

Interfaith Coalition of Whatcom County

Financial Statements with
Independent Accountant's Review Report

Year Ended September 30, 2019

Larson Gross 

Interfaith Coalition of Whatcom County

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Independent Accountant's Review Report

To the Board of Directors
Interfaith Coalition of Whatcom County
Bellingham, Washington

We have reviewed the accompanying financial statements of Interfaith Coalition of Whatcom County, which comprise the statement of financial position as of September 30, 2019, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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 accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, 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 accounting principles generally accepted in the United States of America.

Larson Gross PLLC

Bellingham, Washington
March 25, 2020

Interfaith Coalition of Whatcom County

Statement of Financial Position

September 30, 2019

(See Independent Accountant's Review Report)

Assets		
Cash		\$ 463,753
Accounts receivable		1,246
Endowment investments		292,318
Property and equipment, net		<u>812,121</u>
Total assets		<u>\$ 1,569,438</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable		\$ 2,720
Accrued liabilities		22,135
Security deposits		<u>7,275</u>
Total liabilities		32,130
Net assets		
Without donor restrictions		
Undesignated		141,284
Invested in property and equipment		812,121
Board designated – reserves		<u>236,000</u>
Total without donor restrictions		1,189,405
With donor restrictions		<u>347,903</u>
Total net assets		<u>1,537,308</u>
Total liabilities and net assets		<u>\$ 1,569,438</u>

Interfaith Coalition of Whatcom County

Statement of Activities

Year Ended September 30, 2019

(See Independent Accountant's Review Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions and grants	\$ 272,084	\$ -	\$ 272,084
Special events, net of expenses of \$54,077	278,989	-	278,989
In-kind contributions	208,880	-	208,880
Program revenue	68,975	-	68,975
Government grants and contracts	16,459	-	16,459
Investment return	2,165	11,467	13,632
Other income	4,997	-	4,997
Net assets released from restrictions	5,174	(5,174)	-
Total support and revenue	<u>857,723</u>	<u>6,293</u>	<u>864,016</u>
Expenses			
Program services	730,499	-	730,499
Management and general	71,130	-	71,130
Fundraising	18,323	-	18,323
Total expenses	<u>819,952</u>	<u>-</u>	<u>819,952</u>
Increase in net assets	37,771	6,293	44,064
Net assets – beginning of year	<u>1,151,634</u>	<u>341,610</u>	<u>1,493,244</u>
Net assets – end of year	<u>\$ 1,189,405</u>	<u>\$ 347,903</u>	<u>\$ 1,537,308</u>

Interfaith Coalition of Whatcom County

Statement of Functional Expenses

Year Ended September 30, 2019

(See Independent Accountant's Review Report)

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 300,466	\$ 35,144	\$ 10,437	\$ 346,047
Benefits	23,310	2,702	655	26,667
Payroll tax	25,226	2,924	709	28,859
Total payroll	<u>349,002</u>	<u>40,770</u>	<u>11,801</u>	<u>401,573</u>
Occupancy	171,553	5,475	-	177,028
Program supplies	31,479	-	-	31,479
Depreciation	27,304	855	-	28,159
Client assistance	106,603	-	-	106,603
Office expense	3,107	12,597	4,278	19,982
Repairs and maintenance	19,305	-	-	19,305
Meetings and travel	12,103	1,591	129	13,823
Media and development	6,354	409	1,908	8,671
Bad debt	-	2,939	-	2,939
Professional fees	1,032	700	-	1,732
Miscellaneous	<u>2,657</u>	<u>5,793</u>	<u>208</u>	<u>8,658</u>
Total expenses	<u>\$ 730,499</u>	<u>\$ 71,130</u>	<u>\$ 18,323</u>	<u>\$ 819,952</u>

Interfaith Coalition of Whatcom County

Statement of Cash Flows

Year Ended September 30, 2019

(See Independent Accountant's Review Report)

Cash flows from operating activities	
Increase in net assets	\$ 44,064
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	28,159
Unrealized gain	(4,536)
Decrease in assets:	
Accounts receivable	(523)
Increase in liabilities:	
Accounts payable	3,004
Accrued liabilities	16,566
Security deposit	<u>4,775</u>
Net cash flows provided by operating activities	91,509
Cash flows from investing activities	
Reinvestment of endowment earnings	(6,931)
Purchases of property and equipment	<u>(22,824)</u>
Net cash flows used by investing activities	<u>(29,755)</u>
Net increase in cash	61,754
Cash – beginning of year	<u>401,999</u>
Cash – end of year	<u><u>\$ 463,753</u></u>

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2019

(See Independent Accountant's Review Report)

Note 1 – Summary of Significant Accounting Policies

Nature of activities – Interfaith Coalition of Whatcom County (the Organization) is a Washington State nonprofit corporation working to end homelessness and poverty in Whatcom County. The Organization was founded in 1985 as a coalition of over 40 religious and social service leaders in Whatcom County. They collaborate with member congregations to fill gaps in human services and to meet housing and other needs of marginalized people.

Basis of accounting – The Organization prepares its financial statements on the accrual basis of accounting and accordingly reflects all significant assets, payables, and other liabilities.

Basis of presentation – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as net assets without donor restrictions.

Net assets with donor restrictions – Support received subject to donor-imposed restrictions or time restrictions that will be met either through actions of the Organization or by passage of time are classified as net assets with donor restrictions. This includes donor-imposed restrictions stipulating that assets be invested in perpetuity. In accordance with purposes stipulated by donors, earnings from such assets may be classified as net assets without donor restrictions or net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose of restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as without donor restrictions.

Cash – Cash consists of cash in bank and petty cash. The Organization maintains its cash in bank accounts that may exceed federal insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Receivables – Receivables are recorded at their net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management of the Organization bases its estimates of doubtful accounts on several factors. These factors include the Organization's prior experience collecting receivables, the aging of the receivables at year-end, and management's appraisal of current economic conditions. Based on the above factors, management considers all receivables to be fully collectible and therefore has not made any allowance for uncollectible receivables. All receivables are expected to be collected within one year.

Notes to Financial Statements

September 30, 2019

(See Independent Accountant's Review Report)

Note 1 – Summary of Significant Accounting Policies – (Continued)

Endowment investments – Endowment investments consist of marketable securities and are recorded at fair value. Realized and unrealized investment gains and losses are included in investment return on the statement of activities. Investment return or loss is reported as an increase or decrease in net assets without donor restrictions unless the investment return on restricted assets also is restricted by the donor, resulting in such investment return being recorded as with donor restrictions until time or purpose restrictions are satisfied.

Property and equipment – Property and equipment are recorded at cost or, if acquired as a donation, at the estimated fair market value on the date acquired. Property and equipment are depreciated using the straight-line method over estimated useful lives of 5 to 40 years. Major expenditures for new property, and those which substantially increase useful lives of existing property, are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred.

Contributions and grants – Contributions and grants are recognized upon the earlier of receipt or when an unconditional promise to give is made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated goods, rent, and services – Donated goods, rent, and services are reflected as in-kind contributions in the accompanying Statements of Activities at their estimated values at the date of donation. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased. Many volunteers have donated significant amounts of time to the Organization's activities. The services of these volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition.

Program revenue – Program revenue consists of program fees for use of low-income housing and is recognized as revenue when earned.

Government grants and contracts revenue – The Organization receives grants and contracts from various federal, state, and local government agencies. Grant receipts are subject to restrictions on the use of funds placed by the grantor. The Organization administers these funds in accordance with grantor guidelines. Grant revenue under cost reimbursement arrangements is recognized as expenses are incurred. Amounts incurred but not yet reimbursed are reported as accounts receivable. Two government grantors accounted for 100% of the total government grant revenue during the year ended September 30, 2019.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited and have been allocated on a reasonable basis that is consistently applied. Salaries and wages, benefits and payroll tax are allocated based on time and effort. All other allocated expenses are allocated based on estimates of usage.

Federal income tax – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and therefore, is exempt from federal income tax except for income derived from unrelated business activities, if any. Accordingly, no provision for income tax is necessary. As of September 30, 2019, tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2019

(See Independent Accountant's Review Report)

Note 1 – Summary of Significant Accounting Policies – (Continued)

Use of estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

New accounting pronouncement – In August of 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *“Not-for-Profits Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities.”* The amendments provided by this update address the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU is effective for fiscal years beginning after December 15, 2017 and was applied retrospectively to all periods presented.

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 25, 2020, the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditures within one year of September 30, 2019 consists of the following:

Cash	\$	463,753
Receivables		1,246
Endowment investments		292,318
Less amounts not available for general expenditure within one year		
Restricted cash		(1,890)
Board designated – reserves		(236,000)
Donor-restricted		(347,903)
	\$	<u>171,524</u>

The Organization has certain board designated and donor-restricted assets limited to use, which are not available for general expenditure within one year in the normal course of business. Accordingly, these assets have been excluded from the quantitative information above. The Organization maintains restricted cash of \$1,890 related to security deposits paid by tenants which is not available for general expenditure within one year.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2019

(See Independent Accountant's Review Report)

Note 2 – Liquidity and Availability – (Continued)

As part of the Organization's cash management policy, the Board has designated two funds: the operating reserve and property reserve. The operating reserve is used as a rainy day fund and has balance of \$111,000 at September 30, 2019. The property reserve is maintained to cover major maintenance expenses on housing units and has a balance of \$125,000 at September 30, 2019. However, the board-designated amounts could be made available for general expenditure if necessary.

As of September 30, 2019, the Organization has a working capital of \$440,144 and average days (based on normal expenditures) cash on hand of approximately 266.

Note 3 – Property and Equipment

Property and equipment consists of the following at September 30, 2019:

Land	\$ 101,800
Buildings and improvements	884,497
Equipment	11,066
Other	<u>13,533</u>
	1,010,896
Less accumulated depreciation	<u>(198,775)</u>
	<u>\$ 812,121</u>

Depreciation expense totaled \$28,159 for the year ended September 30, 2019.

Note 4 – Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1: Observable inputs to the valuation methodology that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets in markets that are not active and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology that are unobservable for the asset or liability and significant to the fair value measurement.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2019

(See Independent Accountant's Review Report)

Note 4 – Fair Value Measurements – (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As of September 30, 2019, all investments are measured using level 1 inputs based on quoted prices in active markets for identical assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at September 30, 2019.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of September 30, 2019:

	Level 1	Level 2	Level 3	Total
Stocks	\$ 236,647	\$ -	\$ -	\$ 236,647
Bonds	55,671	-	-	55,671
	<u>\$ 292,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292,318</u>

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits. For the year ended September 30, 2019, there were no significant transfers in or out of Level 1.

Note 5 – Endowment

Interpretation of relevant law – The State of Washington has passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift at the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as net assets with donor restrictions a) the original value of the gifts donated to the donor-restricted endowment plus b) the original value of subsequent gifts to the donor-restricted endowment plus c) inflation on the original gift using the CPI index of the year of the donation. The remaining portion of the donor-restricted endowment fund that is time- or purpose-restricted is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standards of UPMIFA.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2019

(See Independent Accountant's Review Report)

Note 5 – Endowment – (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- Possible effects of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Organization
- Investment policies of the Organization

The composition of net assets by type of endowment fund at September 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 144,032	\$ 144,032
Earnings not yet appropriated	-	148,286	148,286
Total endowment net assets	<u>\$ -</u>	<u>\$ 292,318</u>	<u>\$ 292,318</u>

Included in the donor-restricted total is the sum of donor gifts corpus totaling \$103,631 and accumulated inflation of those gifts totaling \$40,401.

The activity within the endowment consisted of the following for the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	\$ -	\$ 280,851	\$ 280,851
Investment return	-	11,467	11,467
Ending balance	<u>\$ -</u>	<u>\$ 292,318</u>	<u>\$ 292,318</u>

Return Objectives and Risk Parameters – The Organization has adopted investment policies for endowment assets that attempt to provide support of program needs in perpetuity. The Organization has developed investment guidelines which have been designed to allow flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program. The primary expectation of the endowment is to be managed in a manner that will provide returns in excess of inflation without undue risk to capital.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Organization seeks an investment return, over a full market cycle, that exceeds inflation over that market cycle, before factoring in additions and distributions. The target asset allocation for endowment investments is 30-80% equity, 20-70% fixed income, with the balance in cash equivalents.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2019

(See Independent Accountant's Review Report)

Note 5 – Endowment – (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy – The board has approved an annual amount of 5% of the average valuation of the endowment fund over the prior eight quarters to be withdrawn that allows for continuing support of Interfaith Coalition of Whatcom County's program needs. Funds will not be withdrawn if doing so would cause the balance in the endowment fund to be below the corpus, adjusted for inflation. The Organization did not withdraw funds during the year ended September 30, 2019.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies of this nature for the year ended September 30, 2019.

Note 6 – Operating Leases

The Organization has rental agreements with various parties for the use of five residential properties that are used by its clients. On February 5, 2017 and October 1, 2018, the Organization entered into month-to-month lease agreements with the City of Ferndale for the use of two homes, whose monthly rent expense totals \$1 for each unit. On March 6, 2019, the Organization entered into a month-to-month lease agreement with Grace Lutheran Church for the use of a residential unit for \$300 monthly. On June 7, 2019, the Organization entered into a one-year lease agreement with an individual for the use of a residential unit for \$275 monthly. Future minimum lease payments on this property total \$2,200. Lastly, the Organization has an agreement with Our Savior's Lutheran Church and Opportunity Council for the use of a residential unit owned by Our Savior's Lutheran Church for a monthly fee of \$435.

All five of these residences are subleased to clients of the Organization as low-income housing. The eligibility for housing at Our Saviors Lutheran Church is determined by the Opportunity Council. The Organization recorded \$84,780 in the aggregate as in-kind rent expense related to these lease agreements.

On November 1, 2015, the Organization entered into a five-year lease agreement with St. James Presbyterian Church for the use of office space. Monthly rent expense totals \$400. Future minimum lease payments consist of \$4,800 and \$400 for the years ended September 30, 2020 and 2021, respectively. The Organization recorded \$15,600 as in-kind rent related to this lease agreement.

The Organization occupies donated space at First Christian Church for their Family Promise Day Center on a month to month basis. The Organization is responsible for maintenance and utilities and recognized \$24,000 as in-kind rent related to this agreement.

Lease expense, including in-kind rent, totaled \$124,380 and is included in occupancy expense in the statement of functional expenses for the year ended September 30, 2019.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2019

(See Independent Accountant's Review Report)

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at September 30, 2019:

Endowment corpus to be held in perpetuity	\$	144,032
Endowment earnings not yet appropriated		148,286
Family Promise program		53,903
Kids Need Books program		1,682
	\$	<u>347,903</u>

Note 8 – Contingencies

In 1993 and 1995, the Organization signed promissory notes with the City of Bellingham totaling \$70,000 and \$2,050, respectively, to be used for construction of five units of affordable, low-income housing. The notes are non-interest bearing and are not required to be repaid, unless the property is not maintained or used as a facility to provide affordable, low-income housing, or is sold or transferred. Given the nature of this agreement, the funds received have been recognized in full as grant revenue in prior years.

Note 9 – Retirement Plan

The Organization established a SIMPLE IRA retirement plan (the Plan), in which all employees qualify once they have earned \$5,000 in salaries and wages. The Organization matches employee contributions on a percentage of salary contributed by participants up to a maximum of 3%. Employee contributions are 100% vested immediately. The Organization's expense for the plan was \$7,163 during the year ended September 30, 2019.

Note 10 – Prospective Accounting Change

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers", which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 and subsequent amendments outline a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. This guidance may be adopted using either a full retrospective or modified retrospective approach. Application is required for annual periods beginning after December 15, 2018.

Notes to Financial Statements

September 30, 2019

(See Independent Accountant's Review Report)

Note 10 – Prospective Accounting Change – (Continued)

The Organization plans to adopt ASU 2014-09 effective October 1, 2019 using the modified retrospective method. Under this method, the new standard will be applied only to the most current period presented in the financial statements with the cumulative effect recognized as of the date of initial application. The Organization continues to evaluate the impact of the new accounting guidance on its financial statements and disclosures. The Organization's adoption of ASU 2014-09 is not anticipated to have a material impact on the results of operations or financial position; however, the Organization's assessment is not complete.

Note 11 – Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, "Leases" which requires lessees to record most leases with terms greater than 12 months on their balance sheet by recognizing a liability to make lease payments and an asset representing their right to use the asset during the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize the corresponding assets and lease liabilities. Lessee recognition, measurement, and presentation of expenses and cash flows will not change significantly from existing guidance and lessor accounting is largely unchanged. ASU 2016-02 also changes the definition of a lease and requires qualitative and quantitative disclosures that provide information about the amount, timing, and uncertainty of cash flows arising from leases. Application is required for annual periods beginning after December 15, 2020. The Organization continues to evaluate the impact of the new accounting guidance on its financial statements.

Note 12 – Subsequent Event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be, the Organization does expect it will have an impact.