

Project Onward



Financial Statements

For the Year Ended
May 31, 2020



Project Onward
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Illinois NFP Audit & Tax, LLP
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Project Onward
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Project Onward, which comprise the statement of financial position as of May 31, 2020, 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.

Auditor's 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 of 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, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Onward as of May 31, 2020, 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.

IL NFD Audit & Tax, LLP

Chicago, Illinois

January 4, 2021

Project Onward
Statement of Financial Position
May 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current Assets			
Cash	\$ 224,365	\$ 0	\$ 224,365
Grants Receivable	12,000	40,000	52,000
Pledges Receivable	10,000	0	10,000
Prepaid Expenses	786	0	786
Total Current Assets	247,151	40,000	287,151
Total Fixed Assets, Net	0	0	0
Total Assets	\$ 247,151	\$ 40,000	\$ 287,151
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 7,430	\$ 0	\$ 7,430
Accrued Payroll	2,813	0	2,813
Total Current Liabilities	10,243	0	10,243
Non-Current Liabilities			
Note Payable	33,535	0	33,535
Total Non-Current Liabilities	33,535	0	33,535
Total Liabilities	43,778	0	43,778
Total Net Assets	203,373	40,000	243,373
Total Liabilities and Net Assets	\$ 247,151	\$ 40,000	\$ 287,151

Project Onward
Statement of Activities
For the Year Ended May 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains			
Contributions	\$ 310,089	\$ 40,000	\$ 350,089
Program Services	119,488	0	119,488
Grants	82,700	0	82,700
Net Investment Return	9,450	0	9,450
Miscellaneous	7,393	0	7,393
Net Assets Released from Restrictions:			
Satisfaction of Other Purpose Restrictions	40,000	(40,000)	0
Expiration of Time Restrictions	20,000	(20,000)	0
Total Revenue, Support and Gains	589,120	(20,000)	569,120
Functional Expenses			
Program Services	323,115	0	323,115
Management and General	53,223	0	53,223
Fundraising	29,124	0	29,124
Total Functional Expenses	405,462	0	405,462
Change in Net Assets	183,658	(20,000)	163,658
Net Assets,			
Beginning of Year	19,715	60,000	79,715
End of Year	\$ 203,373	\$ 40,000	\$ 243,373

Project Onward
Statement of Functional Expenses
For the Year Ended May 31, 2020

	Program Services	Management and General	Fundraising	Total
Functional Expenses				
Personnel				
Salaries	\$ 130,502	\$ 21,750	\$ 15,058	\$ 167,310
Payroll Taxes	9,835	1,639	1,135	12,609
Employee Benefits	4,674	779	539	5,992
Total Personnel	<u>145,011</u>	<u>24,168</u>	<u>16,732</u>	<u>185,911</u>
Art Supplies	18,817	0	0	18,817
Artist Support	62,884	0	0	62,884
Bank and Credit Card Fees	2,841	154	0	2,995
Depreciation	0	432	0	432
Dues and Subscriptions	0	2,679	0	2,679
Exhibition	17,152	0	0	17,152
Information Technology	1,440	0	0	1,440
Insurance	0	6,256	0	6,256
Internet	2,263	377	261	2,901
Marketing	2,911	0	0	2,911
Occupancy	54,280	9,047	6,263	69,590
Office	0	624	0	624
Postage and Shipping	4,157	0	0	4,157
Printing	1,433	0	0	1,433
Professional Development	3,600	0	0	3,600
Professional Fees	468	6,275	5,554	12,297
Repairs and Maintenance	199	33	23	255
Sales Taxes	0	2,758	0	2,758
Telephone	644	107	74	825
Travel	3,140	0	0	3,140
Utilities	1,875	313	217	2,405
Total Functional Expenses	<u>\$ 323,115</u>	<u>\$ 53,223</u>	<u>\$ 29,124</u>	<u>\$ 405,462</u>

Project Onward
Statement of Cash Flows
For the Year Ended May 31, 2020

Cash Flows from Operating Activities

Received from Supporters and Other Sources	\$ 336,184
Interest and Dividends Received	173
Paid to Vendors	(409,088)
Interest Paid	0
Income Taxes Paid	0

Net Cash Used in Operating Activities	(72,731)
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Cash Flows from Investing Activities

Proceeds from the Sale of Investments	230,572
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Net Cash Provided by Investing Activities	230,572
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Cash Flows from Financing Activities

Proceeds from Issuance of Note Payable	33,535
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Net Cash Provided by Financing Activities	33,535
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Net Increase in Cash	191,376
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Cash,

Beginning of Year	32,989
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End of Year	\$ 224,365
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Non-Cash Operating Activities

In-Kind Donated Goods Revenues and Expenses	\$ 190
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Total Non-Cash Operating Activities	\$ 190
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Non-Cash Investing Activities

In-Kind Donated Securities	\$ 221,295
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Total Non-Cash Investing Activities	\$ 221,295
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Project Onward
Statement of Cash Flows (Continued)
For the Year Ended May 31, 2020

**Reconciliation of Change in Net Assets to Net Cash
Used in Operating Activities**

Change in Net Assets	\$	163,658
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation		432
Realized Gain on Investments		(9,277)
Donated Securities		(221,295)
Changes in Certain Assets and Liabilities:		
Grants Receivable		(12,000)
Pledges Receivable		10,000
Prepaid Expenses		761
Accounts Payable		1,352
Accrued Expenses		(4,122)
Accrued Payroll		(803)
Deferred Rent		(1,437)
Total Adjustments		(236,389)
Net Cash Used in Operating Activities	\$	(72,731)

Project Onward
Notes to the Financial Statements
For the Year Ended May 31, 2020

Note 1 - Principal Activity and Significant Accounting Policies

Organization and Nature of Activities

Project Onward (the “Organization”) is a not-for-profit corporation incorporated in 2004. The Organization’s mission is to support the professional development of artists with exceptional talents and challenges, ranging from autism to mental illness, and to provide these artists with workspace, materials, professional guidance, exhibition opportunities, and access to markets to sell their work and advance their careers.

Basis of Accounting

The Organization’s accounts are maintained on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has not designated any amounts from net assets without donor restrictions as of May 31, 2020.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2020

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Receivables and Allowance for Doubtful Accounts

The Organization records receivables that are expected to be collected within one year at net realizable value. Generally accepted accounting principles prescribe receivables expected to be collected in more than one year to be initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset; in subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectible receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible.

Fixed Assets

The Organization records fixed asset additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended May 31, 2020.

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2020

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Interfund Balance

In an effort to increase transparency and to simplify its financial statements, the Organization presents its statement of financial position on a fund basis, which comprises of the following funds: Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

As of May 31, 2020, no interfund payables or receivables exists between the Net Assets without Donor Restrictions Fund and the Net Assets with Donor Restrictions Fund.

Revenue Recognition - Grants and Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets or if they are designated as support for future periods. When a donor restriction expires, 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. Donor-imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Net assets restricted for the acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization when the restrictions are released. Contributed materials are recorded as contributions, when received, at their fair market value when such value can be objectively and accurately determined.

Revenue Recognition - Program Fees

Program revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for corresponding services. Revenue is recognized as the underlying performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2020

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements do not include a provision for income taxes. The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income.

The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no significant income tax uncertainties. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates functional expenses mainly on the basis of estimates of time and effort.

Use of Estimates

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

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2020

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Advertising costs

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. The Organization had no direct-response advertising during the year ended May 31, 2020.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit, when applicable, with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. As of May 31, 2020, the Organization held no deposits above federally insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with receivables and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable donors highly supportive of the Organization's mission. When applicable, although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Note 2 - Net Investment Return

For the year ended May 31, 2020, net investment return comprises of the following:

Realized Gain on Investments	\$ 9,277
Interest and Dividends	173
Netted Investment Management Fees	<u>0</u>
	<u><u>\$ 9,450</u></u>

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2020

Note 3 - Receivables

At May 31, 2020, receivables consist of the following:

Collectible in Fiscal Year 2021	\$	62,000
Less: Discount to Net Present Value		0
Less: Allowance for Doubtful Accounts		0
		0
Receivables, Net	\$	62,000

Note 4 - Fixed Assets

At May 31, 2020, fixed assets consist of the following:

Furniture and Fixtures	\$	1,189
Computer Equipment		790
		1,979
Total Cost		1,979
Less: Accumulated Depreciation		(1,979)
		0
Fixed Assets, Net	\$	0

Depreciation expense amounts to \$432 for the year ended May 31, 2020.

Note 5 - Note Payable

On May 1, 2020, the Organization was approved for a loan from Chase Bank in the aggregate amount of \$33,535, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), which was enacted on March 27, 2020.

The loan, which was in the form of a note payable dated May 1, 2020, matures on May 1, 2022, and bears interest at a rate of 1.00% per annum, payable monthly commencing on December 1, 2020. The note payable is unsecured.

The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business.

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2020

Note 5 - Note Payable (Continued)

The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for the forgiveness of the loan, the Organization cannot assure that it will not take actions that could cause the Organization to be ineligible for the forgiveness of the loan, in whole or in part.

The PPP note payable balance amounts to \$33,535 as of May 31, 2020. Unless forgiven, future principal maturities that exist as of May 31, 2020, are as follows:

	Principal
For the Year Ended May 31, 2021	\$ 0
2022	33,535
	\$ 33,535

Note 6 - In-Kind Donations

Donated investments are recorded at fair value at the date of donation. The Organization received donated investments of \$221,295 during the year ended May 31, 2020. Donations of investments are recorded within contributions revenue on the statement of activities.

Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets, or they require specialized skills that would need to be purchased if they were not donated. Volunteers contribute significant amounts of time to the Organization’s program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. For the year ended May 31, 2020, the Organization did not receive any donated services that meet the recognition criteria prescribed by generally accepted accounting principles.

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2020

Note 6 - In-Kind Donations (Continued)

Donated goods are recorded at fair value on the date of donation. Donated goods of \$190 were received by the Organization during the year ended May 31, 2020. Donated goods are recorded within contributions revenue on the statement of activities and art supplies on the statement of functional expenses.

Donated space is recorded at its estimated fair value on the date of donation. No donated space was received by the Organization during the year ended May 31, 2020.

Note 7 - Net Asset Restrictions

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

Subject to Expenditure for Specific Purpose:	
None	\$ <u>0</u>
Total Subject to Expenditure for Specific Purpose	<u>0</u>
Subject to Passage of Time:	
Support for the Year Ended May 31, 2021	40,000
Total Subject to Passage of Time	<u>40,000</u>
Total Net Assets with Restrictions	<u><u>\$ 40,000</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions or by the occurrence of the passage of time or other events specified by donors during the year ended May 31, 2020:

Purpose Restrictions Accomplished:	
Smart Growth Grant	\$ <u>40,000</u>
Total Purpose Restrictions Accomplished	<u>40,000</u>
Time Restrictions Expired:	
Support for the Year Ended May 31, 2020	20,000
Total Time Restrictions Expired	<u>20,000</u>
Total Restrictions Released	<u><u>\$ 60,000</u></u>

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2020

Note 8 - Lease Commitments

The Organization leases its office space under a 36-month lease through December 2021. The lease calls for initial monthly rent payments of \$5,734 with nominal annual increases in rent thereafter. A deferred rent liability is not recorded on the financial statements as a corresponding liability is insignificant.

Rent expense for the year ended May 31, 2020 amounts to \$69,590. Future minimum rent payments are as follows:

For the Year Ended May 31, 2021	\$	71,757
		2022
		<u>42,581</u>
		<u>\$ 114,338</u>

Note 9 - Liquidity

At May 31, 2020, the Organization has \$286,365 of financial assets, excluding non-spendable financial assets, available for general expenditures within one year of the balance sheet date. Of this amount, \$40,000 of financial assets are subject to donor timing or purpose restrictions, excluding general operation restrictions, expiring within one year. No other contractual restrictions exist that make current financial assets unavailable for general expenditure within one year of the balance sheet date. As of May 31, 2020, the Organization does not expect that its liquidity will deteriorate. Financial assets available within one year of the balance sheet for general expenditures comprise of the following:

Financial Assets Available for General Expenditure:	
Cash	\$ 224,365
Grants Receivable	52,000
Pledges Receivable	<u>10,000</u>
Total Financial Assets Available for General Expenditure	<u>286,365</u>
Less: Assets Subject to Donor Timing or Purpose Restrictions	
Excluding General Operation Restrictions	<u>(40,000)</u>
Total Financial Assets Available to Meet Cash Needs for	
General Use Within One Year	<u>\$ 246,365</u>

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2020

Note 10 - Recently Implemented Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the previous revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance was adopted by the Organization during the year ended May 31, 2020.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. With relation to not-for-profit organizations, the ASU eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost, and requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the statement of financial position or within the notes to the financial statements. The new guidance was adopted by the Organization during the year ended May 31, 2020.

Note 11 - Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statement of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending May 31, 2023, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is not expected to have a significant effect on the Organization's statement of financial position.

Project Onward
Notes to the Financial Statements (Continued)
For the Year Ended May 31, 2020

Note 12 - Subsequent Events

The date to which events occurring after May 31, 2020, the date of the most recent balance sheet, have been evaluated for a possible adjustment to the financial statements or disclosure is January 4, 2021, which is the date on which the financial statements were available to be issued.