

AMERICAN PHYSICIANS FELLOWSHIP, INC., FOR MEDICINE IN ISRAEL

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

AMERICAN PHYSICIANS FELLOWSHIP, INC., FOR MEDICINE IN ISRAEL

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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Independent Accountant's Review Report

**Board of Directors
American Physicians Fellowship, Inc., for Medicine in Israel
Boston, Massachusetts**

Report on the Financial Statements

I have reviewed the accompanying financial statements of American Physicians Fellowship, Inc., for Medicine in Israel (a non-profit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Opinion

Based on my reviews, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "C. J. Smith". The signature is written in a cursive style with a large initial "C" and a long horizontal stroke.

Sharon, Massachusetts
March 13, 2019

AMERICAN PHYSICIANS FELLOWSHIP, INC., FOR MEDICINE IN ISRAEL
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

| | | |
|---|-------------------|-------------------|
| CURRENT ASSETS: | <u>2018</u> | <u>2017</u> |
| Cash and cash equivalents (Note 1) | \$ 237,659 | \$ 181,407 |
| Restricted cash and cash equivalents (Note 1) | 12,000 | 12,000 |
| Prepaid and other expenses | 4,114 | 925 |
| TOTAL CURRENT ASSETS | <u>253,773</u> | <u>194,332</u> |
| PROPERTY AND EQUIPMENT (Note 4): | | |
| Equipment | 20,272 | 20,272 |
| Less: accumulated depreciation | (19,239) | (18,723) |
| NET PROPERTY AND EQUIPMENT | <u>1,033</u> | <u>1,549</u> |
| OTHER ASSETS: | | |
| Investments (Note 5) | 500 | 1,500 |
| TOTAL OTHER ASSETS | <u>500</u> | <u>1,500</u> |
| TOTAL ASSETS | <u>\$ 255,306</u> | <u>\$ 197,381</u> |
| CURRENT LIABILITIES: | | |
| Accrued expenses | \$ 9,805 | \$ 8,673 |
| Accrued vacation | 7,417 | 5,300 |
| Grants payable | 15,000 | 17,500 |
| TOTAL CURRENT LIABILITIES | <u>32,222</u> | <u>31,473</u> |
| NET ASSETS (Note 1): | | |
| Without donor restrictions | 211,084 | 153,908 |
| With donor restrictions | 12,000 | 12,000 |
| | <u>223,084</u> | <u>165,908</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 255,306</u> | <u>\$ 197,381</u> |

The accompanying notes are an integral part of these financial statements.
See Independent Accountant's Review Report.

AMERICAN PHYSICIANS FELLOWSHIP, INC., FOR MEDICINE IN ISRAEL
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

| REVENUE AND GAINS: | <u>2018</u> | <u>2017</u> |
|--|--------------|-------------|
| Contributions and grants | \$ 249,139 | \$ 247,465 |
| Program service fees | 170,572 | 78,730 |
| Rental income | 9,212 | 9,175 |
| Investment income | <u>2,323</u> | <u>906</u> |
| TOTAL REVENUE AND GAINS WITHOUT DONOR RESTRICTIONS | 431,246 | 336,276 |

NET ASSETS RELEASED FROM RESTRICTIONS

| | | |
|--|---------------|----------------|
| Satisfaction of program restrictions | <u>64,500</u> | <u>164,445</u> |
| TOTAL NET ASSETS RELEASED FROM RESTRICTIONS | <u>64,500</u> | <u>164,445</u> |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS | 495,746 | 500,721 |

EXPENSES:

| | | |
|----------------------------|----------------|----------------|
| Program services | 303,115 | 304,450 |
| Fundraising | 85,089 | 74,935 |
| Administrative and general | <u>50,366</u> | <u>42,596</u> |
| TOTAL EXPENSES | <u>438,570</u> | <u>421,981</u> |

| | | |
|---|--------|--------|
| INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 57,176 | 78,740 |
|---|--------|--------|

CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:

| | | |
|--|-----------------|------------------|
| Contributions and grants | 64,500 | 85,400 |
| Net assets released from restrictions | <u>(64,500)</u> | <u>(164,445)</u> |
| DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS | <u>-</u> | <u>(79,045)</u> |

| | | |
|---|--------|-------|
| INCREASE (DECREASE) IN TOTAL NET ASSETS | 57,176 | (305) |
|---|--------|-------|

| | | |
|-------------------------------|----------------|----------------|
| NET ASSETS, beginning of year | <u>165,908</u> | <u>166,213</u> |
|-------------------------------|----------------|----------------|

| | | |
|-------------------------|-------------------|-------------------|
| NET ASSETS, end of year | <u>\$ 223,084</u> | <u>\$ 165,908</u> |
|-------------------------|-------------------|-------------------|

The accompanying notes are an integral part of these financial statements.
See Independent Accountant's Review Report.

AMERICAN PHYSICIANS FELLOWSHIP, INC., FOR MEDICINE IN ISRAEL
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

| CASH FLOWS FROM OPERATING ACTIVITIES: | <u>2018</u> | <u>2017</u> |
|--|-------------------|--------------------|
| Cash received from: | | |
| Contributions and grants | \$ 313,639 | \$ 358,445 |
| Program service fees | 170,572 | 78,730 |
| Rental income | 9,212 | 9,175 |
| Suppliers | <u>(335,302)</u> | <u>(378,700)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>55,252</u> | <u>(14,235)</u> |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash received from the sale of investments | | |
| | <u>1,000</u> | <u>-</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>1,000</u> | <u>-</u> |
| | | |
| NET INCREASE (DECREASE) IN CASH | 56,252 | (14,235) |
| | | |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>193,407</u> | <u>207,642</u> |
| | | |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 249,659</u> | <u>\$ 193,407</u> |
| | | |
| RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Increase (decrease) in net assets | | |
| | \$ 57,176 | \$ (305) |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 516 | 517 |
| Changes in operating assets and liabilities: | | |
| Increase in promises to give | - | 25,580 |
| Increase in prepaid expenses | (3,189) | (925) |
| Increase (decrease) in accrued expenses | 1,132 | (18,801) |
| Increase in accrued vacation | 2,117 | 2,884 |
| Decrease in grants payable | <u>(2,500)</u> | <u>(23,185)</u> |
| Total adjustments | (1,924) | (13,930) |
| | | |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 55,252</u> | <u>\$ (14,235)</u> |

The accompanying notes are an integral part of these financial statements.
See Independent Accountant's Review Report.

AMERICAN PHYSICIANS FELLOWSHIP, INC., FOR MEDICINE IN ISRAEL
STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017

| | 2018 | | | | 2017 |
|---|---------------------|------------------|-------------------------------|-------------------|-------------------|
| | Program Services | Fundraising | Administrative and General | Total | Total |
| Salaries | \$ 30,529 | \$ 34,890 | \$ 21,806 | \$ 87,225 | \$ 75,000 |
| Payroll taxes | 3,222 | 3,682 | 2,301 | 9,205 | 7,070 |
| Benefits | 3,808 | 4,352 | 2,720 | 10,879 | 3,605 |
| Total salaries and related expenses | 37,558 | 42,924 | 26,827 | 107,309 | 85,675 |
| Advertising and marketing | 25,102 | 13,692 | 6,846 | 45,640 | 5,437 |
| Consultants | 3,106 | 10,872 | 1,553 | 15,531 | 30,446 |
| Depreciation | - | - | 516 | 516 | 517 |
| Grants | 93,380 | - | - | 93,380 | 181,050 |
| Insurance | 1,091 | 595 | 297 | 1,983 | 2,989 |
| Meeting expenses | 7,599 | 4,145 | 2,072 | 13,816 | 11,103 |
| Office expenses | 7,807 | 4,258 | 2,129 | 14,194 | 13,367 |
| Professional fees | 508 | 580 | 6,113 | 7,201 | 8,031 |
| Occupancy and related Programs in Israel | 14,711 112,254 | 8,024 - | 4,012 - | 26,747 112,254 | 26,538 56,828 |
| TOTAL EXPENSES | <u>\$ 303,115</u> | <u>\$ 85,089</u> | <u>\$ 50,366</u> | <u>\$ 438,570</u> | <u>\$ 421,981</u> |

The accompanying notes are an integral part of these financial statements.
See Independent Accountant's Report

AMERICAN PHYSICIANS FELLOWSHIP, INC., FOR MEDICINE IN ISRAEL

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

American Physicians Fellowship, Inc., for Medicine In Israel (the "Organization"), is a not-for-profit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was formed in the Commonwealth of Massachusetts in 1952 to advance the state of medical education, research, and care in Israel by assisting in the training of young Israeli physicians and healthcare professionals, and fostering ties between the North American healthcare community and Israel's healthcare community. The Organization is doing business as American Healthcare Professionals and Friends for Medicine in Israel.

The Organization provides fellowship grants and research support to promising Israeli physicians and nurses, maintains a registry of emergency medical volunteers and holds an annual joint U.S. – Israeli emergency and disaster preparedness course. The Organization's niche is providing critical transfer of knowledge and capacity-building support. The Organization accomplishes this through six key programs:

Fellowship and Research Grants – The Organization's flagship Fellowship Program supports Israeli physicians as they pursue post-doctoral clinical training and research in North America. The Organization provides approximately twenty fellowships per year, and Grantees are chosen through an application process by a committee of seven renowned U.S. physicians and eight renowned Israeli physicians.

Specialty Training for Nurses – In tandem with the fellowship grants, the Organization also provides grants to dozens of Israel's nurses for intensive two-week specialty trainings in North American medical centers. This program allows nurses to observe and learn the latest methodologies in their field of expertise, which they can then apply to patient care in Israel. In addition, the Organization sponsors courses for Israeli nurses at the Teaching Center for Trauma, Emergency and Mass Casualty Situations at the Rambam Healthcare campus in Haifa, Israel. This specially-designed course brings together dozens of Israeli nurses from different hospitals and specialties to learn about nursing roles in mass-casualty and disaster preparedness situations.

Emergency and Disaster Preparedness Courses – The Organization partners with Authentic Israel to provide advanced training in disaster management. This training is conducted in Israel for healthcare professionals from the United States and Canada. The Organization currently offers this ACCME-accredited course once per year.

Emergency Medical Volunteer (EMV) Registry – The Organization is the sole official North American Organization designated by the Israel Ministry of Health and the Israel Defense Forces Medical Corps to provide the State of Israel with volunteer medical assistance in times of crisis. The Organization maintains an active EMV registry of almost 300 physicians and healthcare professionals from the United States and Canada for that purpose.

APF Israel Birthright Trip – The Organization holds an annual APF Birthright experience to provide the opportunity for medical, nursing, and allied healthcare students to experience Israel as tourists,

while learning about the practice of medicine in Israel. This ten-day cross-cultural experience is for young medical professionals from the United States.

Special Projects – The Organization is asked from time to time to support unique healthcare related endeavors in Israel, such as the restoration of a gravesite or the construction of an emergency shelter.

Basis of Accounting and Use of Estimates:

The financial statements are prepared under the accrual basis of accounting. The accrual basis of accounting records revenue in the period in which it is earned and records expenses in the period in which they are incurred. 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 may vary from those estimates.

Cash and Cash Equivalents:

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Organization invests cash in excess of its immediate needs in money market funds, which are reported as cash equivalents. The money market funds are managed to maintain a net asset value per share of \$1.00, and are reported at the net asset value, which closely approximates fair value. The Organization maintains its cash balances at financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation (SIPC). At times these balances may exceed the Federal insurance or SIPC limits; however, the Organization has not experienced any losses with respect to its cash and cash equivalent balances in excess of Government-provided or SIPC insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2018.

Restricted Cash and Cash Equivalents:

The Organization segregates cash received with a donor-imposed restriction that limits their use to specific purposes (Note 6).

Contributed Services:

The Organization receives a substantial amount of services donated by unpaid volunteer officers and committees for the purposes of carrying out its functions. The value of this contributed time is not reflected in the accompanying financial statements since the donated time does not meet the criteria for recognition.

Investments:

Investments are stated at fair value. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Investments are exposed to risks such as interest rate, credit and overall market volatility.

Revenue Recognition:

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase net assets without donor restrictions. Grants are recorded as revenue as costs related to the services provided are incurred. All donor-restricted support is reported as an increase

in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Program service fee revenue is earned and recognized by the Organization when units or services are provided and billed. Rental income is derived from commercial tenant rent from a sub-lease relationship. Rental revenue is recognized as occupancy is provided.

Substantially all of the Organization's revenue is derived from its activities in Massachusetts to support activities in Massachusetts and Israel. During the year ended December 31, 2018, the Organization derived approximately 63% of its total revenue from foundations and individual donors, 34% from program fees, 2% from rental revenue and 1% from investment income. All revenue is recorded at the estimated net realizable amounts.

Promises to Give:

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of December 31, 2018, management has determined any allowance would be immaterial.

No promises to give are recorded as of December 31, 2018.

Property and Equipment:

Property and equipment is carried at cost or, if donated, at fair value at the date of donation. Major items and betterments are capitalized; minor items and repairs are expensed as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities. Depreciation is calculated on the straight-line basis over the estimated useful lives of the respective assets.

Depreciation is provided over the following asset category and lives:

| | |
|-----------|------------|
| Equipment | 3-10 years |
|-----------|------------|

Fair Value Measurements:

Fair value measurements are determined based on the assumptions, referred to as inputs, that market participants would use in pricing the asset or liability. Fair value standards require an entity to maximize the use of observable inputs (such as appraisals or valuation techniques) to determine fair value. The Organization reports its investments using the net asset value per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value

standards also require the Organization to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with the net asset value practical expedient rules which allow for either a Level 2 or Level 3 classification depending on lock up and notice periods associated with the underlying funds. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share with lock up periods of 90 days or less.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share with lock up periods in excess of 90 days.

Advertising Costs:

Advertising costs incurred in the design and production of the Organization's promotional materials are charged to expense as incurred. For the years ended December 31, 2018 and 2017, advertising costs amounted to \$2,900 and \$5,437, respectively.

Basis of Presentation and New Accounting Pronouncement:

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards changed the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The format of the statement of cash flows has changed to the direct method of reporting cash flows from operations, which we believe to be more understandable for the users of our financial statements.

2. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Payroll and associated costs are allocated to functions based upon estimated time charges. Occupancy costs are allocated based upon the allocation of salary.

3. LEASE OBLIGATION

The Organization rents office space under a five year lease expiring July 30, 2019, requiring monthly installments that increase annually on the lease anniversary date. In addition, the Organization is responsible for its share of operating costs and increases in real estate tax assessments, if any. The lease provides excess space, which the Organization rents out in a sub-lease (Note 1). Rent expense for the years ended December 31, 2018 and 2017, was \$22,093 and \$21,291, respectively.

Future minimum rental obligations for the next five years ending December 31st are expected to be:

| | |
|------|-----------|
| 2019 | \$ 12,950 |
| 2020 | - |
| 2021 | - |
| 2022 | - |
| 2023 | - |

The Organization rents space to a tenant under a sub-lease requiring fixed monthly payments commenced February 1, 2015. The lease is accounted for as an operating lease and is effective until canceled by either the Organization or the tenant. Monthly rent is \$650 and the tenant is also responsible for its pro rata share of real estate taxes. Rental income amounted to \$9,212 and \$9,175 for the years ended December 31, 2018 and 2017, respectively.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|-----------------|-----------------|
| Office and computer equipment | \$ 20,272 | \$ 20,272 |
| Less: accumulated depreciation | <u>(19,239)</u> | <u>(18,723)</u> |
| Property and equipment, net | <u>\$ 1,033</u> | <u>\$ 1,549</u> |

Depreciation expense amounted to \$516 and \$517 for years ended December 31, 2018 and 2017, respectively.

5. INVESTMENTS AND FAIR VALUE MATTERS

The marketable debt securities consist of bonds of companies traded on the New York Stock Exchange. Investments are valued at fair value using Level 1 inputs, unadjusted quoted prices in active markets, and are comprised of the following as of December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|-----------------|---------------|-----------------|
| Debt securities | <u>\$ 500</u> | <u>\$ 1,500</u> |
| | <u>\$ 500</u> | <u>\$ 1,500</u> |

The bond is a State of Israel bond which matures for \$500 in September, 2020.

Investment return consisted of the following for the years ended December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|------------------------------|-----------------|---------------|
| Interest and dividend income | <u>\$ 2,323</u> | <u>\$ 906</u> |
| | <u>\$ 2,323</u> | <u>\$ 906</u> |

6. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors.

As of December 31, 2018, net assets with donor restrictions are restricted for the following purposes:

| | |
|--|------------------|
| Program: Hirsh Nursing | <u>\$ 12,000</u> |
| Total net assets with donor restrictions | <u>\$ 12,000</u> |

7. INCOME TAXES

American Physicians Fellowship, Inc., for Medicine in Israel, is a not-for-profit organization exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1). The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the Internal Revenue Service, generally for three years after filing.

8. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 13, 2019, the date which the financial statements were available to be issued. No material subsequent events occurred during that time which require disclosure in these financial statements.