

**BACH CHOIR
OF BETHLEHEM**

Financial Statements

June 30, 2020

**Kreischer
Miller**

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BACH CHOIR OF BETHLEHEM

June 30, 2020

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Independent Auditors' Report

The Board of Managers
Bach Choir of Bethlehem
Bethlehem, Pennsylvania

We have audited the accompanying financial statements of Bach Choir of Bethlehem, which comprise the statement of assets, liabilities and net assets – modified cash basis as of June 30, 2020, and the related statements of revenue, expenses and changes in net assets – modified cash basis, statement of functional expenses – modified cash basis and cash flows – modified cash basis for the year 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Bach Choir of Bethlehem as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Kreischer Miller

Horsham, Pennsylvania
September 23, 2020

BACH CHOIR OF BETHLEHEM

Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
June 30, 2020

	Without donor restrictions		With donor restrictions		Total All Funds
	Operating Fund	Endowment Fund	Operating Fund	Endowment Fund	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 309,734	\$ 85,907	\$ 45,000	\$ -	\$ 440,641
Inventories	53,057	-	-	-	53,057
Total current assets	362,791	85,907	45,000	-	493,698
Property and equipment:					
Leasehold improvements	66,404	-	-	-	66,404
Choir equipment	56,120	-	-	-	56,120
Office equipment	204,142	-	-	-	204,142
	326,666	-	-	-	326,666
Less: accumulated depreciation	316,362	-	-	-	316,362
	10,304	-	-	-	10,304
Cash surrender value of life insurance	-	21,376	-	-	21,376
Investments	-	4,717,338	-	3,205,970	7,923,308
	\$ 373,095	\$ 4,824,621	\$ 45,000	\$ 3,205,970	\$ 8,448,686
LIABILITIES AND NET ASSETS					
Current liabilities:					
Current portion of loan payable	\$ 38,886	\$ -	\$ -	\$ -	\$ 38,886
Long-term liabilities:					
Loan payable, net of current portion	61,567	-	-	-	61,567
	100,453	-	-	-	100,453
Net assets:					
Without donor restrictions	272,642	-	-	-	272,642
Without donor restrictions, board designated	-	4,824,621	-	-	4,824,621
With donor restrictions	-	-	45,000	3,205,970	3,250,970
	272,642	4,824,621	45,000	3,205,970	8,348,233
	\$ 373,095	\$ 4,824,621	\$ 45,000	\$ 3,205,970	\$ 8,448,686

See accompanying notes to financial statements.

BACH CHOIR OF BETHLEHEM

**Statement of Revenue, Expenses and Changes in Net Assets - Modified Cash Basis
Year Ended June 30, 2020**

	Without donor restrictions		With donor restrictions		Total All Funds
	Operating Fund	Endowment Fund	Operating Fund	Endowment Fund	
Revenue:					
Contributions:					
Corporate contributions	\$ 38,175	\$ -	\$ -	\$ -	\$ 38,175
Foundation contributions	136,566	-	-	-	136,566
Individual contributions	489,863	91,500	45,000	203,925	830,288
Grants, government	33,395	-	-	-	33,395
In-kind contributions	6,612	-	-	-	6,612
European Tour 2021	69,050	-	-	-	69,050
Release from restrictions	25,300	-	(25,300)	-	-
	<u>798,961</u>	<u>91,500</u>	<u>19,700</u>	<u>203,925</u>	<u>1,114,086</u>
Earned revenue:					
Investment return	2,522	(74,597)	-	(63,376)	(135,451)
Performances and special events	164,836	-	-	-	164,836
European Tour 2021	277,361	-	-	-	277,361
Tuition	20,836	-	-	-	20,836
Recording and miscellaneous sales - net	5,678	-	-	-	5,678
	<u>471,233</u>	<u>(74,597)</u>	<u>-</u>	<u>(63,376)</u>	<u>333,260</u>
	<u>1,270,194</u>	<u>16,903</u>	<u>19,700</u>	<u>140,549</u>	<u>1,447,346</u>
Expenses:					
Program services	1,219,455	-	-	-	1,219,455
Management and general	310,328	-	-	-	310,328
Fundraising	182,566	-	-	-	182,566
	<u>1,712,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,712,349</u>
Changes in net assets before transfers	(442,155)	16,903	19,700	140,549	(265,003)
Transfers to operating fund due to spending policy release	370,400	(225,200)	-	(145,200)	-
Changes in net assets	(71,755)	(208,297)	19,700	(4,651)	(265,003)
Net assets, beginning of year	344,397	5,032,918	25,300	3,210,621	8,613,236
Net assets, end of year	\$ 272,642	\$ 4,824,621	\$ 45,000	\$ 3,205,970	\$ 8,348,233

See accompanying notes to financial statements.

BACH CHOIR OF BETHLEHEM

Statement of Functional Expenses - Modified Cash Basis Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 293,022	\$ 167,604	\$ 116,897	\$ 577,523
Professional fees	-	22,027	-	22,027
Artistic fees	303,930	-	-	303,930
Advertising and promotion	76,838	-	41,374	118,212
Office expenses	-	61,829	-	61,829
Occupancy	-	37,693	-	37,693
Travel	8,309	8,002	-	16,311
European Tour 2021	417,499	-	-	417,499
Insurance	-	5,696	-	5,696
Depreciation	12,236	1,443	-	13,679
Production	54,986	-	-	54,986
Special events	50,445	-	21,182	71,627
Leadership transition	-	6,034	-	6,034
Miscellaneous	2,190	-	3,113	5,303
Total expenses	\$ 1,219,455	\$ 310,328	\$ 182,566	\$ 1,712,349

See accompanying notes to financial statements.

BACH CHOIR OF BETHLEHEM

**Statement of Cash Flows - Modified Cash Basis
Year Ended June 30, 2020**

	Without donor restrictions		With donor restrictions		Total
	Operating Fund	Endowment Fund	Operating Fund	Endowment Fund	
Cash flows from operating activities:					
Changes in net assets	\$ (71,755)	\$ (208,297)	\$ 19,700	\$ (4,651)	\$ (265,003)
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by (used in) operating activities:					
Realized loss on sale of investments	-	64,122	-	54,477	118,599
Unrealized loss on investments	-	121,730	-	103,421	225,151
Depreciation	13,679	-	-	-	13,679
Decrease in:					
Inventories	1,427	-	-	-	1,427
Net cash and cash equivalents provided by (used in) operating activities	(56,649)	(22,445)	19,700	153,247	93,853
Cash flows from investing activities:					
Proceeds from sale of investments	100,000	2,392,381	-	145,200	2,637,581
Purchase of property and equipment	(1,656)	-	-	-	(1,656)
Proceeds from sale of property held for sale	42,787	-	12,500	104,757	160,044
Purchases of investments	-	(2,522,871)	-	(403,204)	(2,926,075)
Net cash and cash equivalents provided by (used in) investing activities	141,131	(130,490)	12,500	(153,247)	(130,106)
Cash flows from financing activities and net cash and cash equivalents provided by financing activities:					
Proceeds from loan payable	100,453	-	-	-	100,453
Net increase (decrease) in cash and cash equivalents	184,935	(152,935)	32,200	-	64,200
Cash and cash equivalents, beginning of year	124,799	238,842	12,800	-	376,441
Cash and cash equivalents, end of year	\$ 309,734	\$ 85,907	\$ 45,000	\$ -	\$ 440,641

See accompanying notes to financial statements.

BACH CHOIR OF BETHLEHEM

Notes to Financial Statements

June 30, 2020

(1) Nature of Organization

Bach Choir of Bethlehem (the Organization) is a nonprofit 501(c)(3) tax-exempt organization organized in the Commonwealth of Pennsylvania. The mission of The Bach Choir of Bethlehem and its Bach Festival Orchestra is to perform the works of Johann Sebastian Bach and to promote and encourage appreciation of the aesthetic and spiritual value of Bach's music, while striving for the highest standards of musical excellence. This mission is achieved by engaging audiences - locally, nationally, and internationally - through education and performance, including works by composers who influenced Bach and were influenced by him, and through the programs of Bel Canto Youth Chorus. Together, the Organization cultivates a lifelong passion for the choral arts.

Effective July 1, 2018, the Organization acquired The Bel Canto Children's Chorus (Bel Canto) to enhance the mission of the Organization and to strengthen educational outreach through the involvement of younger choristers. Bel Canto provides an educational and artistic musical experience for children of diverse ethnic, religious, and cultural backgrounds, and nurtures a sense of accomplishment and community through the outstanding performance of diverse choral repertoire chosen specifically for the young voice.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This method differs from GAAP in that, revenues are recognized when collected rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. GAAP requires that the fair value of split interest agreements be recognized on the balance sheet; the Organization recognizes split interest agreements upon receipt of proceeds.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958, Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required 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. The Organization has no net assets with donor restrictions required to be held in perpetuity.

BACH CHOIR OF BETHLEHEM

Notes to Financial Statements

June 30, 2020

(2) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents, as presented on the statement of cash flows - modified cash basis, represent all checking and money market accounts plus investment instruments purchased with an initial maturity of three months or less.

Inventories

Inventories of compact discs, digital video discs, and other items are carried at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost unless donated. Donated assets are recorded at fair market value at the time of the donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets that range from 5 to 15 years. Depreciation expense was \$13,679 for the year ended June 30, 2020.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and investments in debt securities at their fair values in the statement of assets, liabilities, and net assets - modified cash basis. Unrealized gains and losses net of investment expenses are included in investment return in the accompanying statement of revenue, expenses and changes in net assets - modified cash basis.

Revenue Recognition

Earned revenue is recognized when received.

Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the contribution as without donor restrictions.

BACH CHOIR OF BETHLEHEM

Notes to Financial Statements

June 30, 2020

(2) Summary of Significant Accounting Policies, Continued

Contributions, Continued

Guarantors pledge amounts to the Organization to help cover expenses. A pledge drive is performed annually in July. Pledged amounts are recorded as contributions without donor restrictions when cash is received.

Donated Services

Donated services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no donated services for the year ended June 30, 2020.

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The indirect expenses, other than those stated below, are allocated generally based on direct costs such as professional fees, artistic fees, production, and office expenses. The salaries, benefits, payroll taxes and other are allocated on the basis of time and effort. Depreciation is allocated on the basis of the use of each asset.

Income Taxes

Bach Choir of Bethlehem is an organization recognized as exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes. No provision for income taxes has been reflected in the accompanying financial statements.

For the year ended June 30, 2020, the Organization did not identify any uncertain tax positions taken or expected to be taken, which would require adjustments or disclosure in the financial statements. The Organization is potentially subject to federal, state and local examinations for years subsequent to June 30, 2016.

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Notes to Financial Statements

June 30, 2020

(2) Summary of Significant Accounting Policies, Continued

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

For the year ended June 30, 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk include cash balances at financial institutions that exceeded the federal deposit insurance limit of \$250,000. There were no uninsured balances as of June 30, 2020. Money market balances are held by an investment banking/stock brokerage company and are not insured.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of assets, liabilities and net assets – modified cash basis.

Use of Estimates

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

BACH CHOIR OF BETHLEHEM

Notes to Financial Statements

June 30, 2020

(2) Summary of Significant Accounting Policies, Continued

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 23, 2020, the date the financial statements were available to be issued.

(3) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of assets, liabilities and net assets - modified cash basis date, comprise the following:

Cash and cash equivalents	\$ 440,641
Investments	7,923,308
	<u>8,363,949</u>
Contractual or donor imposed restrictions:	
Endowment funds	(3,045,170)
Time restricted	(45,000)
Purpose restricted	(45,509)
	<u>\$5,228,270</u>

The annual budget is carefully crafted from detailed program budgets. Regular forecasts are included at each Finance Committee and Board of Managers' meeting so that any cash flow risks can be assessed as the concert season progresses and budgets can be adjusted if necessary. The Organization has a Board of Managers' policy of maintaining the savings account and cash reserve at \$25,000. Board approved expenses from the reserve must be reimbursed from any fiscal year-end surpluses. The Organization's endowment fund spending policy allows for up to 5% of endowment assets, based on a three-year trailing average, to be transferred to the operating budget for donor imposed restrictions, board designated strategic purposes, and/or for general operating. However, the endowment fund is not used for cash flow emergencies.

BACH CHOIR OF BETHLEHEM

Notes to Financial Statements

June 30, 2020

(4) Investments and Fair Value Measurements – Endowment Funds

As of June 30, 2020, the Board of Managers had designated \$4,824,621 of net assets without donor restrictions as an endowment fund to support the mission of the Organization.

The Organization has a spending policy of appropriating for distribution each year no more than 5% of the endowment fund's average fair value for the prior three years. It also limits the increase in year to year distribution amounts to 20% of the prior year's distribution amount. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment fund to grow and to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the fund. The policy calls for a targeted asset class allocation of 60% equities and 40% fixed income investments. The Organization's goal is to have its endowment assets, over time, produce an average rate of return to fund the annual distribution and provide for growth in the fund. Actual returns and asset allocation in any given year may vary from these amounts.

Investments as of June 30, 2020 comprise of the following securities and the estimated fair value of the Organization's financial instruments measured on a recurring basis is as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds - equities	\$ 5,709,369	\$ -	\$ -	\$ 5,709,369
Corporate bonds	-	2,213,939	-	2,213,939
	<u>\$ 5,709,369</u>	<u>\$ 2,213,939</u>	<u>\$ -</u>	<u>\$ 7,923,308</u>

Mutual funds are valued based on quoted market prices for identical assets in active markets.

Corporate bonds are valued based on yields currently available on comparable securities for issuers with similar credit ratings.

BACH CHOIR OF BETHLEHEM

Notes to Financial Statements

June 30, 2020

(4) Investment and Fair Value Measurements - Endowment Funds, Continued

Investment return for the year ended June 30, 2020 was as follows:

	Without Donor Restrictions Operating	Without Donor Restrictions Endowment	With Donor Restrictions Endowment	Total
Interest and dividends	\$ 2,522	\$ 128,878	\$ 109,492	\$ 240,892
Investment fees	-	(17,622)	(14,971)	(32,593)
Realized loss	-	(64,122)	(54,477)	(118,599)
Unrealized loss	-	(121,731)	(103,420)	(225,151)
	<u>\$ 2,522</u>	<u>\$ (74,597)</u>	<u>\$ (63,376)</u>	<u>\$ (135,451)</u>

(5) Commitments

The Organization leases the office facility and office equipment under several operating leases. The office facility lease is set to expire in December 2020. The Organization is in process of renewing this lease. Total rental expenses were \$25,280 for the year ended June 30, 2020. The future payments due under the terms of these leases as of June 30, 2020 are as follows:

Year Ending	Amount
June 30,	
2021	\$16,293
2022	3,153
2023	3,153
2024	3,153
2025	982
	<u>\$ 26,734</u>

BACH CHOIR OF BETHLEHEM

Notes to Financial Statements

June 30, 2020

(6) Net Assets With Donor Restrictions

The endowment fund includes an array of funds and contributions.

The following are some of the restricted funds for continuing support which are managed as part of the endowment:

- The Archives and History Fund: for support of the culturally rich and diverse archival collection of the Organization and for continuing collection, conservation, arrangement, cataloguing, and dissemination of recordings, films, and artifacts related to the Organization.
- The Artistic Director and Conductor Fund: for support of the salary of the artistic director and conductor of the Organization.
- The Joseph W. Ayers Maintenance Fund: for support of and the maintenance of the Organization's musical instruments (piano, portative organ and harpsichord) as well as for office improvements and equipment.
- The Bach at Noon Fund: for support of Bach at Noon free concert series in Bethlehem and Allentown.
- The Linda J. Dangelmajer Education Outreach Fund: for the support of the Organization's educational outreach programs including Bach to School, Bach at Noon, Bach Choir Choral Scholars Program, and Family Concerts.
- The David and Carol Beckwith and Jack and Betsy Jordan Choir Recognition Fund: established to support, encourage and affirm the Organization's most precious resource - its singers.
- The Ifor Jones Memorial Chamber Music Concert Fund: for support of the chamber music concert series at The Bethlehem Bach Festival featuring members of The Bach Festival Orchestra.
- The Recordings and Broadcasts Fund: for support and expansion of the Organization's continuing legacy of outstanding audio and video recordings.
- The Research and Scholarship Fund: for support and continuing expansion of the Organization's research and scholarship activities.
- The Fairbairn Family Choir Development Fund: established to support additional training activities for the amazing volunteer singers of the Organization.

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Notes to Financial Statements

June 30, 2020

(6) Net Assets With Donor Restrictions, Continued

- The Anthony R. Thompson and Vickie Ziegler Thompson Fund for Heckewelder House: for support of the costs of the Organization's headquarters (currently the Heckewelder House) including renovations and furnishings/equipment as well as annual costs including rent, utilities, and maintenance.
- The Festival Fund: provides support for The Bethlehem Bach Festival, which has been the core of the Organization's concert season for more than 100 years. The fund ensures that this treasure continues to delight and inspire future generations by sustaining and preserving cherished tradition, while bringing fresh perspective to The Bethlehem Bach Festival.
- The Bel Canto Youth Chorus Fund: for support of the programs of The Bel Canto Youth Chorus of Bach Choir of Bethlehem.
- The Greg Funfgeld Family Concert Fund: for support of The Bach Choir of Bethlehem's annual Family Concert for youth and adults.

Net assets with donor restrictions are available for the following purposes at June 30:

Endowment Fund:

The Archives and History Fund	\$ 281
The Artistic Director and Conductor Fund	161,816
The Joseph W. Ayers Maintenance Fund	175,649
The Bach at Noon Fund	512,546
The David and Carol Beckwith and Jack and Betsy Jordan Choir Recognition Fund	110,536
The Linda J. Danglemajer Educational Outreach Fund	144,174
The Fairbairn Family Choir Development Fund	117,395
The Festival Fund	1,217,732
The Anthony R. Thompson and Vickie Ziegler Thompson Fund for Heckewelder House	461,995
The Ifor Jones Memorial Chamber Music Concert Fund	32,333
The Recordings and Broadcasts Fund	91,140
The Research and Scholarship Fund	56,411
The Bel Canto Youth Chorus Fund	100,624
The Greg Funfgeld Family Concert	23,338
	<u>3,205,970</u>

Operating Fund:

Future year's operations	45,000
	<u>\$ 3,250,970</u>

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Notes to Financial Statements

June 30, 2020

(7) Contingent Assets

The Organization is a beneficiary of various split-interest agreements (principally charitable annuities) contributed to and held by a charitable foundation. These contracts provide income benefits upon the death of the contributor. No amounts have been reflected in the financial statements as of June 30, 2020, as the Organization does not have unconditional rights to receive these residual amounts and support.

(8) Loan Payable

In May 2020, the Organization received a loan in the amount of \$100,453 from its primary lender pursuant to the Paycheck Protection Program (PPP) administered by the United States Small Business Administration (SBA) and authorized by the Keeping American Workers Employed and Paid Act, which is part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), enacted on March 27, 2020. The PPP was established to provide economic stimulus and funding to businesses affected by the COVID-19 pandemic (see Note 9). The PPP note is forgivable subject to the Organization meeting specific requirements related to the use of the funds and good-faith certification requirements related to eligibility for the loan. In order to receive the forgiveness of the loan, the Organization must submit a loan forgiveness application which will be subject to review and approval by the SBA.

The Organization expects to submit its loan forgiveness application subsequent to year end. Interest and principal on the loan are deferred until such time that the Organization receives a decision from the SBA on its loan forgiveness application. If the loan is forgiven, the Organization owes no interest or principal on the loan and it will record the amount as income in the period that it receives notice of forgiveness. Any amounts not forgiven bear interest at an annual rate of 1% and are due in equal monthly installments of principal and interest beginning November 2020 through April 2022. There can be no assurance that any portion of the loan will be forgiven pursuant to the terms of the PPP.

Future maturities of the loan payable as of June 30, 2020, are as follows:

Year Ending	
June 30,	Amount
2021	\$ 38,886
2022	61,567
	<u>\$100,453</u>

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Notes to Financial Statements

June 30, 2020

(9) Operations

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape.

As the pandemic continues to evolve into a worldwide health crisis, the disease could have a material adverse effect on the Organization's activities, results of operations, financial condition, and cash flow.