

VisionCorps Foundation

Year Ended September 30, 2019 with
Comparative Totals for 2018



TROUT, EBERSOLE & GROFF_{LLP}

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VisionCorps Foundation

Financial Statements

Year Ended September 30, 2019 with Comparative Totals for 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
VisionCorps Foundation
Lancaster, Pennsylvania

We have audited the accompanying financial statements of **VisionCorps Foundation** (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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 **VisionCorps Foundation** as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 1 to the financial statements, **VisionCorps Foundation** adopted new accounting guidance, FASB ASU 2016-14, *Not-for-Profit Entities* and 2016-18, *Statement of Cash Flows*, for the year ended September 30, 2019. Our opinion is not modified with respect to that matter.

As discussed in Note 14 to the financial statements, the 2018 financial statements have been restated to correct an error. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited **VisionCorps Foundation's** 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 12, 2018. In our opinion, with the exception of the matter discussed in Note 14, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

November 18, 2019
Lancaster, Pennsylvania

Trout, Ebersole + Groff, LLP
TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

VisionCorps Foundation

STATEMENT of FINANCIAL POSITION

September 30, 2019 with Comparative Totals for 2018

| ASSETS | | | | |
|--|---------------------------------------|------------------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| | | | 2019 | 2018 |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | \$ 84,514 | | \$ 84,514 | \$ 110,681 |
| Pledges Receivable, net of Allowance for Uncollectible Accounts | | 184,648 | 184,648 | 177,419 |
| Due From VisionCorps | 800 | | 800 | -0- |
| Prepaid Expenses | 15,969 | | 15,969 | 6,637 |
| Total Current Assets | 101,283 | 184,648 | 285,931 | 294,737 |
| INVESTMENTS | | | | |
| Fulton Financial Advisors | 5,635,983 | 246,058 | 5,882,041 | 6,041,066 |
| Fulton Scholarship Fund | 127,740 | 132,400 | 260,140 | 253,308 |
| Fulton Youth Services Fund | 124,777 | 428,703 | 553,480 | 521,907 |
| BNY Mellon | 6,223,980 | | 6,223,980 | 6,303,508 |
| Total Investments | 12,112,480 | 807,161 | 12,919,641 | 13,119,789 |
| OFFICE FURNITURE and FIXTURES | | | | |
| Office Furniture and Fixtures | 25,428 | | 25,428 | 35,478 |
| Accumulated Depreciation | (20,078) | | (20,078) | (29,368) |
| Net Office Furniture and Fixtures | 5,350 | -0- | 5,350 | 6,110 |
| OTHER ASSETS | | | | |
| Long-Term Pledges Receivable | -0- | 192,571 | 192,571 | 377,599 |
| TOTAL ASSETS | 12,219,113 | 1,184,380 | 13,403,493 | 13,798,235 |
| LIABILITIES and NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | 125,662 | | 125,662 | 120,388 |
| Accrued Payroll | 9,422 | | 9,422 | 8,331 |
| Accrued Benefits | 10,108 | | 10,108 | 9,092 |
| Charitable Gift Annuities - Current Portion | 49,065 | | 49,065 | 63,948 |
| Deferred Revenue | 33,856 | | 33,856 | 14,453 |
| Total Current Liabilities | 228,113 | -0- | 228,113 | 216,212 |
| CHARITABLE GIFT ANNUITIES - Long-Term Portion | -0- | -0- | -0- | 65,904 |
| TOTAL LIABILITIES | 228,113 | -0- | 228,113 | 282,116 |
| NET ASSETS | | | | |
| Without Donor Restrictions | 11,991,000 | | 11,991,000 | 12,155,695 |
| With Donor Restrictions | | 1,184,380 | 1,184,380 | 1,360,424 |
| TOTAL NET ASSETS | 11,991,000 | 1,184,380 | 13,175,380 | 13,516,119 |
| TOTAL LIABILITIES and NET ASSETS | \$ 12,219,113 | \$ 1,184,380 | \$ 13,403,493 | \$ 13,798,235 |

See notes to financial statements.

VisionCorps Foundation

STATEMENT of ACTIVITIES

Year Ended September 30, 2019 with Comparative Totals for 2018

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|---|-------------------------------|----------------------------|----------------------|----------------------|
| | | | 2019 | 2018 |
| SUPPORT | | | | |
| Public Contributions | \$ 365,332 | | \$ 365,332 | \$ 392,660 |
| Grants | 71,849 | 5,550 | 77,399 | 161,260 |
| Total Support | 437,181 | 5,550 | 442,731 | 553,920 |
| REVENUES | | | | |
| Investment Income | 270,665 | | 270,665 | 778,233 |
| Change in Value of Charitable Gift Annuities | 11,302 | | 11,302 | (4,480) |
| Total Revenues | 281,967 | -0- | 281,967 | 773,753 |
| Total Support and Revenues | 719,148 | 5,550 | 724,698 | 1,327,673 |
| NET ASSETS RELEASED from RESTRICTIONS | | | | |
| | 181,594 | (181,594) | -0- | -0- |
| Total Support, Revenues, and Net Assets Released from Restrictions | 900,742 | (176,044) | 724,698 | 1,327,673 |
| FUNCTIONAL EXPENSES | | | | |
| Program Expenses: | | | | |
| Grant-Making | 652,641 | | 652,641 | 650,601 |
| Education and Public Awareness | 39,918 | | 39,918 | 38,647 |
| Development | 219,697 | | 219,697 | 236,334 |
| Administration | 153,181 | | 153,181 | 164,795 |
| Total Functional Expenses | 1,065,437 | -0- | 1,065,437 | 1,090,377 |
| Changes in Net Assets Before Bequests | (164,695) | (176,044) | (340,739) | 237,296 |
| BEQUESTS | -0- | -0- | -0- | 10,600 |
| CHANGES in NET ASSETS | 164,695 | (176,044) | (340,739) | 247,896 |
| NET ASSETS | | | | |
| Beginning of Year, as Previously Reported | 12,776,195 | 739,924 | 13,516,119 | 13,268,223 |
| Prior Period Adjustment (Note 14) - Correct Classifications | (620,500) | 620,500 | -0- | -0- |
| Beginning of Year, as Restated | 12,155,695 | 1,360,424 | 13,516,119 | 13,268,223 |
| End of Year | \$ 11,991,000 | \$ 1,184,380 | \$ 13,175,380 | \$ 13,516,119 |

See notes to financial statements.

VisionCorps Foundation
 STATEMENT of FUNCTIONAL EXPENSES
 Year Ended September 30, 2019 with Comparative Totals for 2018

| | <u>Program Expenses</u> | | | | <u>Total Expenses</u> | |
|-------------------------------------|-------------------------|--------------------------------------|-------------------|-------------------|-----------------------|---------------------|
| | Grant - Making | Education and Public Awareness | Development | Administration | 2019 | 2018 |
| FUNCTIONAL EXPENSES | | | | | | |
| Salaries and Wages | \$ 58,018 | \$ 34,282 | \$ 94,651 | \$ 24,085 | \$ 211,036 | \$ 204,266 |
| Payroll Taxes | 4,470 | 2,641 | 7,292 | 1,791 | 16,194 | 15,615 |
| Other Employee Benefits | 11,883 | 950 | 1,515 | 218 | 14,566 | 16,387 |
| Retirement Plan Contributions | 3,462 | 2,045 | 5,647 | 1,387 | 12,541 | 12,146 |
| Professional Services - Other | | | 33,600 | 21,463 | 55,063 | 54,804 |
| Office and Janitorial Supplies | | | | 1,973 | 1,973 | 2,829 |
| Telephone | | | | 1,722 | 1,722 | 1,905 |
| Postage and Mailing | | | | 1,334 | 1,334 | 2,454 |
| Utilities | | | | 2,784 | 2,784 | 2,946 |
| Building Repairs and Maintenance | | | | 744 | 744 | 500 |
| Maintenance Contracts | | | | 2,446 | 2,446 | 1,740 |
| Insurance | | | | 2,744 | 2,744 | 2,483 |
| Travel and Automobile Expenses | | | | 5,008 | 5,008 | 4,644 |
| Seminar Expenses | | | | 465 | 465 | 4,706 |
| Miscellaneous | | | | 1,339 | 1,339 | 2,249 |
| Organization Dues and Subscriptions | | | | 1,420 | 1,420 | 1,218 |
| Rent | | | | 1,918 | 1,918 | -0- |
| Grants | 574,808 | | | | 574,808 | 573,116 |
| Depreciation | | | | 760 | 760 | 913 |
| Marketing | | | | 20,969 | 20,969 | 5,102 |
| Management Fees | | | | 56,760 | 56,760 | 75,176 |
| Interest | | | | 1,851 | 1,851 | 7,845 |
| Fundraising Expenses | | | 76,992 | | 76,992 | 97,333 |
| 2019 Total Expenses | 652,641 | 39,918 | 219,697 | 153,181 | 1,065,437 | |
| 2018 Total Expenses | \$ 650,601 | \$ 38,647 | \$ 236,334 | \$ 164,795 | | \$ 1,090,377 |

See notes to financial statements.

VisionCorps Foundation

STATEMENT of CASH FLOWS

Year Ended September 30, 2019 with Comparative Totals for 2018

| | 2019 | 2018 |
|--|------------------|-------------------|
| CASH FLOWS from OPERATING ACTIVITIES | | |
| Increase (Decrease) in Net Assets | \$ (340,739) | \$ 247,896 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Realized and Unrealized Gain on Investments | (47,434) | (578,970) |
| Changes in Value of Charitable Gift Annuities | (11,302) | 4,480 |
| Contributed Investments | (22,071) | (20,696) |
| Depreciation | 760 | 913 |
| (Increase) Decrease in: | | |
| Pledges and Other Receivables | 176,999 | 199,997 |
| Prepaid Expenses | (9,332) | (1,327) |
| Increase (Decrease) in: | | |
| Accounts Payable | 5,274 | (461,617) |
| Accrued Payroll | 1,091 | 704 |
| Accrued Benefits | 1,016 | 1,172 |
| Deferred Income | 19,403 | (4,517) |
| | (226,335) | (611,965) |
| Net Cash Used by Operating Activities | (226,335) | (611,965) |
| CASH FLOWS from INVESTING ACTIVITIES | | |
| Purchase of Investments | (4,279,265) | (3,981,674) |
| Proceeds from Sale of Investments | 4,548,918 | 4,602,136 |
| | 269,653 | 620,462 |
| Net Cash Provided by Investing Activities | 269,653 | 620,462 |
| CASH FLOWS from FINANCING ACTIVITIES | | |
| Payments Made on Charitable Gift Annuities | (69,485) | (73,623) |
| | (69,485) | (73,623) |
| DECREASE in CASH and CASH EQUIVALENTS | (26,167) | (65,126) |
| CASH and CASH EQUIVALENTS | | |
| Beginning | 110,681 | 175,807 |
| | \$ 84,514 | \$ 110,681 |
| Ending | \$ 84,514 | \$ 110,681 |

See notes to financial statements.

VisionCorps Foundation

STATEMENT of CASH FLOWS

(Continued)

Year Ended September 30, 2019 with Comparative Totals for 2018

| | 2019 | 2018 |
|--|-------------|-------------|
| SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION | | |
| Cash Paid During the Year for Interest | 1,851 | 7,845 |
| SUPPLEMENTAL SCHEDULE of NONCASH INVESTING and FINANCING ACTIVITIES | | |
| Contributed Investments | 22,071 | 20,696 |
| Changes in Net Present Value of Charitable Gift Annuities | 11,302 | (4,480) |
| Unrealized Gains (Losses) on Investments | (184,986) | 236,312 |

See notes to financial statements.

VisionCorps Foundation
NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

VisionCorps Foundation (the Foundation) was established by the Board of Directors of VisionCorps. The Foundation's mission is to use funds generated by VisionCorp's Enterprise Group and through fundraising to support projects which benefit people who are blind or whose vision is severely impaired. In addition to meeting its primary responsibility to fund the operations and capital needs of VisionCorps, the Foundation seeks to support projects which address needs beyond those traditionally served by VisionCorps. VisionCorps is the sole member of the Foundation.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). Current US GAAP standards are contained in the Accounting Standards Codification (ASC) as set forth by the Financial Accounting Standards Board (FASB).

The financial statements have been presented in accordance with FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which requires The Foundation to report information regarding its financial position and activities according to the following net asset classifications:

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 Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Trustees.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Financial Statement Presentation

Information for the year ended September 30, 2018, is not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States of America and is presented for comparative purposes only.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to the valuation of pledges receivable, depreciation of property and equipment, charitable gift annuities (split interest agreements), the allocation of expenses to the various functional areas of the Foundation's operations, fair value measurements, and other unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

VisionCorps Foundation
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at outstanding principal adjusted for charge offs. Account balances generally are written off when management judges such balances uncollectible, such as an account in bankruptcy. Management continually monitors and reviews accounts receivable balances. Generally, the Foundation does not obtain collateral in support of these receivables.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Bequests receivable, if any, are receivables expected to be collected in less than one year.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a rate of return that a market participant would demand at the date of the promise to give. Amortization of discounts is included in contribution revenue. Pledges receivable at September 30, 2019 and 2018 were \$377,219 and \$555,018, respectively.

The Foundation records an allowance for doubtful accounts relative to its accounts receivable and promises to give balances. The allowance for doubtful accounts is based on management's assessment of the collectability of specific balances and the aging of the receivables and promises to give. If there is a deterioration of a customer or major contributor's financial status or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Foundation could be adversely affected. No allowance was deemed necessary at September 30, 2019 and 2018.

Investments and Fair Value Measurements

Investments are recorded at fair value in the statement of financial position in accordance with FASB ASC Topic 958, *Not-For-Profit Entities*. Gains and losses on investments are required to be reported in the statement of activities as increases or decreases in net assets without restrictions unless restrictions are stipulated by the donor or the law.

The Foundation has adopted FASB ASC Topic 820, *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Property and Equipment

The Foundation capitalizes assets with a cost or fair value in excess of \$5,000 and/or a useful life of at least five years. The cost of maintenance and repairs is expensed as incurred; expenditures for betterments which extend the useful life of assets are capitalized. Property and equipment is capitalized at cost or fair value at the date of donation and depreciated on the straight-line basis over their estimated useful lives. The Foundation does not imply time restrictions with respect to donations of long-lived assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period.

VisionCorps Foundation
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Deferred Revenue

The Foundation recognizes deferred revenue which consists of miscellaneous revenue received for special events which was received in advance of the year in which the event is scheduled to occur.

Revenue and Support

Contributions received are reported as increases to net assets without donor restrictions, unless specifically restricted by the donor. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when the 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. Restricted donations whose restrictions are met in the same period are accounted for as net assets without donor restrictions.

Functional Allocation of Expenses

The Foundation allocates its expenses on a functional basis among its programs and support services. Supporting services consist of development and administrative expenses. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on management estimates of time spent amongst functions.

Marketing

The Foundation expenses marketing costs as they are incurred.

Income Tax Status and Uncertain Tax Provisions

The Foundation is exempt from taxation as provided by Code Section 501(c)(3) if the Internal Revenue Code (the Code). Section 501(c)(3) defines the exempt organization as being "organized and operated for religious, charitable, scientific, testing for public safety, literacy or educational purposes, or the prevention of cruelty to children or animals." In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation, within the meaning of Section 509(a) of the Code.

The Foundation is not aware of any unrelated business income that would be subject to taxation. Accordingly, the Internal Revenue Service Form 990-T was not filed. The Foundation follows the provisions of ASC Topic 740, *Income Taxes*, and is not aware of any uncertain tax positions, and accordingly, no corresponding liability, including penalties and interest, has been recorded in the accompanying financial statements.

Accounting Standards Adopted in Fiscal Year 2019

During the current fiscal year, the Foundation adopted the Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and requires enhanced disclosures regarding underwater endowment funds. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

VisionCorps Foundation
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Adopted in Fiscal Year 2019 (Continued)

During the current fiscal year, the Foundation adopted the Financial Accounting Standards Board ASU 2016-18, *Statement of Cash Flows*. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU has been applied retrospectively to all periods presented.

Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires entities to recognize revenue when a customer obtains control rather than when entities have transferred substantially all risks and rewards of a good or service. This update is effective for fiscal year ending September 30, 2020. The Foundation is currently assessing the impact the adoption of ASU 2014-09 will have on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02), which will require lessees to recognize most leases on their balance sheet, increasing their reported assets and liabilities. This update was developed to provide financial statement users with more information about an entity's leasing activities, and will require changes in processes and internal controls. This update is effective for fiscal year ending September 30, 2021. The Foundation is currently assessing the impact the adoption of ASU 2016-02 will have on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which assists entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions. This update is effective for fiscal year ending September 30, 2021, and will require application of the new guidance on a modified prospective basis. The Foundation is currently assessing the impact the adoption of ASU 2018-08 will have on its financial statements.

NOTE 2 - CONCENTRATION of CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of temporary cash investments with a bank and investments with financial institutions where balances may at times exceed FDIC and SIPC insurance limitations.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the value of investments could occur in the near term. Such changes could materially affect investment balances.

Related party receivables are generally amounts due from VisionCorps for management services. The Foundation generally does not obtain collateral in support of its receivables with VisionCorps.

VisionCorps Foundation
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 3 - PLEDGES RECEIVABLE

As of September 30, 2019 and 2018, the Foundation's total pledges receivable were \$377,219 and \$555,018, respectively, which have been discounted to the estimated present value using a rate of 4%. The current and long-term portion of pledges receivable, included in the statement of financial position in the current assets and other assets section, respectively, are as follows:

| | 2019 | 2018 |
|---|------------------|------------------|
| Pledges Receivable | 400,000 | 600,000 |
| Discount | <u>(22,781)</u> | <u>(44,982)</u> |
| Net Present Value of Pledges Receivable | 377,219 | 555,018 |
| Current Portion | <u>(184,648)</u> | <u>(177,419)</u> |
| Long-Term Pledges Receivable | 192,571 | 377,599 |
| Receivables Due In: | | |
| Less than One Year | 184,648 | 177,419 |
| One to Five Years | <u>192,571</u> | <u>377,599</u> |
| | 377,219 | 555,018 |

NOTE 4 - INVESTMENTS

A comparison of cost and fair values of investments at September 30, 2019 and 2018, is as follows:

| | 2019 | Cost | Fair Value | Unrealized Gain |
|----------------------------|-------------|-------------------|-------------------|------------------------|
| Fulton Financial Advisors | | 5,047,281 | 5,882,041 | 834,760 |
| Fulton Scholarship Fund | | 239,020 | 260,140 | 21,120 |
| Fulton Youth Services Fund | | 508,928 | 553,480 | 44,552 |
| BNY Mellon | | <u>5,741,371</u> | <u>6,223,980</u> | <u>482,609</u> |
| | | 11,536,600 | 12,919,641 | 1,383,041 |
| | | | | |
| | 2018 | Cost | Fair Value | Unrealized Gain |
| Fulton Financial Advisors | | 5,151,908 | 6,041,066 | 889,158 |
| Fulton Scholarship Fund | | 226,179 | 253,308 | 27,129 |
| Fulton Youth Services Fund | | 464,556 | 521,907 | 57,351 |
| BNY Mellon | | <u>5,709,119</u> | <u>6,303,508</u> | <u>594,389</u> |
| | | 11,551,762 | 13,119,789 | 1,568,027 |

VisionCorps Foundation
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 4 - INVESTMENTS (Continued)

A breakdown of the investment income for the years ended September 30, 2019 and 2018, is as follows:

| | 2019 | 2018 |
|---------------------------|-----------------|-----------------|
| Interest and Dividends | 290,381 | 269,087 |
| Unrealized Gains (Losses) | (184,986) | 236,312 |
| Realized Gains | 232,420 | 342,658 |
| Investment Fees | <u>(67,150)</u> | <u>(69,824)</u> |
| | 270,665 | 778,233 |

NOTE 5 - FAIR VALUE MEASUREMENTS

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

- Level 1 - Inputs to the valuation methodology are adjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

- Level 2 - Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2019 and 2018.

Mutual Funds and Fixed Income Securities: Valued based on quoted market prices, which represent the net asset value of shares held by the Foundation at year end.

VisionCorps Foundation
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

Common Stocks: Valued at the closing price reported in the principal market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis as of September 30, 2019 and 2018:

| 2019 | Level 1 | Level 2 | Level 3 | Total Fair Value |
|--|-------------------|----------------|----------------|-----------------------------|
| Mutual Funds and Fixed Income Securities: | | | | |
| Alternative/Liquid Real Assets | 568,593 | | | 568,593 |
| Equity | 1,136,236 | | | 1,136,236 |
| International and Emerging Markets | 1,772,095 | | | 1,772,095 |
| Large Cap | 2,955,294 | | | 2,955,294 |
| Mid Cap | 527,505 | | | 527,505 |
| Money Market | 125,782 | | | 125,782 |
| Real Estate | 105,655 | | | 105,655 |
| Small Cap | 653,799 | | | 653,799 |
| Active Income Funds | 2,030,930 | | | 2,030,930 |
| Multi-Sector Funds | 2,215,060 | | | 2,215,060 |
| Common Stocks: | | | | |
| Consumer Staples | 64,818 | | | 64,818 |
| Consumer Goods | 86,663 | | | 86,663 |
| Energy | 41,187 | | | 41,187 |
| Financials | 108,372 | | | 108,372 |
| Healthcare | 112,719 | | | 112,719 |
| Industrial | 85,284 | | | 85,284 |
| Materials | 19,607 | | | 19,607 |
| Technology | 196,352 | | | 196,352 |
| Telecom | 88,150 | | | 88,150 |
| Utilities | 25,540 | | | 25,540 |
| | <u>12,919,641</u> | <u>-0-</u> | <u>-0-</u> | <u>12,919,641</u> |

VisionCorps Foundation
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

| 2018 | Level 1 | Level 2 | Level 3 | Total Fair Value |
|--|-------------------|------------|------------|---------------------|
| Mutual Funds and Fixed Income Securities: | | | | |
| Alternative/Liquid Real Assets | 734,645 | | | 734,645 |
| Equity | 1,214,114 | | | 1,214,114 |
| International and Emerging Markets | 2,286,478 | | | 2,286,478 |
| Large Cap | 2,493,666 | | | 2,493,666 |
| Master Limited Partnerships | 11,139 | | | 11,139 |
| Mid Cap | 657,769 | | | 657,769 |
| Money Market | 57,265 | | | 57,265 |
| Real Estate | 114,818 | | | 114,818 |
| Small Cap | 892,543 | | | 892,543 |
| Active Income Funds | 1,880,659 | | | 1,880,659 |
| Multi-Sector Funds | 1,921,322 | | | 1,921,322 |
| Common Stocks: | | | | |
| Consumer Staples | 46,144 | | | 46,144 |
| Consumer Goods | 95,324 | | | 95,324 |
| Energy | 69,108 | | | 69,108 |
| Financials | 119,097 | | | 119,097 |
| Healthcare | 147,883 | | | 147,883 |
| Industrial | 66,299 | | | 66,299 |
| Materials | 15,565 | | | 15,565 |
| Technology | 251,504 | | | 251,504 |
| Telecom | 18,646 | | | 18,646 |
| Utilities | <u>25,801</u> | | | <u>25,801</u> |
| | 13,119,789 | -0- | -0- | 13,119,789 |

Level 1 and 2 Transfers

There were no transfers in or out of levels 1 and 2 during the years ended September 30, 2019 and 2018.

Level 3 Gains and Losses

There were no level 3 assets or liabilities measured on a recurring basis during the years ended September 30, 2019 and 2018.

The following table sets forth, by level within the fair value hierarchy, the Foundation's assets and liabilities that are measured at fair value on a non-recurring basis as of September 30, 2019:

| 2019 | Level 1 | Level 2 | Level 3 | Total Fair Value |
|-------------------------------|------------|------------|-----------------|---------------------|
| Assets: | | | | |
| Pledges Receivable | -0- | -0- | 400,000 | 400,000 |
| Discounts on Pledges Received | <u>-0-</u> | <u>-0-</u> | <u>(22,781)</u> | <u>(22,781)</u> |
| | -0- | -0- | 377,219 | 377,219 |

VisionCorps Foundation
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

| 2019 | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---------------------------|----------------|----------------|----------------|-----------------------------|
| Liabilities: | | | | |
| Charitable Gift Annuities | -0- | -0- | 49,065 | 49,065 |

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities that are measured at fair value on a non-recurring basis as of September 30, 2018:

| 2018 | Level 1 | Level 2 | Level 3 | Total Fair Value |
|-------------------------------|----------------|----------------|-----------------|-----------------------------|
| Assets: | | | | |
| Pledges Receivable | -0- | -0- | 600,000 | 600,000 |
| Discounts on Pledges Received | -0- | -0- | <u>(44,982)</u> | <u>(44,982)</u> |
| | -0- | -0- | 555,018 | 555,018 |
| Liabilities: | | | | |
| Charitable Gift Annuities | -0- | -0- | 129,852 | 129,852 |

The following tables set forth a summary of changes in the fair values of the Foundation's level 3 assets measured at fair value on a non-recurring basis for the years ended September 30, 2019 and 2018:

| | Pledges Receivable | Charitable Gift Annuities |
|---------------------------------------|-------------------------------|--------------------------------------|
| Balance, September 30, 2017 | 725,979 | 198,995 |
| Payments on Charitable Gift Annuities | -0- | (73,623) |
| Pledges Collected | (200,000) | -0- |
| Change in Present Value Discount | <u>29,039</u> | <u>4,480</u> |
| Balance, September 30, 2018 | 555,018 | 129,852 |
| Payments on Charitable Gift Annuities | -0- | (69,485) |
| Pledges Collected | (200,000) | -0- |
| Change in Present Value Discount | <u>22,201</u> | <u>(11,302)</u> |
| Balance, September 30, 2019 | 377,219 | 49,065 |

The fair values of charitable gift annuities are determined based upon discounted expected future cash flows over the actuarially determined life expectancies of the annuitants. The fair values of pledges receivable are determined based on discounted expected future cash flows, using a risk free rate of return. The risk free rate is used because the risk of uncollectibility is already reflected in an allowance. This methodology is an application of the income approach.

VisionCorps Foundation
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 6 - BOARD DESIGNATED NET ASSETS and NET ASSETS WITH DONOR RESTRICTIONS

The board designated net assets to be held in long-term investment accounts. The designation of funds is to support the ongoing operations of VisionCorps and its mission. The long-term investments, by account, have the following balances at September 30, 2019 and 2018:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Available to Support Operations: | | |
| Cash and Cash Equivalents (Held in BNY Account) | 6,333 | 36,658 |
| Fulton Financial Advisors | 5,635,983 | 5,800,008 |
| BNY Mellon - Investments | <u>6,223,980</u> | <u>6,303,508</u> |
| | 11,866,296 | 12,140,174 |

Net assets with donor restrictions are comprised of the following at September 30, 2019 and 2018:

| | 2019 | 2018 |
|------------------------------|------------------|------------------|
| Purpose Restrictions: | | |
| Scholarships and Grants | 132,400 | 136,145 |
| Youth Services | 428,703 | 428,203 |
| Technology Fund | 37,558 | 32,558 |
| Time Restrictions: | | |
| Pledges Receivable | 377,219 | 555,018 |
| Perpetual: | | |
| Investment in Perpetuity | <u>208,500</u> | <u>208,500</u> |
| | 1,184,380 | 1,360,424 |

The income from investments restricted in perpetuity is available for general purposes.

NOTE 7 - RETIREMENT PLANS

Foundation employees participate in a tax shelter annuity plan, sponsored by VisionCorps, which covers all full-time employees. The plan consists of 403(b) deferrals by eligible employees and employer matching contributions. The employer implemented a safe harbor matching contribution equal to 100% of participant salary deferrals up to 6% of compensation effective January 1, 2016. Prior to that date, matching contributions were 50% of the participant's deferral up to 3% of compensation. Additionally, prior to January 1, 2016, the employer could contribute discretionary contributions to the plan. Eligible employees are fully vested in their 403(b) deferral and employer matching account balances at all times. Eligible employees become vested in discretionary employer contributions according to a vesting schedule over six years. The retirement plan contribution on behalf of eligible employees was \$12,541 and \$12,146 for the years ended September 30, 2019 and 2018, respectively.

VisionCorps Foundation
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 8 - FUNDRAISING ACTIVITIES

The Foundation has events to raise money to fund the mission of the Foundation. Revenues and expenses related to these events are as follows for the years ended September 30, 2019 and 2018:

| | 2019 | 2018 |
|--------------------|---------------|---------------|
| Gross Revenue | 16,069 | 15,734 |
| Gross Expenses | <u>3,374</u> | <u>3,626</u> |
| Net Revenue | 12,695 | 12,108 |

Revenues from fundraising activities are reported as a component of public support and related expenses are reported as a component of fundraising expenses in the accompanying statement of activities.

NOTE 9 - DONATED SERVICES

The Foundation realized the following donated services:

Volunteer Service - Volunteers gave 451 and 537 hours of service, valued at approximately \$6,532 and \$7,780, during the years ended September 30, 2019 and 2018, respectively. The value of these services is not recorded as support and expenditures on the financial statements, as these services do not meet criteria for recognition under FASB ASC Topic 958, *Not-For-Profit Entities*.

Accounting Services - The Foundation recorded the value of services donated from an accounting firm in the amount of \$6,000 for each of the years ended September 30, 2019 and 2018.

NOTE 10 - RELATED PARTY TRANSACTIONS

The Foundation paid management fees to VisionCorps, a related party, for the following during the years ended September 30, 2019 and 2018:

| | 2019 | 2018 |
|--------------------|---------------|---------------|
| Personnel Services | 56,475 | 70,437 |
| Program Expenses | <u>285</u> | <u>4,739</u> |
| | 56,760 | 75,176 |

The Foundation has an amount due from VisionCorps of \$800 at September 30, 2019.

The Foundation had payables of \$119,932 and \$116,756 due to VisionCorps at September 30, 2019 and 2018, respectively.

The Foundation made grants and gifts to VisionCorps in the amounts of \$538,185 and \$503,053 during the years ended September 30, 2019 and 2018, respectively.

VisionCorps Foundation
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 10 - RELATED PARTY TRANSACTIONS (Continued)

The Foundation made in-kind contributions to VisionCorps in the amounts of \$32,828 and \$59,523 during the years ended September 30, 2019 and 2018, respectively.

The Foundation paid interest to VisionCorps in the amount of \$1,851 and \$7,845 for the years ended September 30, 2019 and 2018, respectively.

The Foundation paid rent to VisionCorps in the amount of \$1,918 and \$-0- for the years ended September 30, 2019 and 2018, respectively.

In June 2018, the Foundation entered into collateral assignments and guarantee agreements related to financing obtained by VisionCorps as more fully disclosed in Note 12.

NOTE 11 - CHARITABLE GIFT ANNUITIES

On July 2, 2010, the Foundation received a contribution of \$10,000 from an individual for unrestricted use, of which \$4,090 was recorded as a charitable gift annuity liability, which was the present value of the annuity. Under the agreement, \$215 is paid quarterly to the beneficiary. In calculating present value of the liability, the discount rate used was 3.4%. The obligation for the annuity was \$206 and \$953 at September 30, 2019 and 2018, respectively. Amortization of the discount of the liability was \$113 and \$224 for the years ended September 30, 2019 and 2018, respectively.

On June 24, 2016, the Foundation received a contribution of \$750,000 from an individual for unrestricted use, of which \$233,842 was recorded as a charitable gift annuity liability, which was the present value of the annuity. Under the agreement, \$16,875 is paid quarterly to the beneficiary. In calculating present value of the liability, the discount rate used was 1.8%. The obligation for the annuity was \$48,859 and \$110,071 at September 30, 2019 and 2018, respectively. Amortization of the discount of the liability was \$6,288 and \$10,498 for the years ended September 30, 2019 and 2018, respectively.

On February 1, 2017, the Foundation assumed a charitable gift annuity liability from VisionCorps. The original contribution of \$25,000 was received from an individual for unrestricted use, of which \$21,941 was recorded as a charitable gift annuity liability, which was the present value of the annuity. Under the agreement, \$1,563 is paid annually to the beneficiary. In calculating present value of the liability, the discount rate used was 4.11%. The obligation for the annuity was \$-0- and \$8,363 at September 30, 2019 and 2018, respectively. Amortization of the discount of the liability was \$-0- and \$617 for the years ended September 30, 2019 and 2018, respectively. Additionally in 2019, the liability of \$8,363 was written off as a result of the termination of the agreement due to the death of the donor.

On February 1, 2017, the Foundation assumed a charitable gift annuity liability from VisionCorps. The original contribution of \$25,000 was received from an individual for unrestricted use, of which \$18,037 was recorded as a charitable gift annuity liability, which was the present value of the annuity. Under the agreement, \$1,500 is paid annually to the beneficiary. In calculating present value of the liability, the discount rate used was 2.4%. The obligation for the annuity was \$-0- and \$10,465 at September 30, 2019 and 2018, respectively. Amortization of the discount of the liability was \$342 and \$456 for the years ended September 30, 2019 and 2018, respectively. Additionally in 2019, the liability of \$9,682 was written off as a result of the termination of the agreement due to the death of the donor.

VisionCorps Foundation
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 11 - CHARITABLE GIFT ANNUITIES (Continued)

In 2018, the Foundation had two other charitable gift annuities which were written off as a result of the termination of the agreement due to the death of the donor. Amortization of the discount of the liability was \$776 and the amount written off was \$8,092 for the year ended September 30, 2018.

NOTE 12 - COLLATERAL ASSIGNMENTS and GUARANTEE AGREEMENT

In June 2018, the Foundation entered into a collateral assignment and commercial guarantee with a financial institution in which the Foundation assigned investment assets as collateral in a \$5 million line of credit facility obtained by VisionCorps. Total investment assets assigned under this agreement had a fair value of \$5,882,041 at September 30, 2019, and are identified as investments "Fulton Financial Advisors" on the accompanying statement of financial position. Under this agreement, the Foundation must maintain certain debt to collateral ratios. Additionally, the Foundation must not sell, offer to sell, or otherwise transfer any of the collateral. Under the guarantee agreement, the Foundation unconditionally guarantees the \$5 million line of credit facility obtained by VisionCorps. The balance on the line of credit was \$-0- at September 30, 2019.

There are various events of default which would make the Foundation liable under the guarantee. The Foundation has no collateral or recourse with respect to the guarantee. The Foundation currently does not believe there is a substantial payment or performance risk relative to the guarantee.

In June 2018, the Foundation also entered into a collateral assignment agreement with a separate financial institution in which the Foundation assigned investment assets as collateral in a \$3.9 million line of credit facility obtained by VisionCorps. Total assets assigned under this agreement had a fair value of \$6,230,313 at September 30, 2019 and consisted of \$6,333 included in cash and cash equivalents and \$6,223,980 of assets identified as "BNY Mellon" investments on the accompanying statement of financial position. Under this agreement, the Foundation must maintain certain debt to collateral ratios. The Foundation does not separately provide a guarantee of the \$3.9 million line of credit facility obtained by VisionCorps. The balance on the line of credit was \$237,750 at September 30, 2019.

NOTE 13 - LIQUIDITY and AVAILABILITY of RESOURCES

The Foundation maintains a policy to ensure its financial assets are available to meet its expenditures and other obligations with a goal to maintain balances to meet three to six months of ordinary business expenses. Excess operating cash not needed for operations will be invested in the Foundation's long-term investment accounts to be invested in accordance with its investment policy. Assets from the long-term investment accounts can be converted to cash as necessary, per policy. The Foundation does not intend to spend from its long-term investment accounts other than amounts appropriated for general expenditure as part of its annual budget approval process; however, if deemed necessary by the Finance Committee and approved by the Board of Directors, amounts from its long-term investment accounts could be made available.

VisionCorps Foundation
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 13 - LIQUIDITY and AVAILABILITY of RESOURCES (Continued)

The Foundation's financial assets available within one year of the statement of financial position date for general expenditures are as follows at September 30, 2019:

| | |
|---|---------------------|
| Financial Assets: | |
| Cash and Cash Equivalents | 84,514 |
| Pledges Receivable, net | 377,219 |
| Other Accounts Receivable | 800 |
| Investments | <u>12,919,641</u> |
| Total Financial Assets Available within One Year | 13,382,174 |
| Less Amounts Unavailable for General Expenditures, Due to: | |
| Contractual or Donor-Imposed Restrictions: | |
| Restricted by Donors with Purpose Restrictions | (598,661) |
| Restricted by Donors in Perpetuity | (208,500) |
| Pledges Receivable Not Available Within One Year | (192,571) |
| Board Designation for Investment for Long-Term Purposes | <u>(11,866,296)</u> |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | 516,146 |

NOTE 14 - RESTATEMENT

The financial statements for the year ended September 30, 2018, have been restated to more accurately reflect net assets with donor restrictions which were clarified during the year ended September 30, 2019. The impact of the misclassification had no effect on changes in net assets for 2018 or 2019 or total net assets. The restatement involves reclassification from one net asset category to another as provided below.

| | Without Donor Restrictions | With Donor Restrictions |
|------------------------------------|---------------------------------------|------------------------------------|
| Net Assets, as Originally Reported | 12,776,195 | 739,924 |
| Donor Restricted Balances | | |
| In Pledges Receivable | (555,018) | 555,018 |
| In Investments: | | |
| Fulton Financial Advisors | (32,558) | 32,558 |
| Fulton Scholarship Fund | (126,628) | 126,628 |
| Fulton Youth Services Fund | <u>93,704</u> | <u>(93,704)</u> |
| Net Assets, as Restated | 12,155,695 | 1,360,424 |

Additionally, the Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. As required by ASU 2016-14, the Foundation is required to reclassify amounts that were previously reported as temporarily and permanently restricted net assets as net assets with donor restrictions. The Foundation also reclassified investment fees as a reduction to investment income and reported investment income, net of investment expenses as required by the ASU.

VisionCorps Foundation
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 15 - RECLASSIFICATIONS

Certain items on the financial statements for the year ended September 30, 2018, have been reclassified to be consistent with the classifications adopted for the year ended September 30, 2019. These reclassifications have no effect on the change in net assets and total net assets for the year ended September 30, 2018.

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 18, 2019, which represents the date the financial statements were available to be issued. No events have occurred between year-end and this date, which would require recording or disclosure in these financial statements.