



FINANCIAL STATEMENTS

June 30, 2022 and 2021



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, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows 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.

As discussed in Note 2 to the financial statements, in 2022, Family Law CASA of King County adopted Accounting Standards Update 2020-07, Not-for-Profit Entities (Topic 958) *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

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September 14, 2022

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FAMILY LAW CASA OF KING COUNTY
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

ASSETS

	2022	2021
Cash and cash equivalents	\$ 416,169	\$ 394,627
Investments	933,654	1,132,279
Pledges receivable, net	260,488	14,746
Prepaid expenses and deposits	17,083	18,778
Property and equipment, net	48,305	61,120
	\$ 1,675,699	\$ 1,621,550

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 8,465	\$ 18,391
Accrued expenses	90,536	107,299
Paycheck Protection Program loan	-	139,037
Deferred credit for tenant improvements	43,453	54,546
TOTAL LIABILITIES	142,454	319,273

NET ASSETS:

Without donor restrictions:		
Undesignated	1,363,602	1,190,172
Board designated for operational support	-	110,000
Total net assets without donor restrictions	1,363,602	1,300,172
With donor restrictions	169,643	2,105
TOTAL NET ASSETS	1,533,245	1,302,277
	\$ 1,675,699	\$ 1,621,550

FAMILY LAW CASA OF KING COUNTY
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2022 and 2021

	2022	2021
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues, gains, and other support:		
Contributions and grants	\$ 637,400	\$ 406,560
In-kind contributions	286,259	290,230
Special events	240,327	321,092
Paycheck Protection Program - gain on extinguishment of debt	139,037	121,000
Employee Retention Tax Credits	178,113	-
Net investment return	(86,170)	176,032
Total revenues and gains without donor restrictions	1,394,966	1,314,914
Net assets released from restrictions	6,752	18,340
Total revenues, gains, and other support without donor restrictions	1,401,718	1,333,254
Expenses:		
Program services	910,292	942,003
Management and general	87,003	85,461
Fundraising	340,993	307,050
Total expenses	1,338,288	1,334,514
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	63,430	(1,260)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and grants	174,290	5,000
Net assets released from restrictions	(6,752)	(18,340)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	167,538	(13,340)
CHANGE IN NET ASSETS	230,968	(14,600)
BEGINNING NET ASSETS	1,302,277	1,316,877
ENDING NET ASSETS	\$ 1,533,245	\$ 1,302,277

FAMILY LAW CASA OF KING COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2022 and 2021

	2022				2021			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and related expenses	\$ 493,023	\$ 37,309	\$ 241,098	\$ 771,430	\$ 522,755	\$ 38,523	\$ 213,074	\$ 774,352
In-kind professional services	286,259	-	-	286,259	290,230	-	-	290,230
Professional services	30,271	38,321	28,973	97,565	21,922	32,088	25,817	79,827
Bank fees	-	-	7,778	7,778	-	167	9,910	10,077
Catering and meals	676	676	6,615	7,967	308	308	3,992	4,608
Computer and equipment	8,472	560	10,381	19,413	12,521	938	4,265	17,724
Depreciation and amortization	8,328	672	3,815	12,815	3,482	285	1,298	5,065
Donor development	-	-	2,842	2,842	-	-	1,680	1,680
Insurance	15,004	1,211	6,875	23,090	15,913	1,305	5,931	23,149
Miscellaneous	11,218	1,113	6,496	18,827	6,733	1,386	10,348	18,467
Occupancy	39,008	3,149	17,873	60,030	54,625	4,478	20,361	79,464
Printing, postage and supplies	2,689	217	1,867	4,773	1,780	146	6,001	7,927
Telephone	6,305	509	2,889	9,703	6,553	537	2,442	9,532
Training and conferences	9,039	3,266	3,491	15,796	5,181	5,300	1,931	12,412
 Total expenses	 <u>\$ 910,292</u>	 <u>\$ 87,003</u>	 <u>\$ 340,993</u>	 <u>\$ 1,338,288</u>	 <u>\$ 942,003</u>	 <u>\$ 85,461</u>	 <u>\$ 307,050</u>	 <u>\$ 1,334,514</u>

See accompanying notes and independent accountant's review report.

FAMILY LAW CASA OF KING COUNTY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	\$ 230,968	\$ (14,600)
Adjustments to reconcile change in net assets to net cash:		
Depreciation and amortization	12,815	5,065
Amortization of deferred credit for tenant improvements	(11,093)	(3,699)
Net realized and unrealized (gain) loss on investments	114,417	(161,157)
Change in discount on pledges receivable	(7,670)	-
Paycheck Protection Program - gain on extinguishment of debt	(139,037)	(121,000)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Pledges receivable	(238,072)	(14,746)
Prepaid expenses and deposits	1,695	17,983
Increase in liabilities:		
Accounts payable	(9,926)	3,423
Accrued expenses	(16,763)	26,827
Total adjustments and changes	<u>(293,634)</u>	<u>(247,304)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(62,666)</u>	<u>(261,904)</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Purchases of investments	(904,331)	(249,710)
Proceeds from sale of investments	988,539	435,471
Purchases of property and equipment	-	(6,302)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>84,208</u>	<u>179,459</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from issuance of Paycheck Protection Program loan	-	139,037
CHANGE IN CASH AND CASH EQUIVALENTS	21,542	56,592
BEGINNING CASH AND CASH EQUIVALENTS	<u>394,627</u>	<u>338,035</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 416,169</u>	<u>\$ 394,627</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES:		
Deferred credit for tenant improvements	\$ -	\$ 58,245

FAMILY LAW CASA OF KING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

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 in the statements of functional expenses.

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 investment expenses.

FAMILY LAW CASA OF KING COUNTY
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (continued)

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.

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.

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.

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.

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.

FAMILY LAW CASA OF KING COUNTY
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

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.

Newly adopted accounting standards

During the year ended June 30, 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958) *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the Organization's financial statements.

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:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 416,169	\$ 394,627
Investments	933,654	1,132,279
Pledges receivable, net	260,488	14,746
Total financial assets	1,610,311	1,541,652
Less amounts not available to be used within one year:		
Long-term pledges, net	(169,290)	-
Board-designated for operational support (Note 12)	-	(110,000)
Add anticipated appropriations from board-designated for operational support	-	100,000
Total amounts not available to be used within one year	(169,290)	(10,000)
Total financial assets available within one year	\$ 1,441,021	\$ 1,531,652

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.

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	2022	2021
Money market funds	1	\$ 83,151	\$ 123,745
Common stocks	1	163,535	227,642
Mutual funds	1	421,823	615,090
Certificates of deposit	2	-	105,802
Corporate debt securities	2	205,635	60,000
Government debt securities	2	59,510	-
		\$ 933,654	\$ 1,132,279

5. PLEDGES RECEIVABLE

Pledges receivable, net of the discount, that are due in less than one-year total \$91,198 and due between one and two years total \$169,290. The discount on the multi-year pledges was \$7,670 at June 30, 2022.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Leasehold improvements	\$ 58,245	\$ 58,245
Furniture and equipment	20,029	20,029
	78,274	78,274
Less accumulated depreciation and amortization	29,969	17,154
	\$ 48,305	\$ 61,120

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, 2022 and 2021 are \$13,148 and \$12,436, respectively.

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.

FAMILY LAW CASA OF KING COUNTY
NOTES TO FINANCIAL STATEMENTS

8. IN-KIND CONTRIBUTIONS (Continued)

The Organization's volunteer advocates serve as substitute guardian ad litem and/or parenting evaluator. 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 \$34.87 and \$33.75 for the years ended June 30, 2022 and 2021, respectively.

The Organization receives legal services that are provided by attorneys for their program services. During the years ended June 30, 2022 and 2021, attorneys contributed 343 and 102 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:

	2022	2021
Volunteer advocates	\$ 225,784	\$ 271,687
Attorneys - contract	60,475	18,543
	\$ 286,259	\$ 290,230

9. RISKS AND UNCERTAINTIES

The Organization maintains its cash balances at financial institutions, which are insured by the Federal Deposit Insurance Corporation 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.

10. OPERATING LEASE

The Organization is leasing office space under a non-cancelable operating lease 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 in the statements of financial position, and the related deferred credit for tenant improvements to be amortized over the life of the lease as a reduction in rent expense.

FAMILY LAW CASA OF KING COUNTY
NOTES TO FINANCIAL STATEMENTS

10. OPERATING LEASE (Continued)

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

<u>Year Ending June 30,</u>	
2023	\$ 63,600
2024	67,200
2025	70,800
2026	68,000
	\$ 269,600

Total rent expense for non-cancelable leases was \$53,038 and \$62,555 for the years ended June 30, 2022 and 2021, respectively.

11. COMMITMENTS

The Organization has credit cards with an available balance of \$65,000 at June 30, 2022.

12. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	2022	2021
Undesignated	\$ 1,363,602	\$ 1,190,172
Board designated for operational support	-	110,000
	\$ 1,363,602	\$ 1,300,172

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, 2022 and 2021, the Board appropriated for expenditure \$110,000 and \$200,000, respectively.

13. NET ASSETS WITH DONOR RESTRICTIONS

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

Advocate reimbursement	\$ 353	\$ 353
Operating	169,290	1,752
	\$ 169,643	\$ 2,105

See independent accountant's review report.

FAMILY LAW CASA OF KING COUNTY
NOTES TO FINANCIAL STATEMENTS

13. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

	2022	2021
Advocate reimbursement	\$ -	\$ 92
Operating	6,752	13,248
Software	-	5,000
	\$ 6,752	\$ 18,340

14. 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 loan 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. The Consolidated Appropriations Act, 2021 (CAA) was enacted on December 27, 2020, which provided qualifying entities to apply for a second draw PPP loan.

To assist with the disruptions and to offset losses from COVID-19, the Organization applied for and was funded under the Small Business Administration (SBA) PPP. Funds in the amount of \$121,000 (PPP1) were received in April 2020. In February 2021, the Organization applied for and received a second PPP loan in the amount of \$139,037 (PPP2). The Organization was notified by the SBA that the entire PPP1 loan balance was forgiven in November 2020, and the PPP2 loan balance was forgiven in August 2021.

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. The Organization recognized the full amount of the PPP1 loan as a gain on extinguishment of debt in the statements of activities as of June 30, 2021 and recognized the PPP2 loan as a gain on extinguishment of debt in the statements of activities as of June 30, 2022.

The Organization is required to retain all records relating to the PPP loans for six years from the date the loans were forgiven. The SBA has the option to audit the eligibility of the loans and their 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 the PPP loans 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

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. During the year ended June 30, 2022, the Organization has received total ERTC of \$178,113, relating to the calendar years ending December 31, 2020, and December 31, 2021. The Organization recognized all ERTC as grant income in the statements of activities for the year ended June 30, 2022.

16. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date these statements were available to be issued on September 14, 2022.

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 Financial Accounting Standards Board 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 in 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.