

Golden Valley Community Broadcasters

Chico, California

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

June 30, 2022 and 2021



Golden Valley Community Broadcasters

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June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Golden Valley Community Broadcasters
Chico, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Golden Valley Community Broadcasters (the Organization), a nonprofit corporation, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

INDEPENDENT AUDITORS' REPORT

(Continued)

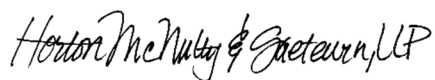
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



March 7, 2023
Chico, California

FINANCIAL SECTION

Golden Valley Community Broadcasters

STATEMENTS OF FINANCIAL POSITION

June 30	2022		2021	
CURRENT ASSETS				
Cash	\$	727,108	\$	620,861
Accounts receivable		5,416		4,784
Employee advances		3,228		2,491
Prepaid insurance		10,888		10,557
Total Current Assets		746,640		638,693
Fixed Assets - Net		5,938		6,776
Other Assets				
Deposits		670		670
North Valley Community Foundation Fund		11,621		12,367
Total Other Assets		12,291		13,037
TOTAL ASSETS	\$	764,869	\$	658,506
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$	2,295	\$	3,372
Accrued payroll taxes		583		476
Accrued wages, vacations, and benefits		9,948		8,258
Deferred revenue		25,087		16,794
Total Current Liabilities		37,913		28,900
Net Assets				
Without donor restrictions		726,956		629,606
TOTAL LIABILITIES AND NET ASSETS	\$	764,869	\$	658,506

The accompanying notes are an integral part of these financial statements.

Golden Valley Community Broadcasters

STATEMENTS OF ACTIVITIES

Years Ended June 30	2022	2021
Revenues, Support, and Other		
Underwriting, net of discounts	\$ 123,723	\$ 118,279
Pledge drives	76,513	45,330
Grants	90,425	272,397
Donations	133,537	174,511
Investment income	(676)	2,090
Paycheck Protection Program	-	23,400
Other income	15,252	459
Subtotal	438,774	636,466
Special events and fundraisers:		
Revenues	42,182	7,118
Less: Direct expenses	39,401	-
Total Special Events and Fundraisers - Net	2,781	7,118
Total Revenues, Support, and Other	441,555	643,584
Expenses		
Program services	164,935	165,497
Management	126,542	154,857
Fundraising	52,728	56,421
Total Expenses	344,205	376,774
Change in Net Assets	97,350	266,810
Net Assets - Beginning of Year	629,606	362,796
Net Assets - End of Year	\$ 726,956	\$ 629,606

The accompanying notes are an integral part of these financial statements.

Golden Valley Community Broadcasters

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022	Program		Supporting Services		Total
	Services	Management	Fundraising		
Compensation					
Salaries and benefits	\$ 26,858	\$ 67,145	\$ 28,079	\$	122,082
Payroll taxes	2,165	5,414	2,264		9,843
Workers' compensation	239	597	250		1,086
Total Compensation	29,262	73,156	30,593		133,011
Other Expenses					
Accounting	-	1,631	-		1,631
Advertising and marketing	30,473	-	-		30,473
Bank and credit card fees	4,994	1,249	-		6,243
Broadcast expenses	26,187	-	-		26,187
Computer expenses	1,150	2,874	1,202		5,226
Depreciation	3,475	-	-		3,475
Donations	-	1	-		1
Dues and subscriptions	-	5,045	-		5,045
Insurance - liability	2,170	5,426	2,269		9,865
Interest	-	18	-		18
Licensing and permits	4,640	-	-		4,640
Meals and entertainment	-	648	-		648
Miscellaneous expenses	158	394	165		717
Office supplies	2,560	6,400	2,676		11,636
Outside services	11,283	4,836	-		16,119
Pledge drive	-	-	5,282		5,282
Postage	649	1,622	678		2,949
Programming	5,500	-	-		5,500
Rents	24,314	14,146	5,747		44,207
Repairs and maintenance	790	1,975	826		3,591
Taxes - property	2,411	-	-		2,411
Telephone	1,318	3,296	1,378		5,992
Utilities	13,387	3,825	1,912		19,124
Volunteer expenses	214	-	-		214
Total Expenses	\$ 164,935	\$ 126,542	\$ 52,728	\$	344,205

The accompanying notes are an integral part of these financial statements.

Golden Valley Community Broadcasters

STATEMENTS OF FUNCTIONAL EXPENSES

(Continued)

Year Ended June 30, 2021	Program		Supporting Services		Total
	Services	Management	Fundraising		
Compensation					
Salaries and benefits	\$ 32,767	\$ 81,916	\$ 34,256	\$	148,939
Payroll taxes	2,651	6,629	2,772		12,052
Workers' compensation	335	838	351		1,524
Total Compensation	35,753	89,383	37,379		162,515
Other Expenses					
Accounting	-	11,742	-		11,742
Advertising and marketing	40,732	-	-		40,732
Bank and credit card fees	4,061	1,015	-		5,076
Broadcast expenses	13,168	-	-		13,168
Computer expenses	31	78	32		141
Depreciation	3,576	-	-		3,576
Donations	-	2,786	-		2,786
Dues and subscriptions	-	3,679	-		3,679
Insurance - liability	2,191	5,478	2,291		9,960
Licensing and permits	105	-	-		105
Meals/Entertainment	-	211	-		211
Miscellaneous expenses	-	2,574	-		2,574
Office supplies	3,164	7,852	3,283		14,299
Outside services	12,718	5,451	-		18,169
Pledge drive expenses	-	-	3,024		3,024
Postage	291	727	304		1,321
Programming	10,068	-	-		10,068
Rents	23,557	13,706	5,568		42,831
Repairs and maintenance	629	1,571	657		2,857
Taxes - property	1,064	-	-		1,064
Telephone	2,048	5,120	2,141		9,309
Utilities	12,193	3,484	1,742		17,419
Volunteer expenses	148	-	-		148
Total Expenses	\$ 165,497	\$ 154,857	\$ 56,421	\$	376,774

The accompanying notes are an integral part of these financial statements.

Golden Valley Community Broadcasters

STATEMENTS OF CASH FLOWS

Years Ended June 30	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 97,350	\$ 266,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,475	3,576
Unrealized market (gain)/loss	1,311	(1,765)
Changes in:		
Accounts receivable	(632)	(308)
Prepaid insurance	(331)	(2,681)
Deposits	-	(150)
Accounts payable	(1,077)	776
Accrued payroll taxes	107	(72)
Accrued wages, vacations, and benefits	1,690	(4,617)
Deferred revenue	8,293	(6,510)
NET CASH PROVIDED BY OPERATING ACTIVITIES	110,186	255,059
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments	(565)	-
Acquisition of fixed assets	(2,637)	-
Change in employee advances	(737)	(555)
NET CASH USED IN INVESTING ACTIVITIES	(3,939)	(555)
Net Change in Cash	106,247	254,504
Cash - Beginning of Year	620,861	366,357
Cash - End of Year	\$ 727,108	\$ 620,861
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 18	\$ -

The accompanying notes are an integral part of these financial statements.

Golden Valley Community Broadcasters

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS

Organization and Nature of Operations Golden Valley Community Broadcasters (the Organization) is a nonprofit corporation, operating a radio broadcasting facility located in Chico, California, organized in November 1985 for the following purposes:

- a. To establish a corporation organized and operated exclusively for educational purposes, no part of the net earnings of which inure to the benefit of any director of the corporation.
- b. To establish and operate for educational purposes, one or more radio broadcasting stations licensed by the Federal Communications Commission in such manner that the facilities involved shall be as nearly self-sufficient as possible.
- c. To promote the cultural welfare of the community by providing outlets and training for creative skills and activities through radio broadcasting operations.
- d. To engage in radio broadcasting operations and any other activities that shall contribute to the lasting understanding between nations and between the individuals of all nations, races, creeds, colors, abilities, genders, and sexual orientations; to gather and disseminate information on the causes of conflict between any and all of such groups; and through any and all means compatible with the purposes of this corporation, to promote the study of political and economic problems and of the causes of religious, philosophical and racial antagonisms.
- e. To promote through radio broadcasting operations, the full distribution of public information from sources of news not commonly brought together in the same medium; and to present news and information on matters vitally affecting the community.
- f. To engage in any and all other activities permitted of a California Nonprofit Public Benefit Corporation, and of an organization exempt from taxation under subsection 501(c)(3) of Title 26, Subtitle A, Chapter 1, Subchapter F, Part 1 of the U.S. Code.

Golden Valley Community Broadcasters

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Implementation of New Accounting Standard The Organization adopted the provisions of Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) and related amendments, for the year ended June 30, 2021. ASC Topic 606 supersedes most existing revenue recognition guidance and provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue as cash flows arising from contracts with customers. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. ASC Topic 606 has been applied using the modified retrospective transition method. Management has analyzed the provisions of ASC Topic 606 and has concluded that an adjustment to beginning net assets is not required. The financial statement presentation has been updated to conform to the standard.

Basis of Accounting and Presentation The financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified based on the existence or absence of stipulations imposed by donors or grantors. Accordingly, 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 stipulations imposed by donors or grantors 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 the board of directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the 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. 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 activities.

The Organization had no assets with donor restrictions at June 30, 2022 and 2021.

Golden Valley Community Broadcasters

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Cash All highly liquid investments, with a maturity of three months or less when purchased, are considered to be cash equivalents. There were no cash equivalents at June 30, 2022 and 2021. The carrying amount of cash accounts represent fair value as all accounts are demand deposits.

Accounts Receivable Accounts receivable represents amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2022 and 2021. The Organization's management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has reasonable collection efforts are written off through a change to the valuation allowance and a credit to accounts receivable. Changes to the valuation allowance have not been material to the financial statements. At June 30, 2022 and 2021, management considered all accounts fully collectible.

Fixed Assets Fixed assets are stated at cost. Depreciation of equipment is provided on the estimated useful lives of the assets using the straight-line method, generally over a period of 5 to 15 years. Depreciation of leasehold Improvements is provided on the straight-line method, generally over a 7 year period.

The Organization has not established a dollar threshold for capitalization of fixed assets. The cost of maintenance and repairs are charged to expense as incurred. At the time fixed assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are adjusted, and any gain or loss on disposal is included in the statement of activities.

Deferred Revenue Underwriting contracts are generally entered into for periods ranging from three to twelve months, with payment due at the beginning of the contract. Deferred revenue consists of contract liabilities for the unexpired portion of contract revenue received as of the fiscal year end.

Income Taxes The Organization is exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and Section 23701(d) of the *California Revenue and Taxation Code*. The Organization has been classified as an organization that is not a private foundation under Section 509(a)(2).

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 may differ from those estimated.

Concentrations of Credit Risk Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts. The Organization maintains its cash accounts in depositories that are insured by the Federal Deposit Insurance Corporation up to \$250,000. It is customary for bank balances to temporarily exceed insurance limits.

Golden Valley Community Broadcasters

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Functional Expense Allocations The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of time, effort, and usage.

Revenue Recognition Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions and certain grant revenue are recognized with cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Underwriting Fees Underwriting fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services for businesses. These services consist of radio sponsorships, acknowledgement on the Organization’s website, and other forms of agreed upon sponsorships. Businesses receive no material rights to purchase additional services at discounted rates. Revenue from underwriting fees is recorded on a pro-rata basis for the period covered and is recognized over time when the related sponsored program is aired. The Organization has concluded that it has a right to consideration for services provided in accordance with the underlying contracts. The Organization does not offer services with variable consideration or financing components.

Contract liabilities for payments received in advance of underwriting being provided are recorded as deferred revenue in the statements of financial position. As payment is due in advance of services being performed, the Organization’s right to consideration is unconditional at that time, and the Organization does not maintain contract assets or contract receivables.

In-Kind Donated Services Donated services are recognized as contributions if the services: (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. During the years ended June 30, 2022 and 2021, the Organization recorded \$19,800 and \$11,340, respectively, as broadcasting expenses for professional disk jockey services. The Organization also receives broadcast services from a number of volunteers each year that are not recognized as contributions in the financial statement since the recognition criteria were not met.

Advertising The Organization expenses advertising production costs as they are incurred and advertising communication costs the first time advertising takes place.

Date of Management Evaluation Management has evaluated subsequent events through March 7, 2023, the date on which the financial statements were available to be issued.

Golden Valley Community Broadcasters

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available to meet general expenditures, liabilities, and other obligations over the next twelve months:

June 30		2022		2021
Cash	\$	727,108	\$	620,861
Accounts receivable		5,416		4,784
Total Financial Assets	\$	732,524	\$	625,645

As part of the Organization's liquidity management, the Organization's policy is to structure financial assets to be available as general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, excess cash is evaluated annually and retained in savings accounts.

3. FAIR VALUE MEASUREMENTS

The Organization accounts for certain assets and liabilities in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America.

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level.

Valuations within the hierarchy levels are based upon the following:

- Level 1:* Quoted market prices for identical instruments traded in active exchange markets.
- Level 2:* Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.
- Level 3:* Model-based techniques use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Organization's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgement and estimation, which may be significant.

The specific techniques used to measure fair value for financial statement elements are described in the notes below that relate to each element.

Golden Valley Community Broadcasters

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. FIXED ASSETS

Fixed assets are summarized by major category as follows:

June 30		2022		2021
Equipment - broadcasting	\$	133,890	\$	131,253
Equipment - office		6,204		6,204
Leasehold improvements		22,675		22,675
Subtotal		162,769		160,132
Less: Accumulated depreciation		156,831		153,356
Fixed Assets - Net	\$	5,938	\$	6,776

5. GRANTS

The Organization received Community Service Grants (CSG) from the Corporation for Public Broadcasting (CPB). CPB is a private, nonprofit grant-making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual CSGs to qualifying public broadcasting entities. CSGs are used to supplement the financial resources of public broadcasting entities and thereby enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two years as described in the Communication Act, 47 United States Code Annotated, Section 396(k)(7). Each grant must be expended within two years of the initial grant authorization. A portion of the CSG grant from the CPB in each of the last two years was considered to be restricted. It is the Organization's policy to use restricted funds to the fullest extent possible before utilizing unrestricted funds.

Grants consisted of the following for the years ended June 30, 2022 and 2021:

June 30		2022		2021
Community Service grants (CPB) - restricted	\$	24,169	\$	23,625
Community Service grants (CPB) - unrestricted		66,256		63,971
American Rescue Plan Act Stabilization Grants (CPB)		-		184,801
Total Grants	\$	90,425	\$	272,397

Golden Valley Community Broadcasters

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

North Valley Community Foundation Fund

North Valley Community Foundation - represents monies transferred by the Organization or received from third-party donors and held and invested by the North Valley Community Foundation. The purpose of the fund is to provide ongoing and growing source of funds for support of the programs and operations of the Organization. Distributions from the Foundation to the Organization are made at the discretion of the Foundation in accordance with the distribution policy adopted by the Foundation board. The agreement may be terminated by the Organization board of directors with revision of all remaining fund assets.

The fair value has been measured on a recurring basis using quoted prices in active markets for identical assets or similar assets (Level 1 inputs).

7. CONCENTRATIONS

The Organization reported annual Community Service Grants (CSG) from the Corporation for Public Broadcasting (CPB), of \$90,425 and \$87,596 for the years ended June 30, 2022 and 2021, respectively, which represents approximately 21% and 14% of total revenue, respectively. The Community Service Grant (CSG) is conditioned upon maintaining minimum revenue levels. CPB has notified the Organization that an additional one-year extension for participation in the program has been granted and that the Organization is eligible to receive grant funding for the 2022 grant fiscal year. The Organization was notified in November 2021 that the CPB will assess the Organization's fiscal year 2023 CSG eligibility over the next few months.

CPB's minimum revenue level is based on generating \$300,000 in non-federal funding sources. For the year ended June 30, 2022, the Organization anticipates exceeding the \$300,000 threshold.

8. CONTRACT REVENUE DISAGGREGATION AND CONTRACT BALANCES

The Organization earns contract revenue only in relation to the underwriting fees. Underwriting fees of \$123,723 and \$118,279 for the years ended June 30, 2022 and 2021, respectively, were recognized over time.

Contact liability balances included in deferred revenue on the statement of net position were as follows:

Years Ended June 30	2022	2021	2020
Contract liabilities	\$ 25,087	\$ 16,794	23,304

The Organization currently holds no contract receivables or contract assets as of June 30, 2022 and 2021.

Golden Valley Community Broadcasters

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. COMMITMENTS AND CONTINGENCIES

COVID-19

The novel coronavirus, COVID-19, was declared a worldwide pandemic by the World Health Organization on March 11, 2020. The ongoing pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly-evolving situation. The impact of the pandemic on the Organization's operations and financial performance will depend on future developments, including government mandates and duration of the pandemic, all of which are uncertain and difficult to predict. As a result, it is not currently possible to assess the overall impact of COVID-19 on the Organization's future. However, if the pandemic continues, the disease could have a material adverse effect on the Organization's results of operations, financial condition, and cash flows. Management is monitoring the situation on a daily basis in order to mitigate the potential impact of COVID-19 on the Organization's operations and financial performance.

Paycheck Protection Program

The Organization received a Paycheck Protection Program (PPP) loan of \$23,400 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following receipt of the funds. The Organization recognized the amount received as grant revenue as qualified expenses were incurred and barriers to entitlement were met. Qualifying expenditures incurred during the year ended June 30, 2021, amounted to \$23,400. Application for forgiveness of the loan was made on February 14, 2022, with inclusion of compliance substantiation and certification therein. All documentation supporting program compliance has been made available for the financial statement audit. On February 23, 2022, the bank confirmed that the SBA granted full forgiveness, although SBA retains the right of review of the loan.

10. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU intends to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Previous to this ASU, entities were allowed to exclude from the statement of financial position leases classified as operating leases. This ASU requires lessees to recognize the assets and liabilities arising from leases on the statement of net position. The Organization's management has not yet determined the impact that implementation of this update will have on the Organization's financial statements. The ASU is effective for the period ending June 30, 2023, and will be applied retrospectively.