used in investing activities	<u>(21,000)</u>	<u>(98,879)</u>
Net increase (decrease)	213,048	(2,239)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>819,873</u>	<u>822,112</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,032,921</u>	<u>\$ 819,873</u>
<b>Supplement Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 476</u>	<u>\$ 381</u>
<b>Non-Cash Investing and Financing Activities:</b>		
Purchase of equipment through other liabilities	<u>\$ -0-</u>	<u>\$ 3,000</u>

See accompanying Notes to Financial Statements.

# THE VILLAGE OF MERICI, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Description of the Entity

The Village of Merici, Inc. (the "Organization") is a not-for-profit organization which provides residential supported living and community integration services to individuals with developmental disabilities.

The significant accounting policies followed by the Organization in the preparation of its financial statements are summarized below:

#### Change in Accounting Principles

During 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America ("U.S. GAAP"). The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019, using the full retrospective method.

As part of the adoption of the ASU, the Organization elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Organization expects to recognize such revenue for all periods prior to the date of initial application of the ASU; and (iv) has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

The majority of the Organization's revenue subject to the ASU is recognized at a point in time when services are performed. In addition, the majority of the Organization's contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the ASU adoption.

#### Basis of Presentation

Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available to support the general operations of the Organization. Net assets with donor restrictions are net assets subject to donor-imposed restrictions related to specific purposes or the passage of time.

# THE VILLAGE OF MERICI, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### Revenue and Support Recognition

For contracts with customers, the Organization derives its revenues primarily from providing services to individuals. Service revenue is recognized within the month services are performed. Contract revenues are recognized in an amount that reflects the consideration the Organization expects to be entitled to in exchange for services performed. Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization does not have any significant financing components as payment is received at or shortly after the service is performed and billed. Costs incurred to obtain a contract are expensed as incurred.

Non-contract revenues include support and revenues as increases in net assets with or without donor restrictions based upon whether the donor has imposed any restrictions. Contributions are recognized when the donor makes an unconditional promise to give to the Organization either in writing or verbally. Revenues are reported as with donor restrictions if the donor stipulates specific limitations as to the use of the gift, pledge or contributions, including passage of time or other terms limiting its uses. Donor-imposed restrictions are released from restriction and transferred to net assets without donor restrictions in the reporting period the restriction is satisfied or expires. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions are satisfied in the same reporting period in which the revenue is recognized.

### Disaggregation of Revenues from Contracts with Customers

All of the Organization's revenues for services are from performance obligations satisfied at a point in time and, accordingly, no revenues are from performance obligations satisfied over time.

### Performance Obligations

Revenues are recognized at the point in time when the contract performance obligations are satisfied as services are performed for the individuals.

### Variable Consideration

The nature of the Organization's business activities and customer contracts does not give rise to significant variables of the total amount of the contract price. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative support and revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

The primary variable consideration for all contracts the Organization enters is the potential for allowances that generally decrease the transaction price which reduces revenue. Although contract consideration adjustments historically have been insignificant, variable amounts are generally credited to the individual through billing adjustments.

# THE VILLAGE OF MERICI, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### Accounts Receivable and Contributions and Grants Receivable

Accounts receivable and contributions and grants receivable are reported at the amount invoiced or the amount pledged or contributed, net of an allowance for estimated uncollectible accounts, if any. The Organization, on a periodic basis, evaluates its receivable accounts and establishes an allowance for doubtful accounts based on past write-offs, collections, and current credit conditions. There was no allowance for doubtful accounts as of December 31, 2019 and 2018.

### Statement of Functional Expenses

Expenses are classified among functional categories that include Program Services, Management and General, and Fundraising. Classifications are based on actual direct expenditures and costs allocations determined by estimates of time spent by the Organization personnel or other rational basis of allocation.

### Estimates

The preparation of financial statements in conformity with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Primary estimates made in the preparation of the Organization's financial statements include the collectability of accounts receivable, contributions and grants receivable, contract billing rates for services performed, the value of donated assets and donated lease space, and useful lives of property and equipment.

### Cash and Cash Equivalents

Cash and cash equivalents include amounts held in checking, savings and money market accounts.

### Property and Equipment and Depreciation

Purchased property and equipment is recorded at cost. Items donated are recorded at fair market value as of the date of donation. Costs of improvements are capitalized and costs of repairs and maintenance are expensed as incurred. Depreciation is recorded over the estimated useful lives of the assets ranging from two (2) to twenty (20) years utilizing the straight-line method.

### In-Kind Contributions

The Organization recognizes in-kind contributions as support, including rent for their administrative office (Note 6) and other services provided free of charge or at significant discounts.

# THE VILLAGE OF MERICI, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### Income Taxes

The Organization is exempt from Federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state law. Accordingly, no provision has been made for Federal or state income taxes.

Management of the Organization evaluates all significant tax positions to ensure compliance with exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2019, Management does not believe the Organization has taken any tax positions that are not in compliance with the exempt purpose of the Organization. The Organization's Federal and state tax returns remain open and subject to examination beginning with the tax year ended December 31, 2016.

### Subsequent Events

Subsequent events have been evaluated through May 13, 2020, which is the date the financial statements were available for issuance (Note 10).

## 2. LIQUIDITY AND AVAILABILITY

At December 31, 2019 and 2018, financial assets available for future general expenditures within one year from the Statements of Financial Position consist of the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 1,032,921	\$ 819,873
Accounts receivable	33,168	24,336
Contributions and grants receivable	<u>-0-</u>	<u>25,000</u>
Total financial assets	1,066,089	869,209
Less amounts not available to be used within one year:		
Donor restricted funds	<u>(575,794)</u>	<u>(605,804)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 490,295</u>	<u>\$ 263,405</u>

The Organization is supported by contributions with and without donor restrictions and earns service delivery revenues which are ongoing, major and central to its annual operations to be available to meet cash needs for general operations. Donor restrictions require resources to be used in a particular manner or in a future period.

The Organization's liquidity objectives are to maintain adequate liquid assets to fund near-term operating needs and maintain sufficient reserves to provide reasonable assurance that long-term obligations will be discharged as they become due.

# THE VILLAGE OF MERICI, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 3. CONTRACT ASSETS

As of December 31, 2019 and 2018, the Organization had no contract liabilities. The Organization's contract assets as of December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Accounts receivable:		
Beginning of the year	\$ 24,336	\$ 17,913
End of year	\$ 33,168	\$ 24,336

### 4. CONTRIBUTIONS AND GRANTS RECEIVABLE

The Organization recognizes all material conditional and unconditional promises to give as support and revenues. Promises to give that are expected to be collected in future years are recorded at their net present value.

Contributions and grants receivable of \$0- and \$25,000 at December 31, 2019 and 2018, respectively, represent receivables from donors and are due within one year from the Statements of Financial Position.

### 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 38,880	\$ 38,880
Furniture and fixtures	45,878	48,275
Vehicles	<u>49,520</u>	<u>28,520</u>
	134,278	115,675
Accumulated depreciation	<u>(45,902)</u>	<u>(40,442)</u>
	<u>\$ 88,376</u>	<u>\$ 75,233</u>

### 6. FACILITY RENT

The Organization's facility is provided rent free from an unrelated third party. The donation of the rent is recorded and reported as "In-kind contributions" in the Statements of Activities and Changes in Net Assets. Rent contributed to the Organization was valued at \$27,000 for the years ended December 31, 2019 and 2018.

# THE VILLAGE OF MERICI, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 7. NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purposes at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Building purchase	\$ 560,000	\$ 560,000
Merici City Rides	10,500	-0-
Music Therapy Health Matters	5,000	-0-
Health Matters	294	-0-
Future operations	-0-	25,000
Merici kitchen project	-0-	19,810
Technology	-0-	994
	<u>\$ 575,794</u>	<u>\$ 605,804</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. Donor restricted funds of \$70,510 and \$135,436 were released from restrictions during the years ended December 31, 2019 and 2018, respectively.

### 8. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2019 and 2018, contributions aggregating \$49,985 and \$36,829, respectively, were contributed from employees and members of the Organization's board of directors.

### 9. CONCENTRATION OF CREDIT RISK

#### Cash and Cash Equivalents

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### Contributions and Grants Receivable and Support and Revenue

At December 31, 2019 and for the year then ended, 95% of accounts receivable and 99% of service revenues were from one (1) agency.

At December 31, 2018 and for the year then ended, 100% of contributions and grants receivable were from one (1) donor and 97% of accounts receivable and 99% of service revenues were from one (1) agency.



# THE VILLAGE OF MERICI, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 10. SUBSEQUENT EVENTS

#### COVID-19

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The effects of COVID-19 will likely adversely impact local, national and global economies. The extent to which COVID-19 impacts the Organization's operations is dependent on the breadth and duration of the pandemic and could be affected by other factors Management is not currently able to predict. Potential impacts could include, but are not limited to, reduced contributions and grants and shortages of personnel.

#### Paycheck Protection Program

Effective April 15, 2020, the Organization borrowed \$171,200 from a bank under the U.S. Small Business Administration's Paycheck Protection Program ("PPP"). Under the terms of the program, a portion of the loan may be forgiven based on the Organization's number of employees and actual expenditures during the eight-week period following the funding of the loan. To the extent the loan amount is not forgiven under the PPP, the Organization must make equal monthly payments of principal and interest beginning six months from the date of the note through the maturity date, which is two years from the date of the note. This note may be prepaid in part or in whole at any time without penalty. This transaction is not reflected in the accompanying financial statements.