

**GROVE CITY COMMUNITY  
LIBRARY**



**GROVE CITY COMMUNITY LIBRARY, INC.**

REVIEWED FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2021 AND 2020



**McGill, Power, Bell & Associates, LLP**  
Certified Public Accountants • Business & Financial Advisors

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees  
Grove City Community Library, Inc.  
Grove City, Pennsylvania

### Report on the Financial Statements

We have reviewed the accompanying financial statements of Grove City Community Library, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net assets – modified cash basis and functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### 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 as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of 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.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Grove City Community Library, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

### **Basis of Accounting**

We draw attention to Note A 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 conclusion is not modified with respect to this matter.

McGill, Power, Bell & Associates, LLP

*McGill, Power, Bell & Associates, LLP*

Grove City, Pennsylvania

September 15, 2022

# GROVE CITY COMMUNITY LIBRARY, INC.

## STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 12,275	\$ 40,182
Investments, at fair value	283,787	341,916
	<u>296,062</u>	<u>382,098</u>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Books	63,229	63,229
Furniture, fixtures, and equipment	112,550	112,550
Leasehold improvements	873,466	873,466
Less accumulated depreciation	(414,341)	(394,651)
	<u>634,904</u>	<u>654,594</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 930,966</u></u>	<u><u>\$ 1,036,692</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Payroll taxes payable	\$ 3,213	\$ 2,656
<b>NET ASSETS</b>		
Net assets without donor restrictions	921,734	1,028,371
Net assets with donor restrictions	6,019	5,665
	<u>927,753</u>	<u>1,034,036</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 930,966</u></u>	<u><u>\$ 1,036,692</u></u>

See independent accountant's review report and notes to financial statements.

# GROVE CITY COMMUNITY LIBRARY, INC.

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS YEAR ENDED DECEMBER 31, 2021

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b>REVENUES</b>			
Contributions and grants	\$ 106,660	\$ -	\$ 106,660
Fines and other operating revenues	3,168	-	3,168
Fundraising	2,182	-	2,182
Net investment income (loss)	76,568	354	76,922
	<u>188,578</u>	<u>354</u>	<u>188,932</u>
<b>EXPENSES</b>			
Program	238,499	-	238,499
Management and general	80,408	-	80,408
Fundraising	712	-	712
	<u>319,619</u>	<u>-</u>	<u>319,619</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	(131,041)	354	(130,687)
<b>NON-OPERATING</b>			
Paycheck protection program funding	24,404	-	24,404
<b>CHANGES IN NET ASSETS</b>	(106,637)	354	(106,283)
<b>NET ASSETS, BEGINNING OF THE YEAR</b>	<u>1,028,371</u>	<u>5,665</u>	<u>1,034,036</u>
<b>NET ASSETS, END OF THE YEAR</b>	<u>\$ 921,734</u>	<u>\$ 6,019</u>	<u>\$ 927,753</u>

See independent accountant's review report and notes to financial statements.

# GROVE CITY COMMUNITY LIBRARY, INC.

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS YEAR ENDED DECEMBER 31, 2020

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b>REVENUES</b>			
Contributions and grants	\$ 144,568	\$ -	\$ 144,568
Fines and other operating revenues	3,669	-	3,669
Miscellaneous	393	-	393
Net investment income (loss)	(15,420)	(79)	(15,499)
Net assets released from restrictions	17,119	(17,119)	-
	<u>150,329</u>	<u>(17,198)</u>	<u>133,131</u>
<b>EXPENSES</b>			
Program	234,878	-	234,878
Management and general	56,624	-	56,624
Fundraising	1,225	-	1,225
	<u>292,727</u>	<u>-</u>	<u>292,727</u>
<b>LOSS FROM OPERATIONS</b>	(142,398)	(17,198)	(159,596)
<b>NON-OPERATING</b>			
Paycheck protection program funding	<u>33,600</u>	<u>-</u>	<u>33,600</u>
<b>CHANGES IN NET ASSETS</b>	(108,798)	(17,198)	(125,996)
<b>NET ASSETS, BEGINNING OF THE YEAR</b>	<u>1,137,169</u>	<u>22,863</u>	<u>1,160,032</u>
<b>NET ASSETS, END OF THE YEAR</b>	<u>\$ 1,028,371</u>	<u>\$ 5,665</u>	<u>\$ 1,034,036</u>

See independent accountant's review report and notes to financial statements.

# GROVE CITY COMMUNITY LIBRARY, INC.

## STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2021

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	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>EXPENSES</b>				
Salaries	\$ 126,856	\$ 58,084	\$ -	\$ 184,940
Payroll taxes and benefits	19,516	4,443	-	23,959
Collections	34,158	-	-	34,158
Operating	33,825	17,881	-	51,706
Fundraising	-	-	712	712
Programs	4,023	-	-	4,023
Depreciation	19,690	-	-	19,690
Miscellaneous	431	-	-	431
	<hr/>	<hr/>	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	<b>\$ 238,499</b>	<b>\$ 80,408</b>	<b>\$ 712</b>	<b>\$ 319,619</b>

See independent accountant's review report and notes to financial statements.

# GROVE CITY COMMUNITY LIBRARY, INC.

## STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

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	<i>Program</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
<b>EXPENSES</b>				
Salaries	\$ 110,428	\$ 46,760	\$ -	\$ 157,188
Payroll taxes and benefits	14,140	-	-	14,140
Collections	29,003	-	-	29,003
Operating	28,156	9,864	-	38,020
Fundraising	-	-	1,225	1,225
Programs	2,587	-	-	2,587
Maintenance	29,178	-	-	29,178
Depreciation	20,899	-	-	20,899
Miscellaneous	487	-	-	487
<b>TOTAL EXPENSES</b>	<b>\$ 234,878</b>	<b>\$ 56,624</b>	<b>\$ 1,225</b>	<b>\$ 292,727</b>

See independent accountant's review report and notes to financial statements.

# GROVE CITY COMMUNITY LIBRARY, INC.

## NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

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### NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Nature of Activities

The function of the Grove City Community Library, Inc. (the Organization) is to promote literacy enhancement and entertainment to the people of the surrounding community. The Organization is funded through donations, pledges, and fundraisers, as well as, receiving support from local municipalities and other non-profit organizations. These funds are used to purchase literacy inventory, as well as, to maintain the fixed assets.

#### Basis of Accounting

The Organization reports its activities using 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. This basis differs from generally accepted accounting principles primarily because the Organization does not recognize receivables, prepaid expenses, accounts payable, or accruals. Under the modified cash basis (except for investments being recorded at fair value, the capitalization of equipment and related depreciation, and the recording of payroll accruals) financial transactions are recorded when the actual cash transaction occurs, regardless of when the revenue is earned or the expense obligations are incurred.

#### Financial Statement Presentation

Revenues, expenses, 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 and reported 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. These net assets may be used at the discretion of the Organization's management and 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 Organization or passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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 Statements of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis.

# GROVE CITY COMMUNITY LIBRARY, INC.

## NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

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### NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. The Organization maintains cash and cash equivalents at financial institutions which may at times exceed federally insured amounts and which may at times significantly exceed the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis amounts due to outstanding checks. At December 31, 2021 and 2020, respectively, the Organization had no uninsured cash balances.

#### Income Taxes

The Organization qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

Interest and penalties related to income tax reporting are recognized when incurred and are included in management and general expenses on the Statements of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis. Management has determined the Organization had no activities subject to unrelated business income tax (UBIT) during the years ended December 31, 2021 and 2020. The Organization has not been subject to any income tax penalties or interest for all open tax years.

#### Compensated Absences

Employees of the Organization are entitled to paid vacation depending on the length of service and other factors. No carryover to future years of these compensated absences is permitted and, accordingly, no liability has been recorded in the accompanying modified cash basis financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

#### Contributions and Grants

The Organization is substantially dependent on contributions, grant funding and state aid for its operations. Significant decreases or termination of future funding could jeopardize the continued operation of the Organization.

#### Use of Estimates

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

# GROVE CITY COMMUNITY LIBRARY, INC.

## NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

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### NOTE A - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents and current liabilities approximate their fair market value due to the short-term maturities of those instruments.

#### Property, Plant, and Equipment

Property, plant, and equipment purchases are carried at cost or fair value, if donated, less accumulated depreciation. Renewals and betterments which materially extend the life of an asset are capitalized. Expenditures for maintenance and repairs are charged against operations.

Depreciation is computed using the straight-line method over the estimated useful life of the individual assets as follows:

Leasehold improvements	99 years
Furniture, fixtures, and equipment	5 years
Books	5 years

#### Functional Allocation of Expenses

The costs of providing the various programs and other services of the Organization have been summarized on a functional basis in the Statements of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis. Two methods of expense allocation have been used.

1. Overall – Based upon estimated time expended by staff. This method is used for personnel expenses.
2. Actual – The line item could be specifically identified with a function. This method is used for all other expenses

#### Subsequent Events

Management has evaluated subsequent events through September 15, 2022, the date on which the financial statements were available to be issued.

### NOTE B - LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis date, reduced by amounts not available for general use within one year of the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis date because of contractual or donor imposed restrictions or internal designations.

**GROVE CITY COMMUNITY LIBRARY, INC.**  
 NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

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**NOTE B - LIQUIDITY AND AVAILABILITY (CONTINUED)**

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 12,275	\$ 40,182
Investments, at fair value	<u>283,787</u>	<u>341,916</u>
	296,062	382,098
Less: donor imposed restrictions	<u>(6,019)</u>	<u>(5,665)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 290,043</u></b>	<b><u>\$ 376,433</u></b>

**NOTE C - INVESTMENTS**

Investments are stated at fair value with the resulting realized and unrealized gains and losses included in the Statements of Revenue, Expenses, and Changes in Net Assets – Modified Cash Basis. As of December 31, 2021 and 2020, the Organization’s investments consisted of the following:

	<u>2021</u>	<u>2020</u>
Certificates of deposit	\$ 2,857	\$ 2,845
Money market funds	21,797	380
Unit investment trusts	255,545	335,378
Equities	<u>3,588</u>	<u>3,313</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 283,787</u></b>	<b><u>\$ 341,916</u></b>

Investment Policies

The investment objective of the Organization is to diversify investments to the greatest extent possible to minimize risks while achieving desired investment returns. The primary goal of the investments is to provide perpetual funding for the Organization's operational needs and maximize total return.

Spending Policies

As the investment goal is to maximize total return, it is understood that some of the principal growth in addition to the income may be used annually for operational needs.

Endowments

As required by the modified cash basis of accounting, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, considering the laws of the state for endowment management. In Pennsylvania, those laws are found in 15 Pa C.S. 5548.

**GROVE CITY COMMUNITY LIBRARY, INC.**  
 NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

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**NOTE C - INVESTMENTS (CONTINUED)**

*Interpretation of Relevant Law*

The Board of Trustees has interpreted the law as requiring the preservation of the fair value of corpus of a donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the temporary or permanent endowment, (b) the original value of any subsequent gifts to the temporary or permanent endowment, and (c) accumulations to the temporary or permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

All unspent appreciation, depreciation and income is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with 15 Pa C.S. 5548.

The following schedule summarizes the Organization's investment activity and changes in the endowment net assets as of December 31, 2021 and 2020:

Endowment net assets, 1/1/2021	\$ 5,665
Realized and unrealized gains (losses)	348
Dividends and interest	<u>6</u>
<b>NET ASSETS, 12/31/2021</b>	<b><u><u>\$ 6,019</u></u></b>
Endowment net assets, 1/1/2020	\$ 5,744
Realized and unrealized gains (losses)	(85)
Dividends and interest	<u>6</u>
<b>NET ASSETS, 12/31/2020</b>	<b><u><u>\$ 5,665</u></u></b>

**NOTE D - FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board Codification Topic 820 - *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That 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 (Level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three (3) levels of the fair value hierarchy under FASB Codification Topic 820 are described as follows:

**GROVE CITY COMMUNITY LIBRARY, INC.**  
 NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

**NOTE D - FAIR VALUE MEASUREMENTS (CONTINUED)**

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The table below presents the Organization's fair value hierarchy for the financial assets measured at fair value on a recurring basis:

	<i>Fair Value Measurement at December 31, 2021</i>			
	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Without donor restrictions	\$ 277,768	\$ 21,797	\$ 255,971	\$ -
With donor restrictions	6,019	6,019	-	-
<b>TOTAL INVESTMENTS (SEE NOTE C)</b>	<b>\$ 283,787</b>	<b>\$ 27,816</b>	<b>\$ 255,971</b>	<b>\$ -</b>

	<i>Fair Value Measurement at December 31, 2020</i>			
	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Without donor restrictions	\$ 336,251	\$ 459	\$ 335,792	\$ -
With donor restrictions	5,665	5,665	-	-
<b>TOTAL INVESTMENTS (SEE NOTE C)</b>	<b>\$ 341,916</b>	<b>\$ 6,124</b>	<b>\$ 335,792</b>	<b>\$ -</b>

Methods and assumptions used by the Organization in estimating fair values are as follows:

Investments in mutual funds and common stocks are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date. Certificates of deposit are considered Level 1 assets and are reported at their carrying amount, which approximates their fair market value.

Investments in fixed income bonds and unit investment trusts are considered Level 2 assets and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.

# GROVE CITY COMMUNITY LIBRARY, INC.

## NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

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### NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
PNC Investments certificates of deposit	\$ 2,431	\$ 2,425
General Electric stock	3,588	3,240
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 6,019</u></b>	<b><u>\$ 5,665</u></b>

### NOTE F - OPERATING LEASE

During 2016, the Organization entered into a five year lease agreement for a copy machine requiring monthly payments of \$323. In August 2020, the Organization entered into a new five year lease requiring monthly payments of \$300 through August 2025. Lease expense for 2021 and 2020 was \$4,944 and \$4,182 respectively. Future minimum lease payments at December 31, 2021 are as follows:

<u>Year Ended December 31,:</u>	<u>Amount</u>
2022	\$ 3,594
2023	3,594
2024	3,594
2025	2,396
<b>TOTAL</b>	<b><u>\$ 13,178</u></b>

### NOTE G - CAPITAL LEASE

In 1987, the Organization entered into a lease agreement with the Borough of Grove City for their present library facility. In exchange for the \$150,000 in advance payments, the Organization was given a 99-year leasehold interest. The \$150,000 has been capitalized and is being amortized over 99 years using the straight-line method.

### NOTE H - RELATED PARTY TRANSACTIONS

The Organization receives cleaning services from a board member. Amounts paid for these services for the years ended December 31, 2021 and 2020 were \$4,345 and \$8,293, respectively.

## **GROVE CITY COMMUNITY LIBRARY, INC.**

### **NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS**

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#### **NOTE I - PAYCHECK PROTECTION PROGRAM FUNDING**

During April 2020, the Organization applied for, and was approved for, loan funding under the CARES Act in the amount of \$33,600. The Organization met the requirements set forth by the Small Business Administration (SBA) and applied for, and was granted, full forgiveness of this loan in January 2021. Given that the funding was expended during the year ending December 31, 2020 and loan forgiveness requirements were met, this funding is shown as non-operating revenue on the Statement of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis for the year ending December 31, 2020.

During February 2021, the Organization applied for, and was approved for, a second round of the paycheck protection program loan funding under the CARES Act in the amount of \$24,404. The Organization met the requirements set forth by the Small Business Administration (SBA) and applied for, and was granted, full forgiveness of this loan in July 2021. This funding is shown as non-operating revenue on the Statement of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis for the year ending December 31, 2021.

#### **NOTE J - ECONOMIC UNCERTAINTIES**

Due to the COVID-19 outbreak, the Organization expects financial disruption, however, the related dollar amount of the impact and the duration cannot be reasonably estimated at this time.