
APPALACHIAN VOICES

Financial Statements and Independent Auditor's Report
For the Years Ended December 31, 2018 and 2017

C. Randolph CPA, PLLC
Certified Public Accountant

APPALACHIAN VOICES

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C. Randolph CPA, PLLC
Certified Public Accountant
219-A Beaver Creek School Rd.
West Jefferson, North Carolina 28694
Phone: (336) 846-3211
Fax: (336) 846-1142

Independent Auditor's Report

To the Board of Directors of
Appalachian Voices

I have audited the accompanying financial statements of Appalachian Voices (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Prior Period Financial Statements

The financial statements of Appalachian Voices for the year ended December 31, 2017 were audited by other auditors whose report dated April 20, 2018, expressed an unmodified opinion on those statements.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Appalachian Voices as of December 31, 2018 and 2017, 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.

C. Randolph CPA, PLLC

West Jefferson, North Carolina
August 16, 2019

APPALACHIAN VOICES

Statements of Financial Position December 31, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 2,223,408	\$ 2,182,198
Investments	21,480	-
Accounts receivable	40,048	32,146
Deposits	13,167	13,167
Prepaid expenses	6,843	22,479
Employee advances	295	-
Contributions receivable	<u>216,484</u>	<u>77,307</u>
Total current assets	<u>2,521,725</u>	<u>2,327,297</u>
 Property and Equipment:		
Equipment	61,273	59,575
Furniture and fixtures	762	762
Less accumulated depreciation	<u>(43,776)</u>	<u>(38,031)</u>
Net property and equipment	<u>18,259</u>	<u>22,306</u>
 Other assets:		
Intangible asset	<u>1,500</u>	<u>1,500</u>
 Total assets	<u>\$ 2,541,484</u>	<u>\$ 2,351,103</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 7,267	\$ 31,683
Funds payable	-	2,589
Accrued expenses	<u>33,217</u>	<u>22,562</u>
Total current liabilities	<u>40,484</u>	<u>56,834</u>
 Net assets:		
Unrestricted:		
Without donor restrictions	2,128,151	1,973,480
Invested in property and equipment	18,259	22,306
Restricted:		
With donor restrictions	<u>354,590</u>	<u>298,483</u>
Total net assets	<u>2,501,000</u>	<u>2,294,269</u>
 Total liabilities and net assets	<u>\$ 2,541,484</u>	<u>\$ 2,351,103</u>

See accompanying notes to financial statements.

APPALACHIAN VOICES

Statements of Activities For the Years Ended December 31, 2018 and 2017

	2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 1,671,051	\$ 680,743	\$ 2,351,794
Membership dues	65,310	-	65,310
Investment income	11,660	-	11,660
Voice advertisements	13,590	-	13,590
Fiscal sponsorships - net	2,589	-	2,589
Pass-throughs - net	106,300	-	106,300
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>624,636</u>	<u>(624,636)</u>	<u>-</u>
Total support and revenue	<u>2,495,136</u>	<u>56,107</u>	<u>2,551,243</u>
Expenses:			
Program expenses	2,005,576	-	2,005,576
Management and general expenses	159,743	-	159,743
Fundraising expenses	<u>179,193</u>	<u>-</u>	<u>179,193</u>
Total expenses	<u>2,344,512</u>	<u>-</u>	<u>2,344,512</u>
Changes in net assets	150,624	56,107	206,731
Net assets, beginning of year	<u>1,995,786</u>	<u>298,483</u>	<u>2,294,269</u>
Net assets, end of year	<u>\$ 2,146,410</u>	<u>\$ 354,590</u>	<u>\$ 2,501,000</u>

See accompanying notes to financial statements.

2017		
Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
\$ 1,611,245	\$ 655,330	\$ 2,266,575
55,758	40	55,798
8,632	-	8,632
11,445	-	11,445
-	-	-
-	-	-
<u>452,349</u>	<u>(452,349)</u>	<u>-</u>
<u>2,139,429</u>	<u>203,021</u>	<u>2,342,450</u>
1,953,925	-	1,953,925
123,416	-	123,416
<u>160,372</u>	<u>-</u>	<u>160,372</u>
<u>2,237,713</u>	<u>-</u>	<u>2,237,713</u>
(98,284)	203,021	104,737
<u>2,094,070</u>	<u>95,462</u>	<u>2,189,532</u>
<u>\$ 1,995,786</u>	<u>\$ 298,483</u>	<u>\$ 2,294,269</u>

APPALACHIAN VOICES

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

Functional Expenses:	Eliminate Fossil Fuels Externalities	Building Awareness of Regional Issues	Shifting Investments to Clean Energy	Total Program Expenses	Management & General Expenses	Fundraising Expenses	Total Expenses
Salaries and wages	\$ 470,215	\$ 95,117	\$ 636,155	\$ 1,201,487	\$ 103,440	\$ 112,506	\$ 1,417,433
Payroll taxes and insurance	97,616	18,707	144,301	260,624	20,577	22,763	303,964
Employee benefits	8,409	2,127	11,491	22,027	1,635	8,390	32,052
Advertising	673	65	8,020	8,758	-	234	8,992
Bank charges	-	-	-	-	4,271	578	4,849
Conferences and meetings	4,079	389	6,317	10,785	434	487	11,706
Contract labor	6,343	9,569	60,704	76,616	100	-	76,716
Contributions	625	250	500	1,375	-	-	1,375
Depreciation	2,613	482	3,543	6,638	553	624	7,815
Dues and subscriptions	1,698	81	1,224	3,003	94	427	3,524
Equipment rental	1,218	146	1,071	2,435	167	189	2,791
Insurance	1,051	194	1,427	2,672	221	251	3,144
Leadership development	900	-	320	1,220	-	-	1,220
Licenses and permits	109	32	748	889	21	226	1,136
Meals and entertainment	6,850	1,575	8,641	17,066	3,144	1,198	21,408
Office supplies	13,183	4,429	13,507	31,119	2,378	1,986	35,483
Promotion materials	6,929	424	8,738	16,091	478	7,610	24,179
Postage and delivery	1,088	25,465	3,505	30,058	120	648	30,826
Printing and reproductions	-	40,760	-	40,760	-	-	40,760
Professional fees	15,583	1,649	26,552	43,784	6,252	1,920	51,956
Rent	32,971	8,416	52,455	93,842	9,098	9,519	112,459
Repairs and maintenance	2,280	533	3,483	6,296	571	625	7,492
Travel	37,734	7,642	41,816	87,192	2,936	4,974	95,102
Telephone	4,084	708	5,900	10,692	812	1,309	12,813
Utilities	3,497	650	4,806	8,953	752	838	10,543
Website expense	8,555	1,500	11,139	21,194	1,689	1,891	24,774
				-			
Total functional expenses	<u>\$ 728,303</u>	<u>\$ 220,910</u>	<u>\$ 1,056,363</u>	<u>\$ 2,005,576</u>	<u>\$ 159,743</u>	<u>\$ 179,193</u>	<u>\$ 2,344,512</u>

See accompanying notes to financial statements.

APPALACHIAN VOICES

Statement of Functional Expenses For the Year Ended December 31, 2017

Functional Expenses:	Eliminate Fossil Fuels <u>Externalities</u>	Building Awareness of <u>Regional Issues</u>	Shifting Investments to <u>Clean Energy</u>	Total Program <u>Expenses</u>	Management & General <u>Expenses</u>	Fundraising <u>Expenses</u>	Total <u>Expenses</u>
Salaries and wages	\$ 517,877	\$ 85,568	\$ 550,934	\$ 1,154,379	\$ 83,417	\$ 103,315	\$ 1,341,111
Payroll taxes and insurance	97,067	17,150	120,485	234,702	17,733	21,725	274,160
Employee benefits	9,757	1,772	13,388	24,917	1,960	2,385	29,262
Advertising	798	188	838	1,824	2	12	1,838
Bank charges	141	-	-	141	4,871	-	5,012
Conferences and meetings	2,653	1,518	6,418	10,589	112	11	10,712
Contract labor	17,874	10,541	138,046	166,461	-	1,392	167,853
Contributions	1,755	19	3,251	5,025	-	-	5,025
Depreciation	3,021	549	4,145	7,715	607	738	9,060
Dues and subscriptions	1,905	40	1,433	3,378	28	558	3,964
Equipment rental	592	105	807	1,504	166	141	1,811
Events	167	30	229	426	33	41	500
Insurance	990	180	1,358	2,528	187	242	2,957
Leadership development	974	-	595	1,569	-	-	1,569
Licenses and permits	406	-	924	1,330	-	49	1,379
Meals and entertainment	5,821	1,908	8,026	15,755	604	1,267	17,626
Office supplies	10,545	3,232	14,604	28,381	1,697	2,166	32,244
Promotion materials	4,856	1,268	8,593	14,717	207	8,526	23,450
Postage and delivery	1,350	18,643	2,346	22,339	111	331	22,781
Printing and reproductions	-	32,649	-	32,649	-	-	32,649
Professional fees	7,717	745	6,049	14,511	824	1,002	16,337
Rent	30,849	7,669	49,641	88,159	7,952	9,569	105,680
Repairs and maintenance	3,765	536	1,605	5,906	220	257	6,383
Travel	34,841	7,273	43,958	86,072	541	3,496	90,109
Telephone	3,411	567	5,212	9,190	664	1,413	11,267
Utilities	2,620	498	3,807	6,925	545	613	8,083
Website expense	5,144	863	6,826	12,833	935	1,123	14,891
Total functional expenses	\$ 766,896	\$ 193,511	\$ 993,518	\$ 1,953,925	\$ 123,416	\$ 160,372	\$ 2,237,713

See accompanying notes to financial statements.

APPALACHIAN VOICES

Statements of Cash Flows For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Changes in net assets	\$ 206,731	\$ 104,737
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	7,815	9,060
(Increase) decrease in accounts receivable	(7,902)	(2,646)
(Increase) decrease in contributions receivable	(139,177)	(20,852)
(Increase) decrease in prepaid expenses	15,769	(9,296)
(Increase) decrease in employee advances	(295)	215
(Increase) decrease in deposits	-	(100)
Increase (decrease) in accounts payable	(24,416)	8,024
Increase (decrease) in funds payable	(2,589)	685
Increase (decrease) in accrued expenses	10,655	460
Total	<u>(140,140)</u>	<u>(14,450)</u>
Net cash provided (used) by operating activities	<u>66,591</u>	<u>90,287</u>
Cash Flows From Investing Activities:		
Purchase of investments	(21,480)	-
Purchase of equipment	<u>(3,901)</u>	<u>(8,430)</u>
Net cash provided (used) by investing activities	<u>(25,381)</u>	<u>(8,430)</u>
Increase (decrease) in cash and cash equivalents	41,210	81,857
Beginning cash and cash equivalents	<u>2,182,198</u>	<u>2,100,341</u>
Ending cash and cash equivalents	<u>\$ 2,223,408</u>	<u>\$ 2,182,198</u>

See accompanying notes to financial statements.

APPALACHIAN VOICES

Notes to Financial Statements For the Years Ended December 31, 2018 and 2017

1. General Information and Summary of Significant Accounting Policies

Organization - Appalachian Voices was organized in 1997 as a North Carolina nonprofit corporation. Its purpose is to solve the environmental problems having the greatest impact on the central and southern Appalachian Mountains. The organization's income is primarily from private and public grants and individual contributions.

Sources of Funding - The Organization receives support from contributions and revenues generated by grants and contributions.

Basis of Accounting - The Organization maintains its accounting records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred.

Basis of Presentation - The Organization reports 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.

Net Assets Without Donor Restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions - These net assets result from grants that are received with donor stipulations that limit the use of the asset, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Contributions/Grants - Contributions and grants received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

New Accounting Pronouncement - In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and disclosures related to functional allocation of expenses, if applicable.

The accompanying information from the 2017 financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Staff salaries, employee benefits, and indirect expenses are allocated based on estimated time and effort.

Investments - Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are traded in an active exchange, including over-the-counter markets, and that are highly liquid.

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. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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

Contributions Receivable - Unconditional promises to give are recognized as revenues or gains in the period received, net of an allowance for uncollectible promises and a discount to the present value of future cash flows, and presented as contributions receivable in the statement of financial position.

Property, Equipment, and Furniture - The Organization capitalizes all expenditures for property, equipment, and furniture in excess of \$200. The cost of property, equipment, and furniture is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method for financial reporting purposes and for income tax purposes.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property, equipment, and furniture is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

The useful lives of property, equipment, and furniture for purposes of computing depreciation are:

Equipment	5 years
Office furniture	7 years

Donated Materials and Services - It is the policy of Appalachian Voices to record the value of donated services, materials and facilities usage provided there is an objective basis with which to value such donations. The value of general volunteer services are not recorded, because there is not objective basis with which to value the volunteer time, although the operations of Appalachian Voices is supported by a considerable amount of volunteer time.

Fair Value Measurements - The Organization applies the provisions included in FASB ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As of December 31, 2018 and 2017, there were no nonfinancial assets or liabilities measured at fair value in the financial statements on a nonrecurring basis.

Financial instruments consist of cash and cash equivalents, contributions receivable, current liabilities and debt obligations. The carrying amounts reported in the statement of financial position for cash and cash equivalents, contributions receivable and current liabilities approximate fair value due to the short-term nature of these financial statements.

Cash and Cash Equivalents - For purposes of financial statement presentation, Appalachian Voices considers all bank accounts, certificates of deposit, interest accrued on certificates of deposit, and petty cash funds to be cash and cash equivalents.

Concentration of Credit Risk - At December 31, 2018 and 2017, the Organization had deposits that exceeded the federal deposit insurance limit by \$10,485 and \$-0-, respectively.

Advertising - Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2018 and 2017 was \$8,992 and \$1,838, respectively.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2017, 2016 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

2. Net Assets

The Appalachian Voices Board of Directors has designated portions of the net assets to be used for purposes other than general operations as follows:

	<u>2018</u>	<u>2017</u>
Investment in property and equipment	\$ 18,259	\$ 22,306
Board designated funds used for reserve	<u>100,000</u>	<u>100,000</u>
	<u>\$ 118,259</u>	<u>\$ 122,306</u>

3. Contributions Receivable

Unconditional promises to give consists of the following:

	<u>2018</u>	<u>2017</u>
Unrestricted	\$ 28,984	\$ 2,340
Shifting	50,000	74,967
Internalizing	<u>137,500</u>	<u>-</u>
Amount due in less than one year	<u>\$ 216,484</u>	<u>\$ 77,307</u>

4. Investments

Investments consist of the following:

	<u>2018</u>	<u>2017</u>
BB& T Investments:	<u>Level 1</u>	<u>Level 1</u>
Investment cash	\$16,564	\$ -
Domestic equities	<u>4,916</u>	<u>-</u>
	<u>\$21,480</u>	<u>\$ -</u>

5. Liquidity and Availability of Financial Assets

The Organization's primary sources of support are grants and contributions. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. Donor-restricted support has historically funded approximately 14% of annual program and supporting activities, with the remainder funded by miscellaneous income without donor restrictions. The Organization's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 12 months of program expenditures. As shown on the face of the statement of financial position, and summarized below, most of the Organization's financial assets are not subject to donor-imposed restrictions on use:

	<u>2018</u>	<u>2017</u>
Financial assets available within one year and free of donor restrictions:		
Cash and cash equivalents	\$ 175,367	\$ 253,640
Operating reserve cash and cash equivalents	1,696,020	1,617,500
Operating reserve investments	21,480	-
Contributions and pledges receivable	28,984	2,340
Financial assets subject to donor-imposed restrictions:		
Cash and cash equivalents	167,090	223,516
Contributions and pledges receivable	<u>187,500</u>	<u>74,967</u>
Total financial assets	<u>\$2,276,441</u>	<u>\$2,171,963</u>

6. Retirement Plan

The Organization has a simple IRA plan covering employees that meet certain criteria for eligibility. In addition to employee deferrals, the Organization will make a 3% contribution for employees. Employer contributions associated with the simple IRA plan for the year ended December 31, 2018 and 2017 totaled \$32,052 and \$29,262, respectively.

7. Lease Obligations

The Organization entered into a one-year lease with R.R.C. & Company, LLC on December 15, 2015 for space located in Norton, Virginia. The Organization renewed the lease on December 1, 2017. The lease requires monthly lease payments of \$825 for the period December 1, 2017-November 30, 2018. The Organization has the option to extend the term of the Lease for a seven-year period. The lease expires November 30, 2018. The lease was extended for a one-year period.

The Organization entered into a month-to-month lease with Statewide Organizing for Community eMpowerment on August 1, 2015 for space located in Knoxville, Tennessee. The lease requires monthly lease payments of \$400 for the term.

The Organization entered into a lease with Michael Vetro on April 15, 2016 for office space located in Boone, North Carolina. The lease requires monthly lease payments of \$4,278 plus one-third of the annual property tax bill for the term. The term of the lease is two years commencing September 15, 2016 and terminating September 14, 2018. The lease was renewed on January 24, 2018 commencing September 15, 2018 and terminating September 14, 2020.

The Organization entered into a three-year lease with Parker River, LLC on October 11, 2016 for space located in Charlottesville, Virginia. The lease requires monthly lease payments of \$3,446 for the period November 1, 2016 - October 31, 2017, \$3,498 for the period November 1, 2017 - October 31, 2018 and \$3,550 for the period November 1, 2018 - October 31, 2019. The Organization has the option to extend the term of the Lease for one three-year period. The lease expires October 31, 2019.

Future Payments Due:

	<u>Boone, NC</u>	<u>Charlottesville, VA</u>	<u>Norton, VA</u>
2019	\$ 51,336	\$ 42,080	\$ 9,900
2020	<u>36,363</u>	<u>42,600</u>	<u>-</u>
Total future lease payments	<u>\$ 87,699</u>	<u>\$ 84,680</u>	<u>\$ 9,900</u>

8. Income Taxes

Uncertain Tax Positions

FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, clarifies the accounting for uncertainty in income tax positions. Based on an evaluation of uncertain tax positions, management is required to measure potential tax liabilities that could have a risk of greater than a 50% likelihood of being realized upon settlement. As of December 31, 2018, management has determined that the Organization has no such risk and therefore no liabilities have been recorded for uncertain tax positions.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions material to the financial statements.

9. Subsequent Events

Management has evaluated subsequent events through August 16, 2019, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.