

**AMERICAN FRIENDS OF MIGDAL OHR**  
**Financial Statements**  
**December 31, 2019**  
**(With Summarized Financial Information for 2018)**  
**With Independent Auditor's Report**

**American Friends of Migdal Ohr**  
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**December 31, 2019**  
**(With Summarized Financial Information for 2018)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
American Friends of Migdal Ohr:

We have audited the accompanying financial statements of American Friends of Migdal Ohr (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019, the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Friends of Migdal Ohr, as of December 31, 2019, 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.

### **Report on Summarized Comparative Information**

American Friends of Migdal Ohr's financial statements for the year ended December 31, 2018 were audited by other auditors whose report dated September 24, 2019 expressed an unmodified opinion on the financial statements. The summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, in 2019, the American Friends of Migdal Ohr adopted new accounting guidance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) and FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

*WithumSmith+Brown, PC*

November 13, 2020

**American Friends of Migdal Ohr**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,079,033	\$ 705,913
Pledges receivable, net	531,653	914,107
Prepaid expenses and other assets	8,079	3,383
Property and equipment, net	<u>12,754</u>	<u>16,779</u>
Total assets	<u>\$ 1,631,519</u>	<u>\$ 1,640,182</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 37,647</u>	<u>\$ 3,486</u>
Total liabilities	<u>37,647</u>	<u>3,486</u>
Net assets		
Without donor restrictions	16,344	38,042
With donor restrictions	<u>1,577,528</u>	<u>1,598,654</u>
Total net assets	<u>1,593,872</u>	<u>1,636,696</u>
Total liabilities and net assets	<u>\$ 1,631,519</u>	<u>\$ 1,640,182</u>

The Notes to Financial Statements are an integral part of these statements.

**American Friends of Migdal Ohr**  
**Statements of Activities and Changes in Net Assets**  
**Year Ended December 31, 2019**  
**(With Summarized Financial Information for 2018)**

	<b>2019</b>			<b>2018</b>
	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
<b>Support and revenue</b>				
Contributions	\$ 1,621,947	\$ 4,738,959	\$ 6,360,906	\$ 5,319,648
Special event revenue, net direct expenses of \$76,296 and \$134,941 in 2019 and 2018	48,981	-	48,981	181,705
Interest	12,312	-	12,312	10,484
Net assets released from restrictions	<u>4,760,085</u>	<u>(4,760,085)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,443,325</u>	<u>(21,126)</u>	<u>6,422,199</u>	<u>5,511,837</u>
<b>Expenses</b>				
Program services	5,279,472	-	5,279,472	5,010,431
Management and general	557,785	-	557,785	303,973
Fundraising	<u>627,766</u>	<u>-</u>	<u>627,766</u>	<u>527,634</u>
Total expenses	<u>6,465,023</u>	<u>-</u>	<u>6,465,023</u>	<u>5,842,038</u>
Changes in net assets	(21,698)	(21,126)	(42,824)	(330,201)
<b>Net assets</b>				
Beginning of year	<u>38,042</u>	<u>1,598,654</u>	<u>1,636,696</u>	<u>1,966,897</u>
End of year	<u>\$ 16,344</u>	<u>\$ 1,577,528</u>	<u>\$ 1,593,872</u>	<u>\$ 1,636,696</u>

The Notes to Financial Statements are an integral part of these statements.

**American Friends of Migdal Ohr**  
**Statements of Functional Expenses**  
**Year Ended December 31, 2019**  
**(With Summarized Financial Information for 2018)**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total Expenses</u>	<u>2018 Total Expenses</u>
<b>Expenses</b>					
Transmissions to Migdal Ohr-Israel	\$ 5,235,000	\$ -	\$ -	\$ 5,235,000	\$ 5,010,431
Salaries	-	209,112	139,408	348,520	255,827
Payroll taxes, employee benefits	-	65,591	43,728	109,319	47,505
Professional fees	-	145,351	96,900	242,251	224,551
Rent	-	25,381	16,920	42,301	37,111
Telephone	-	2,960	1,972	4,932	7,365
Design, printing, and postage	-	38,927	25,951	64,878	74,921
Office expenses	-	22,289	14,858	37,147	36,608
Travel	44,472	-	-	44,472	66,438
Insurance, tax, and compliance	-	9,229	6,152	15,381	11,643
Equipment rental/maintenance	-	14,153	9,436	23,589	24,435
Catering and facility rental-Direct	-	-	106,439	106,439	134,941
Catering and facility rental-Indirect	-	-	22,800	22,800	-
Advertising and marketing	-	-	52,049	52,049	11,886
Board meetings and conferences	-	6,806	-	6,806	2,655
Bad debt expense and pledge cancellations	-	-	174,065	174,065	-
Bank charges and other fees	-	12,345	3,086	15,431	12,338
Depreciation and amortization	-	5,641	3,760	9,401	8,549
Donor events	-	-	16,681	16,681	-
Miscellaneous	-	-	-	-	9,775
Total expenses	5,279,472	557,785	734,205	6,571,462	5,976,979
Less: Direct costs of special events	-	-	(106,439)	(106,439)	(134,941)
	<u>\$ 5,279,472</u>	<u>\$ 557,785</u>	<u>\$ 627,766</u>	<u>\$ 6,465,023</u>	<u>\$ 5,842,038</u>

The Notes to Financial Statements are an integral part of these statements.

**American Friends of Migdal Ohr**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
<b>Operating activities</b>		
Changes in net assets	\$ (42,824)	\$ (330,201)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	9,401	8,549
Changes in assets and liabilities		
Pledges receivable	382,454	(66,165)
Prepaid expenses and other assets	(4,696)	15,757
Accounts payable and accrued expenses	<u>34,161</u>	<u>(31,025)</u>
Net cash provided by (used in) operating activities	<u>378,496</u>	<u>(403,085)</u>
<b>Investing activities</b>		
Purchases of fixed assets	<u>(5,376)</u>	<u>(10,557)</u>
Net cash used in investing activities	<u>(5,376)</u>	<u>(10,557)</u>
<b>Net change in cash and cash equivalents</b>	373,120	(413,642)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>705,913</u>	<u>1,119,555</u>
End of year	<u>\$ 1,079,033</u>	<u>\$ 705,913</u>

**Supplemental Disclosure of Cash Flow Information**

There was no cash paid for interest or taxes during the years ended December 31, 2019 or 2018.

The Notes to Financial Statements are an integral part of these statements.

**American Friends of Migdal Ohr**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**1. NATURE OF THE ORGANIZATION**

American Friends of Migdal Ohr ("AFMO") was incorporated as a not-for-profit corporation in New York State on July 31, 1986. Its primary purpose is to raise funds for Migdal Ohr institutions in Israel that provide education and social guidance to children from underprivileged and problem homes. In addition, AFMO has a responsibility to raise awareness about Migdal Ohr and its programs to its constituents in the United States. AFMO's primary source of revenue is from contributions.

AFMO is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Presentation**

The financial statements of AFMO are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of AFMO and changes therein are classified and reported as follows:

**Net assets without donor restrictions:** Include expendable resources that are used to carry out AFMO's operations and are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by AFMO or may be limited by contractual agreements with outside parties.

**Net assets with donor restrictions:** Net assets subject to donor-imposed stipulations that may or will be met by actions of AFMO and/or the passage of time. Items that affect this net asset category are contributions for which donor-imposed restrictions have not been met in the year of receipt.

**Revenue Recognition**

Contributions, including unconditional promises to give ("pledges"), are recognized as revenue in the period received or pledged. Contributions are classified and reported based on the existence or absence of donor-imposed restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction. Contributions received in securities or other non-cash contributions are recorded at fair value at the date of the gift.

Conditional promises to give, which include those with a barrier or other measurable performance requirement and a right of return or release, are not recognized as revenue until the conditions on which they depend have been substantially met. Payments received in advance of conditions being met are recorded as refundable advances on the statements of financial position. At December 31, 2019, there were no contributions not recognized because the condition on which they depend has not yet been met.

AFMO conducts a special event in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenue in the accompanying statement of activities.

**Cash and Cash Equivalents**

AFMO considers all highly liquid instruments with an initial maturity of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers.

**American Friends of Migdal Ohr**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**Pledges Receivables**

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using level-yield method and is reported as contribution revenue. AFMO provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The allowance for doubtful accounts at both December 31, 2019 and 2018 is \$50,000. Bad debt is charged if a receivable is determined to be uncollectable based on periodic review by management. AFMO wrote off uncollectable pledges receivable of \$174,065 and \$0 for years ended December 31, 2019 and 2018, respectively.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Office equipment	5
Computer software	5

**Income Taxes**

AFMO is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. AFMO has evaluated the recognition requirements for uncertain income tax positions and has concluded that there are no such positions at December 31, 2019. AFMO has not incurred any tax related interest and penalties for uncertain income tax positions at December 31, 2019.

**Functional Allocation of Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and in detail on the statements of functional expenses. Expenses, other than indirect expenses, are directly charged to the program that derives the direct benefit. Indirect expenses are allocated to the various program and supporting services based on the ratio of direct expense for any one function to total direct expenses of all functional areas or programs. Such allocations are determined by management on an equitable basis.

**American Friends of Migdal Ohr**  
**Notes to Financial Statements**  
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The expenses that are allocated include the following:

<u>Expense Line</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Payroll taxes, employee benefits	Salaries
Professional fees	Salaries
Rent	Salaries
Telephone	Salaries
Printing and postage	Salaries
Office supplies	Salaries
Insurance	Salaries
Equipment rental/maintenance	Salaries
Bank charges and other fees	Salaries
Depreciation and amortization	Salaries

**Transmissions to Migdal Ohr-Israel**

All transmissions to Migdal Ohr-Israel are recorded pursuant to authorization by the Executive Board of AFMO.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates are used in the valuation of pledges receivable and functional allocation of expenses.

**Valuation of Long-Lived Assets**

AFMO reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. No adjustment for impairment was required for the years ended December 31, 2019 and 2018.

**Summarized Financial Information**

The financial statements include summarized comparative information in total but not by net asset class and functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with AFMO's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**Accounting Pronouncements Adopted in the Current Year**

*Revenue Recognition - Contracts with Customers*

The Financial Accounting Standards Board ("FASB") issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification ("ASC"). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*). ASC 606 established a core principle 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 an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, which requires the deferral of incremental costs of obtaining a contract with a customer. All references to the "new guidance" include ASC 606 and/or ASC 340-40.

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Analysis of various provisions of this standard resulted in no significant changes in the way AFMO recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

*Contribution Revenue Recognition*

During 2019, AFMO adopted ASU 2018-08 - *Not-for-profit Entities - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions. The adoption of this ASU required AFMO to reclassify grant revenue which was previously denoted as exchange transactions to conditional contributions. We have implemented the provisions of ASU 2018-08 during 2019, applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08. This change had no effect on the timing of revenue recognition.

*Recent Accounting Pronouncements Issued Not Yet Adopted*

*Leases*

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"), which requires lessees to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the statement of financial position, ASU 2016-02 will require both types of leases to be recognized on the statement of financial position. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective beginning January 1, 2021, with early application permitted.

*Contributed Nonfinancial Assets*

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization does not expect this ASU to have a significant impact on its financial statements.

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**Notes to Financial Statements**  
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**3. LIQUIDITY AND AVAILABILITY**

As of December 31, 2019 and 2018, AFMO's financial assets available for general expenditures within one year of the statement of financial position date consist of the following:

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents	\$ 1,079,033	\$ 705,913
Pledges receivable	<u>531,653</u>	<u>914,107</u>
Total financial assets	1,610,686	1,620,020
Less: Net assets with restrictions	<u>1,577,528</u>	<u>1,598,654</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 33,158</u>	<u>\$ 21,366</u>

AFMO received significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended December 31, 2019 and 2018, restricted contributions of \$1,736,417 and \$1,598,654 were included in financial assets, respectively.

AFMO manages its liquidity and reserves following the guiding principles: operating within a prudent range of financial solutions and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. AFMO maintains current financial assets less current liabilities at a minimum of 30 days' operating expenses. To achieve these targets, AFMO monitors its liquidity and reserves monthly.

**4. CONCENTRATIONS OF CREDIT RISK**

AFMO places its cash with high credit quality financial institutions. At times, such amounts may exceed the current insured amount under the Federal Deposit Insurance Corporation. AFMO monitors the financial condition of the banking institutions, along with their cash balances, to minimize this risk.

At December 31, 2019, four contributors accounted for 88% of grants and contributions receivable. At December 31, 2018, three contributors accounted for 76% of grants and contributions receivable. At December 31, 2019, one contributor accounted for 15% of contributions revenue. There were no concentrations in total support and revenue for the year ended December 31, 2018.

**5. PLEDGES RECEIVABLE**

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 314,150	\$ 353,900
Due in one to five years	<u>276,935</u>	<u>619,500</u>
	591,085	973,400
Discount on pledges receivable	(9,432)	(9,293)
Allowance for doubtful pledges receivable	<u>(50,000)</u>	<u>(50,000)</u>
Pledges receivable, net	<u>\$ 531,653</u>	<u>\$ 914,107</u>

**American Friends of Migdal Ohr**  
**Notes to Financial Statements**  
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**6. PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following:

	<u><b>2019</b></u>	<u><b>2018</b></u>
Financial assets		
Cash and cash equivalents	\$ 1,079,033	\$ 705,913
Pledges receivable	531,653	914,107
Total financial assets	1,610,686	1,620,020
Less: Net assets with restrictions	1,577,528	1,598,654
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 33,158</u>	<u>\$ 21,366</u>

**7. NET ASSETS WITH DONOR RESTRICTIONS**

Components of net assets with donor restrictions at December 31 were as follows:

	<u><b>2019</b></u>	<u><b>2018</b></u>
Bait Tavshil Soup Kitchen	\$ 2,600	\$ 9,000
Bridal fund	8,798	39,715
Bar Bat Mitzvah Sponsorship	-	36,165
Gan Yavne Academic College	2,004	29,441
Girls dorm	9,205	-
Special projects	232,625	629,314
Sulamot Music School	24,000	-
Mishpactonim Dormitory Renovation	791,796	-
Zoharim	-	35,519
Capital building project	-	200,000
Time restriction	506,500	619,500
	<u>\$ 1,577,528</u>	<u>\$ 1,598,654</u>

**American Friends of Migdal Ohr**  
**Notes to Financial Statements**  
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Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Bridal fund	\$ 252,151	\$ 242,000
Laundromat	50,000	50,000
Ohr Israeli Youth	150,000	150,000
Girls special education school	200,000	136,000
Zoharim Yaldei Ohr	96,318	91,500
Prisoner rehabilitation	-	300,000
Machshava Music School	10,000	-
Mishpactonim Dormitory Renovation	2,242,657	2,680,370
Shalhevet High School	-	50,000
Girls dorm	62,195	52,708
Sulamot	147,500	101,420
Afikei Ohr	556,231	-
Bait Tavshil Soup Kitchen	37,000	-
Bar Bat Mitzvah Sponsorship	78,828	-
Day Care	21,500	-
Gan Yavne Academic College	37,403	-
Kindergarten	100,000	-
Soldiers program	1,536	-
Special project	102,600	-
Yaldei Ohr	1,918	-
Capital project	350,000	-
Mevashlim L'Atid	360	-
Time restriction	261,888	-
	<u>\$ 4,760,085</u>	<u>\$ 3,853,998</u>

**8. COMMITMENTS AND CONTINGENCIES**

On November 1, 2015, AFMO entered into a new lease for a larger office space. The lease is for five years and expires on October 31, 2020. AFMO entered into a new lease in October 2020, see Note 9. Rent expense for the year ended December 31, 2019 and 2018 was \$42,301 and \$36,981, respectively. Minimum future payments under the terms of the lease are:

**9. SUBSEQUENT EVENTS**

AFMO has evaluated subsequent events occurring after the statement of financial position date through the date of November 13, 2020, which is the date the financial statements were available to be issued. Based upon this evaluation, AFMO has determined that the following subsequent events have occurred, which require disclosure in the financial statements:

**American Friends of Migdal Ohr**  
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**COVID-19**

The current outbreak of a novel strain of coronavirus ("COVID-19") is significantly impacting businesses across the world. While the duration of business interruption from this outbreak and related financial impact cannot be reasonably estimated at this time, financial results may be adversely affected in 2020. The extent to which the coronavirus impacts operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

**CARES Loan**

During May 2020, AFMO received a loan from a financial institution authorized through the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") in the amount of \$108,803. The loan may be forgiven by the financial institution based on the use of the loan proceeds in accordance with the CARES Act. If it is determined by the financial institution that the criteria for debt forgiveness has not been met, the loan will mature 2 years from the date of the loan and interest will accrue at 1% annually. Any debt forgiveness will be recognized at the time the financial institution review is completed and forgiveness has been approved. Based on this evaluation, AFMO has determined that no other subsequent events have occurred, which require disclosure in the financial statements.

**Lease**

In October 2020, AFMO entered into a new lease agreement. The lease is for 26 months commencing on November 1, 2020 and expiring on December 31, 2022 with monthly payments of \$2,087. Minimum future payments under the terms of the lease are included in Note 8.