



## FINANCIAL STATEMENTS

June 30, 2021 and 2020



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors  
Family Law CASA of King County

We have reviewed the accompanying financial statements of Family Law CASA of King County (the Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization 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 U.S. generally accepted accounting principles; 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**

Our responsibility is to conduct the review engagements 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 us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. generally accepted accounting principles. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Family Law CASA of King County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with U.S. generally accepted accounting principles.

**Emphasis of Matter**

As discussed in Note 9 to the financial statements, economic uncertainties have continued with the spread of COVID-19. Given the uncertainty of the situation, management has determined that the duration of any disruption to the Organization's activities and operations and related financial effect cannot be reasonably estimated at this time. Our conclusion is not modified with respect to this matter.

*Vine Dahlen PLLC*

October 15, 2021

FAMILY LAW CASA OF KING COUNTY  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2021 and 2020

ASSETS

	2021	2020
Cash and cash equivalents	\$ 394,627	\$ 338,035
Investments	1,132,279	1,156,883
Pledges receivable	14,746	0
Prepaid expenses and deposits	18,778	36,761
Property and equipment, net	61,120	1,638
	\$ 1,621,550	\$ 1,533,317

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 18,391	\$ 14,968
Accrued expenses	107,299	80,472
Paycheck Protection Program loan	139,037	121,000
Deferred credit for tenant improvements	54,546	0

TOTAL LIABILITIES	319,273	216,440
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NET ASSETS:

Without donor restrictions:

Board designated for operational support	110,000	310,000
Undesignated	1,190,172	991,432

Total net assets without donor restrictions	1,300,172	1,301,432
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With donor restrictions	2,105	15,445
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TOTAL NET ASSETS	1,302,277	1,316,877
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	\$ 1,621,550	\$ 1,533,317
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FAMILY LAW CASA OF KING COUNTY  
STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2021 and 2020

	2021	2020
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues, gains, and other support:		
Contributions and grants	\$ 406,560	\$ 264,309
In-kind contributions	290,230	274,731
Special events	321,092	441,665
Paycheck Protection Program - gain on extinguishment of debt	121,000	0
Net investment return	176,032	15,806
Total revenues and gains without donor restrictions	1,314,914	996,511
Net assets released from restrictions	18,340	1,406
Total revenues, gains, and other support without donor restrictions	1,333,254	997,917
Expenses:		
Program services	942,003	932,149
Management and general	85,461	84,308
Fundraising	307,050	384,751
Total expenses	1,334,514	1,401,208
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,260)	(403,291)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and grants	5,000	16,200
Net assets released from restrictions	(18,340)	(1,406)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(13,340)	14,794
CHANGE IN NET ASSETS	(14,600)	(388,497)
BEGINNING NET ASSETS	1,316,877	1,705,374
ENDING NET ASSETS	\$ 1,302,277	\$ 1,316,877

FAMILY LAW CASA OF KING COUNTY  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	\$ (14,600)	\$ (388,497)
Adjustments to reconcile change in net assets to net cash:		
Depreciation and amortization	5,065	2,011
Amortization of deferred credit for tenant improvements	(3,699)	0
Net realized and unrealized (gain) loss on investments	(161,157)	15,219
Paycheck Protection Program - gain on extinguishment of debt	(121,000)	0
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Pledges receivable	(14,746)	0
Prepaid expenses and deposits	17,983	(17,313)
Increase in liabilities:		
Accounts payable	3,423	481
Accrued expenses	26,827	23,546
Total adjustments and changes	(247,304)	23,944
NET CASH USED BY OPERATING ACTIVITIES	(261,904)	(364,553)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Purchases of investments	(249,710)	(55,396)
Proceeds from sale of investments	435,471	567,063
Purchases of property and equipment	(6,302)	0
NET CASH PROVIDED BY INVESTING ACTIVITIES	179,459	511,667
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from issuance of Paycheck Protection Program loan	139,037	121,000
CHANGE IN CASH AND CASH EQUIVALENTS	56,592	268,114
BEGINNING CASH AND CASH EQUIVALENTS	338,035	69,921
ENDING CASH AND CASH EQUIVALENTS	\$ 394,627	\$ 338,035
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Deferred credit for tenant improvements	\$ 58,245	\$ 0

See accompanying notes and independent accountant's review report.

FAMILY LAW CASA OF KING COUNTY  
STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended June 30, 2021 and 2020

	2021				2020			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and related expenses	\$ 522,755	\$ 38,523	\$ 213,074	\$ 774,352	\$ 496,116	\$ 24,403	\$ 190,949	\$ 711,468
In-kind professional services	290,230	0	0	290,230	274,731	0	0	274,731
Professional services	21,922	32,088	25,817	79,827	56,681	49,565	63,236	169,482
Bank fees	0	167	9,910	10,077	31	0	12,601	12,632
Catering and meals	0	0	3,684	3,684	0	0	19,141	19,141
Computer expense	10,960	810	3,683	15,453	7,316	373	2,076	9,765
Depreciation and amortization	3,482	285	1,298	5,065	1,444	86	481	2,011
Donor development	0	0	1,680	1,680	0	0	1,786	1,786
Equipment and maintenance	1,561	128	582	2,271	1,712	103	570	2,385
Facility rental	0	0	0	0	0	0	25,238	25,238
Insurance	15,913	1,305	5,931	23,149	18,466	1,106	6,147	25,719
Miscellaneous	7,041	1,694	10,656	19,391	5,806	2,271	7,819	15,896
Occupancy	54,625	4,478	20,361	79,464	52,018	3,115	17,315	72,448
Printing and postage	783	64	5,629	6,476	2,694	160	20,048	22,902
Supplies	997	82	372	1,451	6,896	413	15,364	22,673
Telephone	6,553	537	2,442	9,532	4,382	262	1,459	6,103
Training and conferences	5,181	5,300	1,931	12,412	3,856	2,451	521	6,828
<b>Total expenses</b>	<b>\$ 942,003</b>	<b>\$ 85,461</b>	<b>\$ 307,050</b>	<b>\$ 1,334,514</b>	<b>\$ 932,149</b>	<b>\$ 84,308</b>	<b>\$ 384,751</b>	<b>\$ 1,401,208</b>

See accompanying notes and independent accountant's review report.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021 and 2020

1. PURPOSE OF THE ORGANIZATION

Family Law CASA (Court Appointed Special Advocates) of King County (the Organization) is a Washington nonprofit corporation formed on July 23, 2002. The Organization advocates for children in some of King County's toughest contested custody cases so they have the best chance possible for a safer, more secure home life.

Tax exemption

The Organization has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization that is not a private foundation. The Organization files its federal information return annually, which is subject to examination by taxing authorities, generally for three years after the return is filed. The Organization would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of management and general expenses on the statements of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. These accounting policies conform to U.S. generally accepted accounting principles (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. GAAP 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.

Cash and cash equivalents

For reporting purposes, cash and cash equivalents included in investment accounts are considered to be investments. All other highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Investments

Investments are reported at their fair values in the statements of financial position. Investment income and the realized and unrealized gain or loss on investments is included in the increase or decrease in net assets without donor restrictions unless restricted by donor or by law. Net investment return is reported in the statements of activities and consists of interest and dividend income, and realized and unrealized gain and loss, less external and direct internal investment expenses.

Investments acquired by gift are recorded at their fair values at the date of the gift. The Organization's policy is to liquidate all gifts of investments as timely as possible, taking into consideration the effect on the market price.

See independent accountant's review report.



FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Acquisitions of property and equipment in excess of \$1,500 and a useful life of greater than three years and all improvements that materially prolong the useful life of assets are capitalized at cost if purchased and fair value at the date of acquisition if received as a donation. Depreciation is computed on the straight-line method over the estimated useful lives of five years. Amortization for leasehold improvements is provided over the estimated useful life of the assets or the remaining terms of the lease, whichever is shorter.

Pledges receivable

Pledges receivable represent unconditional promises to give. Unconditional promises to give are recorded at their net realizable value. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right to return, are not included as support until the conditions on which they depend are substantially met.

Paycheck Protection Program

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. All or a portion of the PPP loans may be forgiven if certain terms and conditions of the program are met, such as spending the PPP loan funds on qualifying expenses and meeting certain employee wage and retention requirements.

To complete the PPP loan forgiveness process, the Organization must submit a loan forgiveness application to the lender and then the lender and the Small Business Administration (SBA) must review and approve the application. The Organization expects to meet the terms and conditions of the program in order to be eligible for forgiveness of all of the PPP loan. The Organization follows U.S. GAAP guidance for debt to recognize the full amount of the PPP loan proceeds received as a financial liability until the loan is forgiven. Once the loan is forgiven, it is reported as a gain on extinguishment of debt on the statements of activities.

Net assets

The Organization classifies net assets, revenues, gains, and losses on the existence or absence of donor-imposed restrictions. Net assets are classified and reported as follows:

Net assets without donor restrictions

Net assets without donor restrictions are available for use in general operations and Board of Directors' (the Board) designations and are not subject to donor restrictions. Note 12 discloses the composition of net assets without donor restrictions.

Net assets with donor restrictions

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that funds be maintained in perpetuity. Note 13 discloses the composition of net assets with donor restrictions and the release of restrictions.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

The Organization reports gifts of cash and other assets as contributions with or without donor restrictions depending on the existence and/or nature of any donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets with explicit donor stipulations that specify how the assets are to be used are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated materials and services are recorded at fair value at the date of donation and have been included in revenues and expenses. Donated services are recognized if the services create or enhance a nonfinancial asset, or the services require specialized skills that are provided by individuals possessing those skills.

Functional allocation of expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas, have been allocated among the various functional areas based on the time method of allocation.

Advertising

The Organization follows the policy of charging costs of advertising to expense as incurred.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY

Financial assets and liquidity resources available within one year for general expenditures were as follows:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 394,627	\$ 338,035
Investments	1,132,279	1,156,883
Pledges receivable	14,746	0
Total financial assets	1,541,652	1,494,918
Less amounts not available to be used within one year:		
Board-designated for operational support (Note 12)	(110,000)	(310,000)
Add anticipated appropriations from board-designated for operational support	100,000	300,000
Total amounts not available to be used within one year	(10,000)	(10,000)
Total financial assets available within one year	\$ 1,531,652	\$ 1,484,918

The Organization is trying to grow and is currently running a deficit budget. This deficit has been planned and is supplemented by the testamentary gift received in 2011 disclosed in Note 12. The Organization also regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

As disclosed in Note 14, the Organization applied for an SBA second PPP loan and was funded \$139,037 on February 3, 2021.

4. INVESTMENTS

The fair values of financial assets are classified below based on the following hierarchy reflecting the significance of inputs used in determining fair value measurements:

Level 1 - Observable inputs that reflect unadjusted quoted prices or published net asset value for identical assets in active markets.

Level 2 - Inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS (Continued)

The fair values and the hierarchy classification of financial assets measured on a recurring basis consisted of the following:

	Fair Value Hierarchy Level	2021	2020
Money market funds	1	\$ 123,745	\$ 173,539
Common stocks	1	227,642	197,540
Mutual funds	1	615,090	484,315
Certificates of deposit	2	105,802	238,473
Corporate debt securities	2	60,000	62,993
 Total investments in the fair value hierarchy		 1,132,279	 1,156,860
 Cash included in investments		 0	 23
		 <u>\$ 1,132,279</u>	 <u>\$ 1,156,883</u>

5. PLEDGES RECEIVABLE

Pledges receivable that are due in less than one-year total \$9,746 and in one to two years total \$5,000.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Leasehold improvements	\$ 58,245	\$ 0
Furniture and equipment	20,029	20,536
	78,274	20,536
Less accumulated depreciation and amortization	17,154	18,898
	<u>\$ 61,120</u>	<u>\$ 1,638</u>

7. EMPLOYEE BENEFIT PLAN

The Organization sponsors a SIMPLE IRA Plan (the Plan). Employer contributions to the Plan are equal to 2% of employee compensation. Employer contributions for the years ended June 30, 2021 and 2020 are \$12,436 and \$11,084, respectively.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

8. IN-KIND CONTRIBUTIONS

The Organization records donated services at fair value for volunteer advocates and attorneys that provide professional services to their program services.

The Organization's volunteer advocates serve as substitute guardian ad litem, parenting evaluator, social worker and/or case manager. If not for the Organization's volunteers, the service provider would be appointed by the court. The fair value of the volunteer advocate services is estimated based on estimated hours per case, and the rate for volunteer time is determined by use of the Independent Sector in Washington State. The rate per estimated hour was \$33.75 and \$33.02 for the years ended June 30, 2021 and 2020, respectively.

The Organization receives legal services that are provided by attorneys for their program services. During the years ended June 30, 2021 and 2020, attorneys contributed 102 and 260 hours, respectively, at no charge or below market rates. The fair value of donated services provided by attorneys are recorded at estimated fair value of \$250 per hour less any actual amount paid.

The estimated fair value of donated services are as follows:

	2021	2020
Volunteer advocates	\$ 271,687	\$ 219,913
Attorneys - contract	18,543	54,818
	\$ 290,230	\$ 274,731

9. RISKS AND UNCERTAINTIES

The Organization maintains its cash balances at financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, the Organization had balances in excess of the insured amount.

The Organization maintains accounts with investment firms. The accounts contain cash and securities. Within the limits of protection offered by the Securities Investor Protection Corporation (SIPC), claims against a broker-dealer are satisfied on cash up to a maximum of \$250,000, and securities up to a maximum of \$500,000. Coverage provided by the SIPC and the investment firms' insurance companies does not protect against the loss of market value of securities.

The economic uncertainties that have continued with the spread of COVID-19 have created disruption for the Organization. The extent of the effect of COVID-19 on the Organization's donors, employees and vendors cannot be predicted. The duration of this disruption and the related operational and financial impact to the Organization cannot be reasonably estimated at this time.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

10. OPERATING LEASE

The Organization leased office space under a non-cancelable operating lease that expired March 2021. The Organization was charged for their pro-rata share of the operating expenses for the facility (including insurance and taxes) not covered by the base rental payments. The lease was subject to escalation clauses.

In March 2021, the Organization moved its operations to a new office location in Tukwila, Washington. The Organization is leasing office space under a non-cancelable operating lease at the new location expiring May 2026. The Organization is charged for their pro-rata share of the operating expenses for the facility (including insurance and taxes) not covered by the base rental payments. The lease is subject to escalation clauses and the Organization has the option to renew for one five-year term. As a part of this agreement, the lessor provided leasehold improvements that are included in property and equipment on the statements of financial position at June 30, 2021 and the related deferred credit for tenant improvements, to be amortized over the life of the lease as a reduction in rent expense.

Future minimum rental payments under non-cancelable leases are summarized as follows:

<u>Year Ending June 30,</u>	
2022	\$ 60,000
2023	63,600
2024	67,200
2025	70,800
2026	<u>68,000</u>
	<u>\$ 329,600</u>

Total rent expense for non-cancelable leases was \$62,555 and \$67,360 for the years ended June 30, 2021 and 2020, respectively.

11. COMMITMENTS

The Organization has credit cards with an available balance of \$23,000 at June 30, 2021.

12. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Board designated for operational support	\$ 110,000	\$ 310,000
Undesignated	<u>1,190,172</u>	<u>991,432</u>
	<u>\$ 1,300,172</u>	<u>\$ 1,301,432</u>

See independent accountant's review report.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

12. NET ASSETS WITHOUT DONOR RESTRICTIONS (Continued)

In 2011, the Organization received a large testamentary gift, the stated purpose of which was to grow the Organization’s capacity to serve a greater number of children in need of advocate services. In order to accomplish this goal, the current operating budget runs at a deficit. During the year ended June 30, 2015, the Board designated \$1,500,000 of the Organization’s net assets to be used for operations over the next five years while working to increase revenue to close the funding gap. During the years ended June 30, 2021 and 2020, the Board appropriated for expenditure \$200,000 and \$400,000, respectively.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	2021	2020
Advocate reimbursement	\$ 353	\$ 445
Operating	1,752	10,000
Software	0	5,000
	\$ 2,105	\$ 15,445

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors were as follows:

Advocate reimbursement	\$ 92	\$ 206
Operating	13,248	0
Software	5,000	0
Training	0	1,200
	\$ 18,340	\$ 1,406

14. PAYCHECK PROTECTION PROGRAM

The Organization applied for and was funded a loan under the SBA PPP. Funds in the amount of \$121,000 were received in April 2020 and forgiveness on this loan was received on November 3, 2020. The Organization is required to retain all records relating to the PPP loan for six years from the date the loan is forgiven. SBA has the option to audit the eligibility of the loan and its forgiveness, and a risk exists that upon audit, all or a portion of the forgiveness could be reversed. If that were to occur, the Organization would be required to repay the amount that is not forgiven. The unforgivable portion of a PPP loan would bear an annual interest rate of 1% and would require monthly principal and interest payments over a two or five-year term.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

14. PAYCHECK PROTECTION PROGRAM (Continued)

The Consolidated Appropriations Act, 2021 (CAA) was enacted on December 27, 2020, which provides qualifying entities to apply for a second PPP loan (PPP2). The Organization applied for and received a PPP2 loan in the amount of \$139,037 on February 3, 2021. In order to qualify, the Organization had to show that its gross revenues dropped by 25% or more during a calendar quarter in 2020 compared to that same quarter in 2019, and management had to make the necessary certification that economic uncertainties exist making the loan necessary to support ongoing operations. The Organization received full forgiveness of the PPP2 loan on August 2, 2021.

15. EMPLOYEE RETENTION TAX CREDITS

The CAA expanded the definition of entities that qualify for Employee Retention Tax Credits (ERTC) to include entities that had applied for PPP loans. ERTC are available to reimburse wages paid when business operations were either partially or fully suspended by a COVID-19 lock down order or if gross receipts in 2020 or 2021 were less than gross receipts in 2019. The Organization is eligible for total ERTC of \$112,060 and has applied for reimbursements.

Due to the regulatory uncertainties regarding pandemic relief, including the retroactive nature of congressional pronouncements, the Organization has not accrued ERTC as receivables as of June 30, 2021.

16. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date these statements were available to be issued on October 15, 2021.

17. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. The reclassifications had no effect on previously reported total net assets.

18. RECENTLY ISSUED ACCOUNTING STANDARD

In February 2016, the FASB issued ASU 2016-02, *Leases*. This standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statements of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statements of activities. This standard will be effective for the fiscal year ending June 30, 2023.

The Organization is currently in the process of evaluating the impact of adoption of this accounting standard on the financial statements.