

**AMERICAN FOUNDATION
FOR CHILDREN WITH AIDS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018
AND
INDEPENDENT AUDITOR'S REPORT**

HAMILTON & MUSSER, P.C.
Certified Public Accountants

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

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For the Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Foundation For Children With AIDS, Inc.
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of American Foundation For Children With AIDS, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Members of the American and Pennsylvania Institutes of CPAs

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Foundation For Children With AIDS, Inc. as of December 31, 2019 and 2018, 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.

March 16, 2020

Mechanicsburg, Pennsylvania



Certified Public Accountants

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and Cash Equivalents		
Without Donor Restrictions	\$ 56,595	\$ 106,321
With Donor Restrictions	37,706	23,836
Agency Funds (Note 5)	-	5,950
Investments (Note 4)	-	30,056
Inventory	218,973	307,589
Prepaid Expenses	<u>19,771</u>	<u>25</u>
Total Assets	<u>\$ 333,045</u>	<u>\$ 473,777</u>
Liabilities		
Accounts Payable	\$ 224	\$ 138
Agency Funds (Note 5)	<u>-</u>	<u>5,950</u>
Total Liabilities	<u>224</u>	<u>6,088</u>
Net Assets		
Without Donor Restrictions	295,115	443,853
With Donor Restrictions (Note 6)	<u>37,706</u>	<u>23,836</u>
Total Net Assets	<u>332,821</u>	<u>467,689</u>
Total Liabilities and Net Assets	<u>\$ 333,045</u>	<u>\$ 473,777</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Activities

For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 281,287	\$ 138,595	\$ 419,882
Grants	1,000	-	1,000
Gifts In-Kind (Note 7)	1,127,835	-	1,127,835
Investment Income (Note 4)	105	-	105
Net Assets Released from Donor Restrictions	<u>124,725</u>	<u>(124,725)</u>	<u>-</u>
 Total Support and Revenue	 <u>1,534,952</u>	 <u>13,870</u>	 <u>1,548,822</u>
Expenses			
Program Services:			
Commodity Distribution	1,543,990	-	1,543,990
Support Services:			
Management and General	45,241	-	45,241
Fundraising	<u>94,459</u>	<u>-</u>	<u>94,459</u>
 Total Expenses	 <u>1,683,690</u>	 <u>-</u>	 <u>1,683,690</u>
 Change in Net Assets	 (148,738)	 13,870	 (134,868)
Net Assets, Beginning of Year	<u>443,853</u>	<u>23,836</u>	<u>467,689</u>
Net Assets, End of Year	<u>\$ 295,115</u>	<u>\$ 37,706</u>	<u>\$ 332,821</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Activities

For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 336,302	\$ 70,698	\$ 407,000
Grants	12,840	-	12,840
Gifts In-Kind (Note 7)	858,054	-	858,054
Investment Income (Note 4)	1,266	-	1,266
Net Assets Released from Donor Restrictions	<u>59,588</u>	<u>(59,588)</u>	<u>-</u>
Total Support and Revenue	<u>1,268,050</u>	<u>11,110</u>	<u>1,279,160</u>
Expenses			
Program Services:			
Commodity Distribution	1,101,216	-	1,101,216
Support Services:			
Management and General	47,120	-	47,120
Fundraising	<u>82,614</u>	<u>-</u>	<u>82,614</u>
Total Expenses	<u>1,230,950</u>	<u>-</u>	<u>1,230,950</u>
Change in Net Assets	37,100	11,110	48,210
Net Assets, Beginning of Year	<u>406,753</u>	<u>12,726</u>	<u>419,479</u>
Net Assets, End of Year	<u>\$ 443,853</u>	<u>\$ 23,836</u>	<u>\$ 467,689</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Support Services</u>		
	<u>Commodity</u>	<u>Management</u>		
	<u>Distribution</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 5,338	\$ -	\$ 5,826	\$ 11,164
In-Kind Advertising	44,094	-	29,396	73,490
Agriculture	93,144	-	-	93,144
Bookkeeping	-	6,500	-	6,500
CFCA Expenses	1,875	-	-	1,875
Conferences	-	256	-	256
Consulting	13,000	6,500	-	19,500
Credit Card Fees	-	-	2,943	2,943
Insurance	844	4,940	-	5,784
Medical Equipment and Supplies	1,200,702	1,084	-	1,201,786
Miscellaneous	-	878	5,095	5,973
Payroll and Payroll Taxes	55,582	7,567	27,064	90,213
Postage	626	126	535	1,287
Printing	-	-	341	341
Professional Fees	-	7,075	9,522	16,597
Professional Services	-	1,850	-	1,850
Rent	17,915	6,000	6,000	29,915
School Fees	3,476	-	-	3,476
Shipping	53,014	-	-	53,014
Special Events	-	-	7,447	7,447
Telephone and Internet	-	2,288	-	2,288
Travel	53,436	177	290	53,903
Vehicle	944	-	-	944
	<u>944</u>	<u>-</u>	<u>-</u>	<u>944</u>
 Total Expenses	 <u>\$ 1,543,990</u>	 <u>\$ 45,241</u>	 <u>\$ 94,459</u>	 <u>\$ 1,683,690</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Support Services</u>		
	<u>Commodity</u>	<u>Management</u>		
	<u>Distribution</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ -	\$ -	\$ 1,208	\$ 1,208
In-Kind Advertising	37,810	-	25,206	63,016
Agriculture	60,262	-	-	60,262
Bookkeeping	-	6,500	-	6,500
CFCA Expenses	16	-	-	16
Conferences	-	50	-	50
Consulting	13,000	6,500	-	19,500
Credit Card Fees	-	-	2,725	2,725
Insurance	428	6,438	-	6,866
Medical Equipment and Supplies	835,204	637	-	835,841
Miscellaneous	7,871	1,149	4,329	13,349
Payroll and Payroll Taxes	47,748	7,567	22,700	78,015
Postage	454	242	768	1,464
Printing	-	-	360	360
Professional Fees	-	6,990	4,424	11,414
Professional Services	-	2,657	-	2,657
Rent	17,743	6,000	6,000	29,743
School Fees	5,202	-	-	5,202
Shipping	34,067	-	-	34,067
Special Events	-	-	14,680	14,680
Telephone and Internet	-	2,236	214	2,450
Travel	40,846	154	-	41,000
Vehicle	<u>565</u>	<u>-</u>	<u>-</u>	<u>565</u>
 Total Expenses	 <u>\$ 1,101,216</u>	 <u>\$ 47,120</u>	 <u>\$ 82,614</u>	 <u>\$ 1,230,950</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ (134,868)	\$ 48,210
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Used by Operating Activities:		
Unrealized Gain on Investments	-	(297)
Non-Cash Donation of Investments	-	(29,759)
(Increase) Decrease in:		
Inventory	88,616	4,187
Prepaid Expenses	(19,746)	-
Increase (Decrease) in:		
Accounts Payable	86	59
Agency Funds	<u>(5,950)</u>	<u>(71,366)</u>
Net Cash and Cash Equivalents Used by Operating Activities	<u>(71,862)</u>	<u>(48,966)</u>
Cash Flows From Investing Activities:		
Proceeds From Sale of Investments	<u>30,056</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(41,806)	(48,966)
Cash and Cash Equivalents, Beginning of Year	<u>136,107</u>	<u>185,073</u>
Cash and Cash Equivalents, End of Year	<u>\$ 94,301</u>	<u>\$ 136,107</u>
<u>Supplemental Cash Flow Disclosures:</u>		
Cash Paid for Interest	\$ -	\$ -
Cash Paid for Taxes	-	-
<u>Non-Cash Investing/Financing Transactions:</u>		
Donation of Investments	\$ -	\$ 29,759

The Accompanying Notes are an Integral Part of the Financial Statements

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The American Foundation For Children With AIDS, Inc. (the Organization) is a nonprofit corporation founded March 23, 2004 whose mission is to help HIV+/AIDS children and their guardians in sub-Saharan Africa who have no other access to aid. The Organization provides medical equipment and supplies, nutritional supplements, educational support, and emergency supplies that are requested by the institutions in its targeted areas. The Organization solicits funds for its endeavors.

In 2007, the Organization became the pass-through entity for 501(c)(3) donations for St. Mary's Mission Hospital in Nairobi and Elementita, Kenya. The amounts collected and not distributed at the end of the year by the Organization are recorded as a liability on the Statements of Financial Position.

In 2015, the Organization became the pass-through entity for 501(c)(3) donations for Himalayan Guge Organization in Kathmandu, Nepal. The amounts collected and not distributed at the end of the year by the Organization are recorded as a liability on the Statements of Financial Position.

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.

Basis of Presentation:

Financial statement presentation follows the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Contributions:

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

All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the 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.

Cash and Cash Equivalents:

For the purpose of the Statements of Cash Flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Investments:

Investments are valued at fair market value on a recurring basis in the Statements of Financial Position.

Fair Value Reporting requires an establishment of a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued):

Level 1 – Quoted prices in active markets for identical assets and liabilities

Level 2 – Directly or indirectly observable inputs other than Level 1 quoted prices

Level 3 – Unobservable inputs not corroborated by market data

For investments that have quoted market prices in active markets, the Organization uses the quoted market prices as fair values and includes those investments in Level 1 of the fair value hierarchy. When quoted market prices in active markets are not available, various pricing services are used to determine fair value of investments that are included in Level 2 of the fair value hierarchy. Level 3 represents financial assets whose fair value is determined based upon inputs that are unobservable and include the Organization's own determinations of the assumptions that a market participant would use in pricing the asset. The Organization considers its investments Level 1.

Investment income, including realized and unrealized gains restricted by donors, is reported as an increase in net assets without donor restrictions if the restrictions are met (either a stipulated time period or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible changes in risks in the near term would materially affect investment assets reported in the Statements of Financial Position and the Statements of Activities.

Accounts Receivable:

Accounts receivable consist of amounts due from various customers. Bad debts are accounted for by the allowance method, which establishes an allowance for doubtful accounts based upon historical losses and a review of past due accounts.

Fixed Assets:

It is the policy of the Organization to record purchased fixed assets at cost and donated fixed assets at their fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

During 2014, the Organization modified its capitalization policy to be in compliance with new tangible property regulations.

New acquisitions of fixed assets having a low acquisition cost, or which are not expected to last for more than a year, are expensed in the year of acquisition. Repairs and maintenance charges are capitalized and depreciated when they materially extend the useful life of the related assets. There were no fixed assets at December 31, 2019 and 2018.

Contributed Services:

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. These services are not recorded as contributed services since they do not meet the criteria for recognition. The Organization receives more than 3,000 volunteer hours per year.

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory:

The Organization accepts contributions of medical supplies and other necessities. These contributions are recorded as inventory and contribution revenue at estimated fair value at the date received, taking into consideration inventory condition and utility for use. All donated inventory is received from corporations or other private donors and is considered to be unrestricted support unless the inventory explicitly contains donor restrictions. The Organization only records the value of donated inventory in which they were either the original recipient of the gift, were involved in partnership with another organization for distribution internationally, or used in the Organization's programs. The Organization determines estimated fair value in accordance with fair value measurement accounting standards. In general, the Organization values donated items at its estimated fair value based on researched cost of the items, when cost information is available. When cost information is not available, items are valued by weight using a conservative value per pound. The Organization donates the inventory to medical providers in sub-Saharan Africa on an as-needed basis, at which time the donation is reflected as an expense.

Functional Allocation of Expenses:

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

Taxation:

The Organization is exempt from federal income tax as provided by Code Section 501(c)(3) of the Internal Revenue Code. Donors are entitled to deductions for federal income tax purposes for contributions made to the Organization in accordance with the Internal Revenue Code. Accordingly, no income tax is incurred unless the Organization earns income considered to be unrelated business income. The Organization conducted no activities which were subject to income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before December 31, 2016.

Use of Estimates:

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 PENDING NEW ACCOUNTING PRONOUNCEMENT

In February 2016, FASB issued ASU No. 2016-02, *Leases*. The ASU introduces a lessee's model that brings most leases onto the Statement of Financial Position and aligns many of the underlying principles of the new lessor model with those in the new revenue recognition standard (ASU No. 2014-09). ASU No. 2016-02 is effective for annual periods beginning after December 15, 2020. The Organization is currently assessing the impact this standard will have on its financial statements.

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

NOTE 3 AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 94,301	\$ 136,107
Investments	<u>-</u>	<u>30,056</u>
Total Financial Assets	<u>94,301</u>	<u>166,163</u>
Less Amounts Not Available to Be Used Within One Year:		
Agency Funds	-	5,950
Net Assets With Donor Restrictions	<u>37,706</u>	<u>23,836</u>
Total	<u>37,706</u>	<u>29,786</u>
Financial Assets Available to Meet Expenses Over the Next Year	<u>\$ 56,595</u>	<u>\$ 136,377</u>

The Organization's plan is generally to maintain financial assets to meet 90 days of operating expenses.

NOTE 4 INVESTMENTS

Investments at December 31, 2019 and 2018 are as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Mutual Funds	\$ -	\$ -	\$ 29,759	\$ 30,056
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,759</u>	<u>\$ 30,056</u>

Investment income is summarized for the years ended December 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 105	\$ 969
Unrealized Gain on Investments	<u>-</u>	<u>297</u>
Total	<u>\$ 105</u>	<u>\$ 1,266</u>

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

NOTE 5 AGENCY TRANSACTIONS

The Organization receives contributions on behalf of St. Mary's Mission Hospital and Himalayan Guge Organization. The Organization's policy is to recognize the cash received and an offsetting liability until the cash is distributed to the ultimate beneficiary, at which time the asset and liability are removed from the Organization's books. Total contributions received by the Organization on behalf of St. Mary's Mission Hospital were \$235,745 and \$224,933 during the years ended December 31, 2019 and 2018, respectively. Total contributions received by the Organization on behalf of Himalayan Guge Organization were \$20,600 and \$10,350 during the years ended December 31, 2019 and 2018, respectively. There were no undistributed funds to St. Mary's Mission Hospital at December 31, 2019 and 2018. The amounts due to Himalayan Guge Organization were \$0 and \$5,950 at December 31, 2019 and 2018, respectively.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with purpose and time restrictions are those that have been restricted for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
School Tuition	\$ 2,247	\$ -
Vacation with a Purpose	12,965	12,781
Climb Up	<u>22,494</u>	<u>11,055</u>
Total	<u>\$ 37,706</u>	<u>\$ 23,836</u>

NOTE 7 GIFTS IN-KIND

The Organization receives donated medical and furniture items from individuals and businesses. In-kind donations are valued at their donated value (as determined by industry standards) at the date of receipt and are reflected as inventory in the Statements of Financial Position and as in-kind donations on the Statements of Activities. These items are inventoried in the Organization warehouse until shipped overseas. The net amount of in-kind donations recorded as revenue and expenses on the Statement of Activities was \$1,054,345 and \$1,148,370 for the year ended December 31, 2019. The net amount of in-kind donations recorded as revenue and expenses on the Statement of Activities was \$795,038 and \$800,487 for the year ended December 31, 2018.

The Organization received a Cause Inspired Media Grant for up to \$120,000 (\$10,000 per month maximum) in 2019 and 2018. This in-kind grant provided promotion for the Organization's website and cause. The value received from this grant was \$73,490 and \$63,016 for the years ended December 31, 2019 and 2018, respectively, and is included in revenue and expenses in the Statements of Activities.

NOTE 8 OPERATING LEASE / RELATED PARTY TRANSACTION

The Organization rents warehouse space and equipment under a month-to-month operating lease agreement for \$2,000 per month from Ashar Management and Consulting.

Ashar Management and Consulting is a company wholly owned by the Executive Director and the Executive Director's husband. There were no amounts due to or due from Ashar Management and Consulting at December 31, 2019 and 2018.

AMERICAN FOUNDATION FOR CHILDREN WITH AIDS, INC.

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

NOTE 9 CONCENTRATIONS CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Organization may have exceeded this threshold from time to time throughout the year. There were no amounts in excess of the FDIC limit at December 31, 2019 and 2018.

NOTE 10 ADVERTISING

The Organization expenses advertising costs as they are incurred. Advertising costs (excluding in-kind) were \$11,164 and \$1,208 for the years ended December 31, 2019 and 2018, respectively.

NOTE 11 SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 16, 2020, which is the date the financial statements were available to be issued.