

# **RIVER NETWORK**

Financial Statements and Independent Auditor's Report  
September 30, 2019

## RIVER NETWORK

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To the Board of Directors of  
River Network  
Boulder, Colorado

## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of River Network (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019 and the related statements of activities, functional expenses, and cash flows 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 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 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 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.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River Network as of September 30, 2019, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Artesian CPA, LLC*

**Artesian CPA, LLC**

Denver, Colorado

December 9, 2019

**Artesian CPA, LLC**

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**RIVER NETWORK**  
**STATEMENT OF FINANCIAL POSITION**  
**As of September 30, 2019**

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**ASSETS**

Current Assets:

Cash and equivalents-unrestricted	\$ 1,518,278
Cash and equivalents-restricted	342,614
Accounts receivable	96,288
Grants and contributions receivable	928,950
Prepaid expense	12,547
Security deposit	3,131
Total Current Assets	2,901,808

Property and Equipment:

Property and equipment, net	81,399
Total Property and Equipment	81,399

TOTAL ASSETS	\$ 2,983,207
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**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	\$ 49,590
Grants payable	14,160
Accrued payroll	19,693
Accrued vacation	45,049
Total Liabilities	128,492

Net Assets:

Without donor restrictions	892,716
With donor restrictions	1,961,999
Total Net Assets	2,854,715

TOTAL LIABILITIES AND NET ASSETS	\$ 2,983,207
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See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**RIVER NETWORK**  
**STATEMENT OF ACTIVITIES**  
**For the year ended September 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Operating Activities:			
Foundation grants and contributions	\$ 127,000	\$ 2,038,142	\$ 2,165,142
Corporate grants and contributions	83,550	501,000	584,550
Fees for services	394,590	-	394,590
Individual and small business contributions	219,870	10,000	229,870
Annual River Rally registration fees and sales, net of scholarships of \$95,038	139,589	-	139,589
Membership dues	74,636	-	74,636
Government grants and contributions	56,305	-	56,305
In-kind contributions	10,144	-	10,144
Other income	4,382	-	4,382
Interest income	1,553	-	1,553
Net assets released from restrictions	1,828,786	(1,828,786)	-
Total Revenues and Support	<u>2,940,405</u>	<u>720,356</u>	<u>3,660,761</u>
Expenses:			
Program services	2,223,316	-	2,223,316
Supporting services:			
Management and general	146,754	-	146,754
Fundraising	285,664	-	285,664
Total Expenses	<u>2,655,734</u>	<u>-</u>	<u>2,655,734</u>
Change in net assets	284,671	720,356	1,005,027
Net assets at beginning of year	<u>608,045</u>	<u>1,241,643</u>	<u>1,849,688</u>
Net assets at end of year	<u>\$ 892,716</u>	<u>\$ 1,961,999</u>	<u>\$ 2,854,715</u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**RIVER NETWORK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended September 30, 2019**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>River Program</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 968,804	\$ 43,149	\$ 216,780	\$ 1,228,733
Grant expenses	393,680	-	-	393,680
Other professional fees	306,770	2,421	9,522	318,713
Meetings and events	142,344	4,386	368	147,098
Travel	115,949	12,498	4,569	133,016
Payroll taxes	74,824	3,195	15,792	93,811
Program materials	67,783	1,892	998	70,673
Accounting fees	4,331	55,342	1,033	60,706
Occupancy	35,411	1,345	8,068	44,824
Computer and software services	21,821	884	2,632	25,337
Pension plan contributions	18,413	1,174	4,050	23,637
Depreciation	16,343	621	3,724	20,688
Employee benefits	13,430	725	1,619	15,774
Office expenses	9,282	362	2,505	12,149
Telephone	8,628	327	1,962	10,917
Equipment rental and maintenance	-	10,445	-	10,445
Bank charges	6,308	3,838	10	10,156
Dues and subscriptions	3,312	3,374	3,106	9,792
Insurance	6,653	253	1,515	8,421
Advertising and promotion	6,327	375	1,025	7,727
Taxes and licenses	-	132	4,883	5,015
Bad debt	2,776	-	123	2,899
Staff training	127	16	1,380	1,523
	<u>\$ 2,223,316</u>	<u>\$ 146,754</u>	<u>\$ 285,664</u>	<u>\$ 2,655,734</u>
<b>Percent of Total Expenses</b>	<b>83.7%</b>	<b>5.5%</b>	<b>10.8%</b>	<b>100.0%</b>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

**RIVER NETWORK**  
**STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2019

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in net assets	\$ 1,005,027
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	20,688
Change in operating assets and liabilities:	
Change in grants and contributions receivable	(678,950)
Change in accounts receivable	(31,528)
Change in prepaid expense	(10,547)
Change in security deposit	2,800
Change in accounts payable	14,782
Change in grants payable	4,160
Change in accrued payroll	2,482
Change in accrued vacation	3,741
Net cash provided by operating activities	<u>332,655</u>
Net increase in cash and cash equivalents	332,655
Cash and cash equivalents at beginning of year	<u>1,528,237</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,860,892</u></u>
Cash reported on Statement of Financial Position	
Cash and equivalents-unrestricted	\$ 1,518,278
Cash and equivalents-restricted	<u>342,614</u>
Total Cash and Cash Equivalents	<u><u>\$ 1,860,892</u></u>

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.



**RIVER NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of September 30, 2019 and for the year then ended**

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**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

River Network (the “Organization”) is an Oregon not-for-profit organization founded in March 1988. The Organization envisions a future of clean and ample water for people and nature, where local caretakers are well-equipped, effective and courageous champions for our rivers. The Organization’s mission is to empower and unite people and communities to protect and restore rivers and other waters that sustain all life.

The Organization maintains an office in Boulder, Colorado, with staff in field locations including Oregon, Illinois, North Carolina, Maryland and Delaware. River Network has invested in the systems necessary to support such a decentralized team, including online workspaces, virtual conferencing and tight alignment between its strategic plan, annual work plan, and personal objectives for each staff person.

Over the past 31 years, the Organization has accomplished its mission by investing in local efforts and helping advance impact at more significant scales (system, state, regional, national). The Organization has worked with groups and individuals in every state and region of the U.S. and beyond. It provides one-on-one mentoring and consulting, virtual training, and conferences to strengthen local efforts; convenes groups for greater impact; and increases the transfer of practical water management solutions. Over 2,000 organizations and 10,000 individuals are part of its community.

Fiscal Year 2019’s efforts were focused on four key issues identified within its current strategic plan which build from its strengths and work to date:

Clean, Safe, Affordable Drinking Water: Some 13.8 million U.S. households (almost 12%) face unaffordable water bills while water utilities struggle to fund maintenance or replacement of aging pipes. We will expand understanding of the causes and circumstances of today’s crisis, develop and disseminate new tools, and help identify a common rural and urban agenda that unifies and focuses our collective actions.

Resilient Cities and Communities: Over 12% of the U.S. population is exposed to flood risk, including nearly 170 coastal communities reaching or exceeding the threshold for chronic inundation from rising seas by 2035. Drought is no less of a threat. River Network will provide knowledge, tools, and engagement opportunities to local champions building resilient communities that anticipate risk, limit impact, and recover quickly from disaster.

Healthy Rivers in Agricultural Landscapes: Farmers and ranchers are essential partners in building a thriving agricultural sector that also supports clean water and healthy rivers. Farms, ranches, and rangeland occupy roughly 44% of U.S. land, consume approximately 80% of our water, and are a leading cause of water pollution and water security when improperly managed. Over the next five years, River Network will advance novel partnerships, opportunities to build trust, and identify aligned interests for forward progress.

**RIVER NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of September 30, 2019 and for the year then ended**

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Robust and Effective Water Laws and Policies: When well-crafted, enforced, and fully funded, water laws and policies at the local, state, and federal level safeguard the health of our rivers and the security of our drinking water. With existing laws and policies under threat, River Network will leverage our network and our influence to defend protections vital to our nation, our children, and our environment.

The strategic plan's key issues and core strategies inform all aspects of the Organization's work throughout the year—from the structure and access to best practices and impact stories offered through their website; to River Voices, their high-quality quarterly newsletter; River Rally, their annual conference; webinars and online discussions for the river and watershed community; and one-on-one mentoring, consulting and engagement to help groups and coalitions expand their impact.

These strategies are also supported by and are integrated across the structure of functions of the Organization's staff: Leadership Development, Science and Policy, Community Engagement, Finance and Operations, Fundraising and Communications, and Executive. Staff work, together and within and across these functions to fulfill grant and donor obligation and expanded into new mission-driven areas of opportunity. This alignment and cooperation help the Organization to be a highly effective and strategically focused organization.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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 Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with 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.

See accompanying Independent Auditor's Report

**RIVER NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of September 30, 2019 and for the year then ended**

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Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less, except those designated for long-term purposes, to be cash equivalents. The Organization's cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of September 30, 2019, the Organization's cash balances exceeded FDIC insured limits by \$1,610,392.

Accounts and Grants and Contributions Receivable

Accounts and grants and contributions receivable, represent amounts due from customers and donors, are stated at amounts estimated by management to be the net realizable value. The Organization periodically evaluates the collectability of accounts and grants and contributions receivable and establishes a reserve for uncollectible accounts based on an evaluation of the specific unpaid account balances. Accounts receivable totaled \$96,288 and no allowances against such as of September 30, 2019. Grants and contributions receivable totaled \$928,950 and no allowances against such as of September 30, 2019. Bad debt expense totaled \$2,899 for the year ended September 30, 2019.

Property and Equipment

Acquisitions of assets in excess of \$5,000 are capitalized at cost. Property and equipment are depreciated using the straight-line method over the assets estimated useful lives which range from 5-7 years. The Company assesses its property and equipment for indications of impairment annually and adjusts the carrying balances if impairments are determined. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

Accrued Compensated Absences

The Organization provides vacation leave to its full-time employees. These are earned based on years of service. Employees can only accrue a maximum number of hours based on their years of service. The maximum amount is 200 hours. If an employee reaches their maximum, they cannot accrue more time until paid time off is used. Upon separation from service, employees are paid for unused vacation leave. Accrued compensated absences at September 30, 2019 was \$45,049.

Grant and Contract Revenue

For all grants and contracts which are considered to be exchange transactions, revenue is recognized as allowable reimbursable expenses are incurred. Cash received in excess of allowable expenses is recorded as deferred revenue, and allowable expenses incurred in excess of cash received are recorded as receivables.

Contributions

Unconditional contributions are recognized when pledged and 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor

See accompanying Independent Auditor's Report

**RIVER NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of September 30, 2019 and for the year then ended**

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restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Contributed Services and Other In-Kind Contributions

Contributed services are recorded if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of volunteers have contributed significant amounts of their time in the Organization's program services but are not recognized as contributions in the financial statements because they do not meet the aforementioned criteria. For the year ended September 30, 2019 there were in-kind contributions totaling \$10,144.

Measure of Operation

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, contributions, leasing and other activities considered to be of a more unusual or nonrecurring nature.

New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for annual and interim periods beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are continuing to evaluate the impact of this new standard on our financial reporting and disclosures.

Functional Allocation of Expenses

The financial statements report certain expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The shared expenses allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort. Other shared expenses are allocated on a percentage of Staff FTEs (full-time equivalents) across the functional areas.

Income Tax

No provision has been made for income taxes, since the Organization is exempt from Federal income tax pursuant to Internal Revenue Code Section 501(c)(3). There was no unrelated business taxable income during the year. The Organization has not recognized any cumulative adjustment relating to the adoption of FASB ASC Income Tax Topic, nor are there any unrecognized tax benefits to be disclosed as of September 30, 2019. Uncertainty in income taxes for a not-for-profit organization would include the status of its exemption from taxes, status of filings in local jurisdictions, and

**RIVER NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of September 30, 2019 and for the year then ended**

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unrelated business income, if any. The Organization's information return filings for the years 2017 to 2019 remain subject to examination by the Internal Revenue Service.

**NOTE 2: FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board ("FASB") guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

Level 3 – Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The carrying amount reported in the balance sheet approximate their fair value.

**NOTE 3: PROPERTY AND EQUIPMENT**

Property and equipment at September 30, 2019 are summarized as follows:

Land	\$ 5,900
Website	35,351
Software	<u>97,790</u>
	139,041
Accumulated depreciation	<u>(57,642)</u>
Net Property and Equipment	<u>\$ 81,399</u>

Depreciation expense for the year ended September 30, 2019 totaled \$20,688.

**NOTE 4: LINE OF CREDIT**

In June 2018, the Organization secured a \$250,000 line of credit collateralized by all business assets, bearing interest at 1.5% over the prime rate, which was 5%. No balance was outstanding under this agreement at September 30, 2019.

See accompanying Independent Auditor's Report

**RIVER NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of September 30, 2019 and for the year then ended**

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**NOTE 5: DONOR RESTRICTED NET ASSETS**

The following schedule summarizes the balance related to donor restricted net assets:

River Program	<u>\$1,961,999</u>
	<u><u>\$1,961,999</u></u>

**NOTE 6: LEASE AGREEMENTS**

The Organization entered into a lease for a copier on May 27, 2015 for 60 months, at a payment of \$689 per month.

In December 2017, the Organization entered into a lease with an unrelated party for office space in Boulder, Colorado. The lease term is for three years ending in December 2020. Base rent in the first year is \$1,867 per month plus their share of the common area expenses, with 4% rent increases each succeeding year.

Total lease expense for the year ended September 30, 2019 was \$44,824.

Future minimum lease payments under the copier lease as of September 30, 2019 are as follows:

2020	\$28,825
2021	<u>6,059</u>
	<u><u>\$34,884</u></u>

**NOTE 7: EMPLOYEE RETIREMENT PLAN**

The Organization has a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code covering substantially all employees. Under the plan, employees contribute a specified percentage of salary, or a fixed dollar amount, to the plan. The Organization may agree to make a discretionary and “nonelective” contribution to their employees’ 403(b) plans. The Organization contributed \$23,637 to the retirement plan for the year ended September 30, 2019. All contributions are immediately vested to the employee.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

The Organization has received grants from various sources for specific purposes that are subject to review and audit by grantor agencies. Such audits may result in grantor agencies requiring a reimbursement from the Organization for expenditures disallowed by the grant terms. On March 16, 2018, the Organization signed a contract with The Westin Riverwalk San Antonio for the River Rally event scheduled for May 2020. If cancellation of the event were to occur, the Organization would owe \$97,648 to The Westin Riverwalk San Antonio as of September 30, 2019.

**RIVER NETWORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of September 30, 2019 and for the year then ended**

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**NOTE 9: CONCENTRATIONS**

The Organization's revenue sources carry significant concentrations. For the year ended September 30, 2019, there were three granting agencies that represented over 10% of revenues and each represented a concentration of risk which were approximately 14%, 12% and 11% of total revenues. For the year ended September 30, 2018, there were four granting agencies that represented over 10% of receivables and each represented a concentration of risk which were approximately 25%, 19%, 15% and 13% of total receivables.

**NOTE 10: LIQUIDITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets at Year End	\$2,543,516
Less: Those unavailable for general expenditures within one year due to contractual or donor imposed restrictions:	
Restricted by donor with time or purpose restriction	(1,961,999)
Plus: Donor restrictions with time restrictions greater than one year	<u>342,614</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 924,131</u>

The Organization's liquidity management plan includes maintaining at least 180 days of budgeted general operating expenses in unrestricted cash. Balances in excess of liquidity needs are invested in an institutional money market fund. The Organization also has a bank line of credit in place to fund an additional ninety days of general expenditures.

**NOTE 11: SUBSEQUENT EVENTS**

Management of the Organization has evaluated events and transactions that occurred after the balance sheet date through December 9, 2019, the date the financial statements were available to be issued, and has determined that no subsequent events occurred that require recognition or disclosure in these financial statements.