

**Waco Cultural
Arts Fest**
Waco, Texas

Audited Financial Statements
December 31, 2019 & 2018

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Waco Cultural Arts Fest
Audited Financial Statements
For the Year Ended December 31, 2019 & 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Waco Cultural Arts Fest

We have audited the accompanying financial statements of Waco Cultural Arts Fest (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 & 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 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 Waco Cultural Arts Fest as of December 31, 2019 & 2018, 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.

Sara R. Dyson, CPA P.C.

Dora Jean Dyson, CPA, P.C.

Gatesville, Texas
August 13, 2020

Waco Cultural Arts Fest
Statement of Financial Position
As of December 31, 2019 & 2018

	Assets	
	<u>2019</u>	<u>2018</u>
Current Assets		
Operating Cash	\$ 6,187	\$ 16,587
Pledges Receivable	<u>12,500</u>	<u>250</u>
Total Current Assets	<u>18,687</u>	<u>16,837</u>
Property and Equipment		
Furniture and Equipment	21,328	21,328
Less Accumulated Depreciation	<u>(17,168)</u>	<u>(15,654)</u>
Total Property and Equipment	<u>4,160</u>	<u>5,674</u>
Other Assets		
Beneficial Interest in assets held by Waco Foundation	220	216
Doris Miller Memorial Cash	56,082	30,518
Ravenscroft Foundation Assets	223,661	-
Central Texas Heritage Foundation Cash	<u>760</u>	<u>400</u>
Total Other Assets	<u>280,723</u>	<u>31,134</u>
Total Assets	<u><u>\$ 303,570</u></u>	<u><u>\$ 53,645</u></u>
Liabilities & Net Assets		
Current Liabilities		
Accounts Payable	\$ 15,675	\$ 26,895
Line of Credit	23,750	25,000
Doris Miller Payable	<u>-</u>	<u>874,317</u>
Total Current Liabilities	<u>39,425</u>	<u>926,212</u>
Net Assets		
Without Donor Restrictions		
Invested in Capital Assets	4,160	5,674
For Use in Operations	<u>(33,238)</u>	<u>(35,057)</u>
Total Net Assets Without Donor Restrictions	<u>(29,078)</u>	<u>(29,383)</u>
With Donor Restrictions		
Doris Miller Memorial	68,802	(843,584)
Ravenscroft Foundation	223,661	-
Central Texas Heritage Foundation	<u>760</u>	<u>400</u>
Total Net Assets With Donor Restrictions	<u>293,223</u>	<u>(843,184)</u>
Total Net Assets	<u>264,145</u>	<u>(872,567)</u>
Total Liabilities and Net Assets	<u><u>\$ 303,570</u></u>	<u><u>\$ 53,645</u></u>

See accompanying audit report and notes to financial statements.

Waco Cultural Arts Fest
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2019 & 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
Revenue		
Contributions	\$ 153,530	\$ 118,950
Event Income	7,870	8,193
Fundraising Income	17,645	25,188
Membership Fees	4,950	910
Interest Income	165	145
Net Assets Released from Restrictions	<u>271,917</u>	<u>2,002,154</u>
Total Revenue	456,077	2,155,540
Expenses		
Program Expenses	442,957	2,135,487
Support Expenses	<u>32,360</u>	<u>19,780</u>
Total Expenses	<u>475,317</u>	<u>2,155,267</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	(19,240)	273
Net Assets With Donor Restrictions		
Contributions	1,427,869	1,026,666
Net Assets Released from Restrictions	<u>(271,917)</u>	<u>(2,002,154)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	1,155,952	(975,488)
Increase (Decrease) in Net Assets	1,136,712	(975,215)
Net Assets Beginning of Year	(872,567)	102,648
Net Assets at End of Year	<u><u>\$ 264,145</u></u>	<u><u>\$ (872,567)</u></u>

See accompanying audit report and notes to financial statements.

Waco Cultural Arts Fest
Statement of Cash Flows
For the years ended December 31, 2019 & 2018

	<u>2019</u>	<u>2018</u>
Net cash provided by operating activities	\$ 240,439	\$ (83,599)
Cash used by investing activities:		
Purchase of fixed assets	-	(1,949)
Net cash used by investing activities	<u>-</u>	<u>(1,949)</u>
Cash flows used by financing activities:		
Change in Doris Miller Accounts	(25,568)	82,834
Change in Ravenscroft Foundation Accounts	(223,661)	-
Change in Central Texas Heritage Accounts	(360)	(400)
Line of Credit	(1,250)	4,354
Net cash used by financing activities	<u>(250,839)</u>	<u>86,788</u>
Net increase / (decrease) in cash and cash equivalents	(10,400)	1,240
Cash and cash equivalents at beginning of year	16,587	15,347
Cash and cash equivalents at end of year	<u>\$ 6,187</u>	<u>\$ 16,587</u>
Reconciliation of net income (loss) to net cash from operating activities		
Net income (loss) from operations	\$ 1,136,712	\$ (975,215)
Adjustments to reconcile net income (loss) to net cash provided / (used) by operating activities:		
Depreciation	1,514	1,682
(Increase) Decrease in:		
Receivables	(12,250)	2,000
Increase (Decrease) in:		
Accounts payable	(885,537)	887,934
Total Adjustments	<u>(896,273)</u>	<u>891,616</u>
Net cash provided / (used) by operating activities	<u>\$ 240,439</u>	<u>\$ (83,599)</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 4,432	\$ 4,171
Cash paid during the year for income taxes	None	None

See accompanying audit report and notes to financial statements.

Waco Cultural Arts Fest
Statement of Functional Expenses
For the year ended December 31, 2019

	Program Services		Support Services		Total Support	Memorandum Total Only
	Festivals and Exhibitions	Administrative	Fundraising			
Advertising	\$ 18,650	\$ -	\$ -	\$ -	\$ -	\$ 18,650
Awards to Artists	7,472	-	-	-	-	\$ 7,472
Depreciation	-	1,514	-	-	1,514	\$ 1,514
Dues	175	-	-	-	-	\$ 175
Equipment Rental	32,708	-	-	-	-	\$ 32,708
Expenses for Exhibitions	292,211	-	-	-	-	\$ 292,211
Fees	1,108	-	-	-	-	\$ 1,108
Insurance	938	743	-	-	743	\$ 1,681
Interest	4,432	-	-	-	-	\$ 4,432
Occupancy	3,117	-	-	-	-	\$ 3,117
Parking and rental space	19,129	4,800	-	-	4,800	\$ 23,929
Performance Fees	20,591	-	-	-	-	\$ 20,591
Professional Fees	8,000	15,995	-	-	15,995	\$ 23,995
Ravenscroft Foundation	3,267	-	-	-	-	\$ 3,267
Security	8,230	-	-	-	-	\$ 8,230
Supplies	22,929	2,240	7,068	-	9,308	\$ 32,237
Total Expenses	\$ 442,957	\$ 25,292	\$ 7,068	\$ -	\$ 32,360	\$ 475,317

See accompanying audit report and notes to financial statements.

Waco Cultural Arts Fest
Statement of Functional Expenses
For the year ended December 31, 2018

	Program Services		Support Services		Memorandum	
	Festivals and Exhibitions	Administrative	Fundraising	Total Support	Total Only	
Advertising	\$ 14,681	\$ -	\$ 300	\$ 300	\$ 14,981	
Awards to Artists	12,800	-	-	-	12,800	
Bad Debt	500	-	-	-	500	
Contract Expenses for Exhibitions	2,001,654	-	-	-	2,001,654	
Contract Expenses for Festivals	500	-	728	728	1,228	
Dues	-	577	-	577	577	
Equipment Rental	49,709	-	3,182	3,182	52,891	
Performance Fees	21,549	-	-	-	21,549	
Supplies	11,674	2,037	1,741	3,778	15,452	
Security	6,540	-	1,320	1,320	7,860	
Professional Fees	-	4,690	-	4,690	4,690	
Conference and Meetings	1,326	-	398	398	1,724	
Depreciation	-	1,682	-	1,682	1,682	
Insurance	705	963	-	963	1,668	
Interest	4,171	-	-	-	4,171	
Fees	3,126	-	524	524	3,650	
Occupancy	6,552	1,638	-	1,638	8,190	
Total Expenses	\$ 2,135,487	\$ 11,587	\$ 8,193	\$ 19,780	\$ 2,155,267	

See accompanying audit report and notes to financial statements.

Waco Cultural Arts Fest
Notes to Financial Statements
December 31, 2019 & 2018

Summary of Significant Accounting Policies

Nature of Activities

Waco Cultural Arts Fest (WCAF) is a Texas nonprofit corporation created to promote multicultural events for Waco and surrounding Central Texas communities by celebrating diversity and fostering greater understanding of cultural differences through the arts. WCAF aims to honor art education and the art community through an annual three day festival (the Festival) of art, music, performance, food, and arts activities for all ages. WCAF also contracts with individual artists and receives funds donated to support the placement of public art in Waco and the surrounding communities.

Method of Accounting

The records of account are maintained on an accrual basis.

Accounting Year

WCAF's fiscal year is January 1 through December 31.

Financial Statement Presentation

The financial statements of WCAF have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). In accordance with FASB ASC 958-605, contributions received are recorded as without and with donor restrictions depending on the existence and nature of the donor restrictions. Net assets and revenues are classified based on donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent resources over which the Board of Directors has discretionary control and can be used currently for the general purposes of WCAF in accordance with its by-laws. WCAF may voluntarily designate unrestricted resources for land, buildings, and equipment or other purposes, but this is a voluntary action of the governing board that can be modified or reversed at its discretion. These designations of resources without donor restrictions by the governing board do not have the same legal requirements as do funds with donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent resources currently available for use, but expendable only for those operation purposes specified by the donor. Such contributions are reported as increases in net assets with donor restrictions. When the restrictions are met (either by passage of time or by use) the net assets are reported as "net assets released from restrictions" on the statement of activities.

Restrictions on Net Assets

Support that is restricted by the donor may be reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Waco Cultural Arts Fest
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December 31, 2019 & 2018

Presentation

To add comparability, some figures have been reclassified in presentation as is customary in audits of financial statements.

Grants

The WCAF receives donations and grants from individuals and foundations in support of certain art projects in Waco and the surrounding communities. The timing of recognition of contribution and grant income depends on the nature of the donation. If funds are received from the individual or grantor after WCAF shows evidence of certain expenditures, then it is considered reimbursable, and revenue is recognized when expenditures are made in accordance with provisions. If funds are received in advance of expenditures, then revenue is recognized when funds are received. Such donations are reported as increases in net assets with donor restrictions unless the restrictions are met in the same reporting period as the donations are received, in which case, the donations may be reported as increases in net assets without donor restrictions.

Promises to Give

Unconditional promises to give are recognized in the period depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unless otherwise noted, all promises are expected to be collected in full within one year of the date of the statement of financial position, and therefore no allowance for doubtful accounts has been estimated.

Unconditional promises to give at December 31, 2019, and 2018, were \$12,500 and \$250.

In-Kind Contributions and Donated Services

In-Kind contributions and donated services are reflected as contributions at their estimated fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. WCAF recognizes the fair values of contributed services received if such services create or enhance non-financial assets, or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Such goods or services are reflected in the accompanying financial statements as both revenue when received and expense when used.

The value of in-kind contributions and donated services received and included as contributions and reflected as expenses in the financial statements were \$55,127 in 2019 and \$23,808 in 2018.

Additionally, WCAF's directors and officers have made a significant contribution of their time to develop the organization and its programs. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition discussed have not been satisfied.

Federal Income Tax

WCAF is exempt from Income Tax under Internal Revenue Code Section 501(c)(3). However a Form 990, Return of Organization Exempt from Income Tax, is required to be filed each year. WCAF is also required to comply with other Internal Revenue reporting requirements regarding contributions received, payroll, and payments to independent contractors.

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WCAF's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2017, 2018, and 2019, are subject to examination by the IRS, generally for three years after they were filed.

Uncertain Tax Positions

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires recognition for uncertain tax positions. For the years ended December 31, 2019, and 2018, there are no cumulative effect adjustments required. The Organization has analyzed tax positions taken for filings with the Internal Revenue Service and believes that all tax filings would be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, statement of activities, or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions at December 31, 2019, and 2018.

Statement of Cash Flows

The indirect method is used to report cash flows from operating activities. Disclosure is made of the amount of cash paid for interest and income taxes, if any. The reconciling data used in determining the net cash flow from operating activities are provided in a separate schedule. Non-cash investing and financing activities are excluded from the body of the statement of cash flows but are disclosed, if any.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers investments available for current use with an initial maturity date of three months or less to be cash equivalents.

Concentration of Credit Risk

The Organization is subject to risk on its cash and investments. The following chart outlines the organization cash accounts:

2019	Type	Balance	Insured	Uninsured	Insurer
Central National Bank	Checking	-93.72	-93.72	-	FDIC
Central National Bank	Savings	63,123.47	63,123.47	-	FDIC
TOTAL		<u>63,029.75</u>	<u>63,029.75</u>	-	
2018	Type	Balance	Insured	Uninsured	Insurer
Central National Bank	Checking	8,373.90	8,373.90	-	FDIC
Central National Bank	Savings	38,218.71	38,218.71	-	FDIC
TOTAL		<u>46,592.61</u>	<u>46,592.61</u>	-	

The bank insures account holders of interest-bearing accounts through the Federal Deposit Insurance Corporation (FDIC) up to a total of \$250,000.

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Fair Value Measurements

Certain assets and liabilities are reported in the financial statements at fair value, in accordance with FASB Statement No. 157, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Statement establishes a framework for measuring fair value in GAAP, identifying three levels of measurements: quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3). Level 1 receives the highest priority when measuring fair value. Waco Foundation uses other observable inputs and an active market. Fair values of assets are measured on a recurring basis and were as follows at December 31:

2019

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Waco Foundation Endowment	\$ 220	-0-	\$ 220	-0-
Total	\$ 220	-0-	\$ 220	-0-

2018

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Waco Foundation Endowment	\$ 216	-0-	\$ 216	-0-
Total	\$ 216	-0-	\$ 216	-0-

Beneficial Interest in Assets Held by Waco Foundation

The Organization has an investment account under the management of the Waco Foundation. This account has been established to support WCAF's "Doris Miller" project discussed in the notes. Public contributions made to WCAF for "Doris Miller" are subsequently transferred to the Waco Foundation. The funds held by Waco Foundation are the property of Waco Foundation held by it in a trust capacity.

Income earned (less investment fees incurred) accumulates with the corpus of the fund. WCAF may, from time to time, make recommendations to the Waco Foundation regarding distributions. The Waco Foundation shall give careful and deliberate thought to such recommendations; however, such recommendations shall be solely advisory and not binding on the Waco Foundation. It is intended that assets be held for the benefit of WCAF and both projects as long as the need for funds exist. However, the assets are subject to the governing documents of Waco Foundation and the policies and procedures of its governing body. Consequently, the Waco Foundation has the right to substitute another beneficiary in the place of WCAF without approval from WCAF.

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In addition, the Waco Foundation holds funds donated directly for the benefit of WCAF and the projects, which are not reflected in the financial statements in accordance with the information stated above. Waco Foundation maintains the burden of responsibility in regards to these funds and reports the balance on their records. WCAF's beneficial interest in assets held by Waco Foundation is carried at the fair value of the underlying invested cash. WCAF's beneficial interest held by the Waco Foundation consisted of the following at December 31, 2019, and 2018.

"Doris Miller Statue Fund" (Waco Foundation Net Asset) 2019 - \$2,830.76

"Doris Miller Statue Fund" (Waco Foundation Net Asset) 2018- \$17,256.03

Doris Miller

During 2009, "Branding the Brazos" became the umbrella project for the "Doris Miller" project, which involved erecting a memorial to World War II hero, Doris Miller, in Bledsoe-Miller Park, across the river from Indian Spring Park. As discussed, the Waco Foundation maintains separate funds to support the "Doris Miller" project. This project is anticipated to be completed in late 2020 or early 2021.

Property and Equipment

Purchases of property and equipment are recorded at cost. Gifts or contributions of property and equipment are recorded at the asset's fair market value at the time received. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets: 40 years for buildings and improvements, 5 to 20 years for furniture, fixtures, and equipment. When items are disposed, the cost and accumulated depreciation are eliminated from the records of account, and a gain or loss is reported in current income. Repair and maintenance charges that do not increase the useful lives of the assets are charged to expenses as incurred.

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Computer & Software	\$ 9,189	\$9,198
Furniture	5,000	5,000
Equipment	<u>7,139</u>	<u>7,139</u>
	21,328	21,328
Accumulated depreciation	<u>(17,168)</u>	<u>(15,654)</u>
Property and equipment, net	4,160	5,674

Line of Credit

WCAF has a \$25,000 unsecured line of credit. Interest on the outstanding balance is payable quarterly at an annual rate of 5.61%. Interest charged to expense on the outstanding balance during the years ended December 31, 2019, and 2018, were \$1,382 and \$1,095.

Waco Cultural Arts Fest
Notes to Financial Statements
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Advertising

The policy is to expense any advertising costs as incurred.

Estimates

Preparation of financial statements in conformity with *Generally Accepted Accounting Principles* requires use of estimates and assumptions by management. Accordingly, actual results can differ from these estimates.

Related Party Transactions and Fiscal Sponsorship

WCAF is the short-term fiduciary (fiscal sponsor) of the Ravenscroft Foundation while the Foundation is completing the articles of incorporation and IRS application as a private foundation in order to accept possible grants. As of the date of the audit report, the Foundation has not completed its IRS application for nonprofit status.

WCAF is also the fiscal sponsor for the Central Texas African American Heritage Foundation. As of the date of the audit report, the Heritage Foundation has not completed its IRS application for nonprofit status.

Statement of Functional Expenses

The organization allocated, on a reasonable basis, expenses between program and support services. All expenses are allocated to expense categories in which they are actually incurred as determined by management.

Liquidity and Availability of Financial Assets – Going Concern

As of December 31, 2019, WCAF had net assets with donor restrictions comprised of Doris Miller Memorial funds, \$68,802, Ravenscroft Foundation Funds and Assets, \$223,661, and Central Texas Heritage Foundation Funds, \$760. These funds, including additional funds received in 2020, will be used to complete the final steps of the Doris Miller Memorial project, take additional steps toward furthering the arts in Waco with the improvements to the Art Place building, and furthering the understanding of African American heritage in East Waco.

Further, WCAF had a net asset deficiency in funds without donor restrictions in the amount of \$29,078. However, the financial statements have been prepared on a going concern basis as management has adjusted its budget and pledged its continuing efforts to seek donations and grants from ongoing fundraising efforts, the general public, and local organizations to meet budgeted expenditures for a minimum of 12 months from the date of these financial statements. The line of credit and credit card have an outstanding balance creating this deficiency. The low monthly payments are being paid timely.

Due to COVID-19, the organization is unsure if their annual festivals will be feasible. As of the date of the report, the City of Waco has not held their meeting to determine if outdoor events can be held. WCAF will still be hosting WordFest, FilmFest, and their summer camp, but this will take place virtually.

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December 31, 2019 & 2018

Upcoming Accounting Changes and Considerations for Revenue

On May 28, 2014, the FASB and the International Accounting Standards Board (IASB) issued a converged standard on recognition of revenue from contracts with customers (Topic 606).

The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised 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 or services. To achieve that core principle, an entity should apply five steps; (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The implementation of this new approach will be effective for fiscal years beginning after December 15, 2019.

Subsequent Events and Date of Management's Review

Management has considered subsequent events through August 13, 2020, the date the financial statements were available to be issued.