
MARY C. SCHANZ FOUNDATION

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019



MARY C. SCHANZ FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mary C. Schanz Foundation
Tucson, Arizona

We have audited the accompanying financial statements of the Mary C. Schanz Foundation (an Arizona nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses 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.

(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mary C. Schanz Foundation 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.

Regier Cant Monro, L.L.P.

July 17, 2021
Tucson, Arizona

MARY C. SCHANZ FOUNDATION
STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,669,222	\$ 1,434,926
Bequests receivable, net	-	90,591
Other receivables	24,113	-
Investments	66,044	63,986
Prepaid expenses and other assets	30,289	4,923
	1,789,668	1,594,426
PROPERTY AND EQUIPMENT, NET	146,684	144,430
Total assets	\$ 1,936,352	\$ 1,738,856

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 51,456	\$ 43,386
Accrued expenses and other liabilities	23,889	15,198
Due to related party	18,143	48,143
Paycheck Protection Program note payable, current portion	70,816	-
	164,304	106,727
LONG-TERM LIABILITIES		
Paycheck Protection Program note payable, non-current portion	70,817	-
Total liabilities	235,121	106,727
NET ASSETS		
Without donor restrictions	1,686,231	1,608,129
With donor restrictions	15,000	24,000
Total net assets	1,701,231	1,632,129
Total liabilities and net assets	\$ 1,936,352	\$ 1,738,856

The Notes to Financial Statements are an integral part of these statements

MARY C. SCHANZ FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions and grants	\$ 1,952,938	\$ 15,000	\$ 1,967,938
In-kind donations	105,434	-	105,434
Legacies and bequests	144,145	-	144,145
Interest income	24,110	-	24,110
Other income	7,191	-	7,191
Investment income, net	1,759	-	1,759
Net assets released from restrictions	24,000	(24,000)	-
	<u>2,259,577</u>	<u>(9,000)</u>	<u>2,250,577</u>
EXPENSES			
Program services	1,830,241	-	1,830,241
General and administrative	127,888	-	127,888
Fundraising expenses	223,346	-	223,346
	<u>2,181,475</u>	<u>-</u>	<u>2,181,475</u>
CHANGE IN NET ASSETS	78,102	(9,000)	69,102
NET ASSETS, BEGINNING OF YEAR	<u>1,608,129</u>	<u>24,000</u>	<u>1,632,129</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,686,231</u></u>	<u><u>\$ 15,000</u></u>	<u><u>\$ 1,701,231</u></u>

The Notes to Financial Statements are an integral part of these statements

MARY C. SCHANZ FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions and grants	\$ 1,600,213	\$ 40,000	\$ 1,640,213
In-kind donations	112,224	-	112,224
Legacies and bequests	249,146	-	249,146
Interest income	29,733	-	29,733
Other income	202	-	202
Investment income, net	1,398	-	1,398
Net assets released from restrictions	45,900	(45,900)	-
	<u>2,038,816</u>	<u>(5,900)</u>	<u>2,032,916</u>
EXPENSES			
Program services	1,737,915	-	1,737,915
General and administrative	112,219	-	112,219
Fundraising expenses	399,015	-	399,015
	<u>2,249,149</u>	<u>-</u>	<u>2,249,149</u>
CHANGE IN NET ASSETS	(210,333)	(5,900)	(216,233)
NET ASSETS, BEGINNING OF YEAR	<u>1,818,462</u>	<u>29,900</u>	<u>1,848,362</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,608,129</u></u>	<u><u>\$ 24,000</u></u>	<u><u>\$ 1,632,129</u></u>

The Notes to Financial Statements are an integral part of these statements

MARY C. SCHANZ 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	\$ 69,102	\$ (216,233)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	17,687	18,507
Unrealized (gain) on investments	(2,009)	(3,808)
Reinvested dividends	(49)	(123)
Receipt of contributed securities	-	(1,608)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(24,113)	2,500
Bequests receivable	63,089	61,036
Uncollectible bequest	27,502	18,960
Prepaid expenses	(25,366)	(2,000)
Accounts payable	8,070	1,522
Accrued expenses	8,691	6,322
Net cash provided/(used) by operating activities	142,604	(114,925)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(19,941)	-
Net cash used by investing activities	(19,941)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made due to related party	(30,000)	(32,500)
Proceeds from Paycheck Protection Program note payable	141,633	-
Net cash provided by financing activities	111,633	(32,500)
Net increase/(decrease) in cash and cash equivalents	234,296	(147,425)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,434,926	1,582,351
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,669,222	\$ 1,434,926
SUPPLEMENTAL DISCLOSURE		
Non-cash in-kind donations	\$ 105,434	\$ 112,224
Services traded for assets disposed	\$ -	\$ (1,600)

The Notes to Financial Statements are an integral part of these statements

MARY C. SCHANZ FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services	General and Administrative	Fund- Raising	Total
Truck expense	\$ 48,460	\$ -	\$ -	\$ 48,460
Uncollectible bequest	27,502	-	-	27,502
Bank charges	9,929	3,954	-	13,883
Fundraising campaign	-	-	222,296	222,296
In-kind expenses	74,550	29,400	1,050	105,000
Insurance	16,199	918	-	17,117
Interest expense	458	-	-	458
Miscellaneous	350	3,808	-	4,158
Office expenses	159	46,204	-	46,363
Outreach	104,835	-	-	104,835
Publications	93,023	-	-	93,023
Professional fees	14,427	1,603	-	16,030
Repairs and maintenance	3,092	-	-	3,092
Related party rent expense	8,650	-	-	8,650
Salaries	798,021	42,001	-	840,022
Sanctuary operating expenses	581,549	-	-	581,549
Utilities	31,350	-	-	31,350
	<hr/>	<hr/>	<hr/>	<hr/>
Total before depreciation expense	1,812,554	127,888	223,346	2,163,788
Depreciation	17,687	-	-	17,687
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 1,830,241</u>	<u>\$ 127,888</u>	<u>\$ 223,346</u>	<u>\$ 2,181,475</u>

The Notes to Financial Statements are an integral part of these statements

MARY C. SCHANZ FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services	General and Administrative	Fund- Raising	Total
Truck expense	\$ 36,332	\$ -	\$ -	\$ 36,332
Uncollectible bequest	18,960	-	-	18,960
Bank charges	8,976	2,964	-	11,940
Fundraising campaign	-	-	397,515	397,515
In-kind expenses	80,450	29,250	1,500	111,200
Insurance	17,610	918	-	18,528
Interest expense	1,024	-	-	1,024
Miscellaneous	79,118	-	-	79,118
Office expenses	440	37,399	-	37,839
Outreach	54,721	-	-	54,721
Publications	70,967	-	-	70,967
Professional fees	17,995	1,999	-	19,994
Repairs and maintenance	10,271	-	-	10,271
Related party rent expense	8,432	-	-	8,432
Salaries	754,089	39,689	-	793,778
Sanctuary operating expenses	531,753	-	-	531,753
Utilities	28,270	-	-	28,270
	<u>1,719,408</u>	<u>112,219</u>	<u>399,015</u>	<u>2,230,642</u>
Total before depreciation expense				
Depreciation	<u>18,507</u>	<u>-</u>	<u>-</u>	<u>18,507</u>
Total	<u><u>\$ 1,737,915</u></u>	<u><u>\$ 112,219</u></u>	<u><u>\$ 399,015</u></u>	<u><u>\$ 2,249,149</u></u>

The Notes to Financial Statements are an integral part of these statements

MARY C. SCHANZ FOUNDATION NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Mary C. Schanz Foundation (the “Foundation”) was organized as a not-for-profit corporation in 2000. The Foundation is dedicated to eliminating the suffering of potbellied pigs in Arizona and surrounding states by promoting spaying and neutering, assisting owners and other sanctuaries, and providing a permanent home in a safe, nurturing environment for those that are abandoned, abused, neglected, or unwanted. The Foundation is supported primarily through public contributions.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2020 and 2019, net assets with donor restrictions for a specific purpose to be released within one year were \$15,000 and \$24,000, respectively. There were no net assets with donor restrictions of a perpetual nature at December 31, 2020 or 2019.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations, regarding how long the contributed assets must be used, are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Property, Plant, and Equipment

Donated fixed assets are reported at estimated fair value at the date of contribution. Purchased fixed assets of the Foundation are stated at cost. Asset lives range from 5 to 30 years. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. Asset additions over \$1,000 are capitalized and depreciated. Repairs and maintenance are charged to expense as incurred.

Donation of Services

It is the policy of the Foundation not to report on its financial statements the value of donated personal services unless they enhance non-financial assets or consist of specialized services performed by individuals that possess the required specialized skills. The Foundation's two co-directors donate all of their time to the Foundation. Total donated in-kind salaries of \$105,000 have been recorded for December 31, 2020 and 2019.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers cash and cash equivalents to include cash on deposit in banks, certificates of deposit and cash temporarily invested in interest bearing money market accounts with original maturities of three months or less.

Advertising Costs

Costs incurred for producing and communicating non-direct advertising are expensed when incurred. Costs incurred for direct advertising are capitalized and amortized over its estimated useful life. No advertising costs were capitalized or incurred at December 31, 2020 and 2019.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Foundation is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (“IRS”) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and have been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Investments

Investments are recorded at their fair market value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases and decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services, general and administrative, and fund-raising expenses. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and Effort
Professional Fees	Time and Effort
In-Kind	Time and Effort

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Revenue Recognition

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a 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. As of the year ended December 31, 2020 and 2019 there were no conditional promises to give.

During 2020 the Foundation adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) using the full retrospective method. This ASU superseded the previous revenue recognition requirements. The ASU is based on the principle that revenue is recognized 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 and services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The adoption of this ASU did not have a significant impact on the Foundation's financial statements. No changes were required to previously reported assets or revenues as a result of the adoption. Based on the Foundation's evaluation process and review of its revenue sources, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. SIGNIFICANT ESTIMATES

The Foundation's co-directors perform significant services for the Foundation for which they receive no compensation. Donated in-kind salary expense and donated in-kind income has been reported at an estimated fair value. These reported amounts represent a significant estimate.

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2. SIGNIFICANT ESTIMATES (continued)

The Foundation has acquired assets since inception and through December 31, 2020. The estimated useful lives and corresponding net book value of these assets represent a significant estimate.

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,669,222	\$ 1,434,926
Bequests receivable	-	90,591
Accounts receivable	24,113	-
Investments	<u>66,044</u>	<u>63,986</u>
Total financial assets	1,759,379	1,589,503
Less amounts not available to be used within one year:		
Net asset with donor restrictions	15,000	24,000
Less net assets with purpose restrictions to be met in less than one year	<u>(15,000)</u>	<u>(24,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,759,379</u>	<u>\$ 1,589,503</u>

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$554,000). As part of its liquidity plan, excess cash is invested in short-term highly liquid, low risk instruments, including money market accounts and certificates of deposit classified as cash and cash equivalents.

4. INVESTMENTS/ FAIR VALUE MEASUREMENTS

In 2013, the Foundation inherited an IRA account from a donor. The future proceeds from this account are intended to support the operations of the Foundation. The Foundation's investment objective is the preservation of capital. Accordingly, these investments are comprised of highly liquid, low risk instruments.

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4. INVESTMENTS/ FAIR VALUE MEASUREMENTS (continued)

U.S. generally accepted accounting principles establish a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, level 2 inputs consist of observable inputs other than quoted prices for identical assets, and level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair values using level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 fair value measurements are based on quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the assets is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 fair value measurements are based on inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a level 2 input must be observable for substantially the full-term of the asset.

Level 3 fair value measurements are based on unobservable inputs for the asset. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the assets at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the (including assumption about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

Fair value measurements were reported based on the following:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2020</u>				
Money Market	\$ 54,785	\$ 54,785	\$ -	\$ -
Stocks	4,136	4,136	-	-
Exchange Traded Fund	5,020	5,020	-	-
Mutual Fund – Lg Blend	<u>2,103</u>	<u>2,103</u>	-	-
Total	<u>\$ 66,044</u>	<u>\$ 66,044</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

4. INVESTMENTS/ FAIR VALUE MEASUREMENTS (continued)

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2019</u>				
Money Market	\$ 54,486	\$ 54,486	\$ -	\$ -
Stocks	4,611	4,611	-	-
Exchange Traded Fund	3,111	3,111	-	-
Mutual Fund – Lg Blend	<u>1,778</u>	<u>1,778</u>	-	-
Total	<u>\$ 63,986</u>	<u>\$ 63,986</u>	<u>\$ -</u>	<u>\$ -</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 81,618	\$ 81,618
Buildings and improvements	227,948	227,948
Office equipment	2,180	2,180
Machinery and equipment	<u>224,205</u>	<u>204,263</u>
Total	535,951	516,009
Accumulated depreciation	<u>389,267</u>	<u>371,579</u>
Net property and equipment	<u>\$ 146,684</u>	<u>\$ 144,430</u>

Depreciation expense for the year ended December 31, 2020 was \$17,687 (\$18,507 for 2019).

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6. RELATED PARTY TRANSACTIONS

	<u>2020</u>	<u>2019</u>
Due to related party – dated June 2010, with no interest, repayment is at the option of the Foundation unless the collateral is sold, at which time the Foundation must repay the full balance of the payable; payable is secured by the 35-foot 5th wheel.	\$ -	\$ 6,243
Various due to related party payables – on various occasions the directors have provided the Foundation with cash, when needed; these advances were made to cover operating costs and are unsecured.	<u>18,143</u>	<u>41,900</u>
Total	<u>\$ 18,143</u>	<u>\$ 48,143</u>

As there are no executed promissory notes with specific due dates, all of the above-related party payables have been classified as current liabilities. All of the above amounts due to related party are due to the co-founders of the Foundation.

Interest on these accounts has been imputed at applicable annual federal rates of 1.31% and 1.59% for December 31, 2020 and 2019, respectively. Imputed interest expense has been reported as in-kind income and interest expense. Total imputed interest expense was \$434 for 2020 (\$1,024 for 2019).

The Foundation also rents property on a month-to-month basis from the directors. Total rents were \$8,650 for 2020 (\$8,432 for 2019).

7. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires leases to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently leases are classified as either capital or operating, with only capital leases recognized on the consolidated balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

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8. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

On May 4, 2020, the Foundation qualified for and received a loan pursuant to the Paycheck Protection Program (“PPP”), 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 \$141,633. Under the terms of the agreement, the loan is unsecured, there are no payments due and interest does not accrue during the period from the loan date through the date the SBA determines the loan forgiveness amount. If applicable, interest would be assessed at the rate of 1.0% per annum. The Foundation is accounting for the PPP loan in accordance with FASB ASC 470, Debt and has recorded the PPP loan as debt and will recognize a gain on extinguishment when the Foundation has been legally released as the primary obligor through forgiveness approval from the lender.

Subsequent to the Foundation’s year end of December 31, 2020 the Foundation applied for forgiveness of the total loan amount, by providing evidence that the loan proceeds were used to fund eligible costs, during a twenty-four week period, and that additional criteria for forgiveness had been met. Subsequent to year end on February 16, 2021, the Foundation was notified that their application for forgiveness was fully approved by the SBA. The forgiveness of the debt will be recognized as a gain on extinguishment during the fiscal year ending December 31, 2021.

9. CONCENTRATIONS OF CREDIT RISK

Cash in Banks

The Foundation maintains operating cash balances and savings accounts in various banks insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per bank. Total cash balances at December 31, 2020 exceeded the \$250,000 FDIC insurance coverage limit by \$181,458.

10. COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) outbreak a public health emergency. There have been mandates from federal, state, and local authorities requiring forced closures of many businesses and organizations. The Foundation has experienced an increase in contributions given the nature of their mission and commitment of their loyal donors. However, while the current impact has been positive the long-term impact and duration cannot be reasonably estimated at this time.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 17, 2021, the date the financial statements were available to be issued.