



January 23, 2020

Board of Directors
Family Education and Support Services
Tumwater, Washington

In planning and performing our audit of the financial statements of ***Family Education and Support Services*** as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered ***Family Education and Support Services*** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in ***Family Education and Support Services*** internal control to be significant deficiencies.

In connection with auditing the financial statements of ***Family Education and Support Services*** for the year ended June 30, 2019, there are other items we would like to communicate with those charged with governance to improve operational efficiency and effectiveness.

1. Cash Receipts Documentation

Condition: Cash receipt invoices are only recorded via date, and no invoice number is generated per transaction.

Possible Effect: With the growth of the organization the process of recording all donations and class registration fees on one deposit slip generated per day the possibility of errors and it inhibits looking up individual transactions.

Recommendation: We recommend developing a system of recording every transaction into QuickBooks. This can be done by selecting Customers and Receive Payments (Registration fees) or Create Sales Receipts (Donations).

2. Board Minutes

Condition: The Board minutes recorded at held meetings that were examined did not appear to disclose information about discussed restricted funds.

Possible Effect: An important element of Board minutes is that they provide an opportunity for the organization to create a record of compliance with its legal obligations. Without disclosure of necessary information, it can lead to deficient Board minutes.

Recommendation: We recommend using higher scrutiny and discretion when transcribing Board minutes. Typically, minutes should include identification of general matters considered, decisions made, and recording of votes.

This report is intended solely for the information and use of the Board of Directors and management of *Family Education and Support Services*.

Sincerely,

Smith & Associates



Norman R. Smith

FAMILY EDUCATION AND SUPPORT SERVICES

COMPARATIVE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

January 23, 2020

Board of Directors
Family Education and Support Services
Olympia, Washington

We have audited the accompanying financial statements of *Family Education and Support Services* (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities and changes in net assets, functional expenses, cash flows for the years then ended, statement of program service detail for the year ended June 30, 2019, 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.

Auditors' Responsibility

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

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

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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 *Family Education and Support Services* as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

FAMILY EDUCATION AND SUPPORT SERVICES
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 98,200	\$ 150,326
Restricted cash	56,964	26,364
Accounts receivable	225,317	122,953
Prepaid expenses primarily rent	<u>80,443</u>	<u>1,255</u>
Total current assets	460,924	300,898
Fixed assets, net of accumulated depreciation	155,128	36,434
Prepaid rent, non-current	21,015	-
Lease deposits	<u>2,060</u>	<u>2,060</u>
Total assets	<u>\$ 639,127</u>	<u>\$ 339,392</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 16,231	\$ 9,682
Accrued wages and taxes	42,938	907
Accrued vacation	29,655	26,850
Notes payable	<u>117,790</u>	<u>-</u>
Total current liabilities	206,614	37,439
Unrestricted net assets	375,549	275,589
Restricted net assets	<u>56,964</u>	<u>26,364</u>
Total net assets	432,513	301,953
Total liabilities and net assets	<u>\$ 639,127</u>	<u>\$ 339,392</u>

The accompanying notes are an integral part of these financial statements.

FAMILY EDUCATION AND SUPPORT SERVICES
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019 AND JUNE 30, 2018

	2019		2018			
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Revenue and support						
Program service fees	\$ 1,030,524	\$ -	\$ 1,030,524	\$ 901,019	\$ -	\$ 901,019
Contributions	295,314	97,220	392,534	154,201	48,900	203,101
Pass-through direct services	213,334	-	213,334	196,721	-	196,721
Fundraising income	117,155	-	117,155	69,857	-	69,857
Total revenue and support	<u>1,656,327</u>	<u>97,220</u>	<u>1,753,547</u>	<u>1,321,798</u>	<u>48,900</u>	<u>1,370,698</u>
Expenses						
Program services	1,357,100	66,620	1,423,720	1,122,118	48,967	1,171,085
Management and general	159,668	-	159,668	130,259	-	130,259
Fundraising	39,599	-	39,599	26,731	-	26,731
Total expenses	<u>1,556,367</u>	<u>66,620</u>	<u>1,622,987</u>	<u>1,279,108</u>	<u>48,967</u>	<u>1,328,075</u>
Changes in net assets	99,960	30,600	130,560	42,690	(67)	42,623
Net assets, July 1	<u>275,589</u>	<u>26,364</u>	<u>301,953</u>	<u>232,899</u>	<u>26,431</u>	<u>259,330</u>
Net assets, June 30	<u>\$ 375,549</u>	<u>\$ 56,964</u>	<u>\$ 432,513</u>	<u>\$ 275,589</u>	<u>\$ 26,364</u>	<u>\$ 301,953</u>

The accompanying notes are an integral part of these financial statements.

FAMILY EDUCATION AND SUPPORT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u> <u>Expenses</u>
Wages	\$ 630,939	\$ 44,157	\$ -	\$ 675,096
Payroll taxes	53,866	1,278	-	55,144
Contract services	117,754	3,972	-	121,726
Direct service	114,102	9,614	-	123,716
Supplies	66,216	14,898	-	81,114
Travel	62,185	5,878	-	68,063
Rent	49,580	5,500	-	55,080
Telephone and utilities	29,885	1,120	-	31,005
Fundraising expenses	-	-	26,731	26,731
Marketing	12,550	11,942	-	24,492
Depreciation	-	14,453	-	14,453
Professional services	5,821	5,790	-	11,611
Maintenance	9,544	2,015	-	11,559
Insurance	5,062	579	-	5,641
Business taxes	3,560	1,199	-	4,759
Miscellaneous	3,281	1,327	-	4,608
Printing and reproduction	4,454	91	-	4,545
Service charges	382	2,641	-	3,023
Postage	570	1,390	-	1,960
Small equipment	896	779	-	1,675
Bad debt expense	-	1,178	-	1,178
Dues and subscriptions	438	458	-	896
	<u>\$ 1,171,085</u>	<u>\$ 130,259</u>	<u>\$ 26,731</u>	<u>\$ 1,328,075</u>

The accompanying notes are an integral part of these financial statements.

FAMILY EDUCATION AND SUPPORT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019, AND JUNE 30, 2018

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				<u>2019</u>	<u>2018</u>
Wages	\$ 870,340	\$ 21,023	\$ -	\$ 891,363	\$ 675,096
Payroll taxes	72,775	1,803	-	74,578	55,144
Contract services	112,387	6,012	5,535	123,934	121,726
Direct service	99,584	6,659	-	106,243	123,716
Supplies	64,679	4,383	696	69,758	81,114
Travel	59,478	2,633	949	63,060	68,063
Rent	45,285	24,802	-	70,087	55,080
Moving expenses	3,060	-	-	3,060	-
Telephone and utilities	32,650	3,958	-	36,608	31,005
Fundraising expenses	-	-	-	-	26,731
Marketing	11,345	7,659	31,510	50,514	24,492
Depreciation	-	32,547	-	32,547	14,453
Professional services	6,250	4,814	-	11,064	11,611
Maintenance	16,581	6,562	-	23,143	11,559
Insurance	7,833	797	-	8,630	5,641
Business taxes	1,902	1,857	-	3,759	4,759
Training	9,131	11,563	275	20,969	-
Miscellaneous	-	16,302	634	16,936	4,608
Printing and reproduction	7,301	984	-	8,285	4,545
Service charges	22	4,314	-	4,336	3,023
Postage	1,493	377	-	1,870	1,960
Small equipment	-	-	-	-	1,675
Bad debt expense	-	-	-	-	1,178
Dues and subscriptions	1,624	619	-	2,243	896
	<u>\$ 1,423,720</u>	<u>\$ 159,668</u>	<u>\$ 39,599</u>	<u>\$ 1,622,987</u>	<u>\$ 1,328,075</u>

The accompanying notes are an integral part of these financial statements.

FAMILY EDUCATION AND SUPPORT SERVICES
PROGRAM SERVICES
YEAR ENDED JUNE 30, 2019

	Capital Campaign	Consider the Children	Dynamic Dads	Impact on Domestic Violence	Moral Recon and Therapy	Opioid Use Reduction and Recovery Workforce	Parent 4 Parent	Parent-Child Assistance Program	Parenting Inside Out	Kinship	Winning at Parenting	Little Red School House	Lewis Early Education Coalition	Thurston Early Childhood Coalition	Total Program Services
Wages	\$ -	\$ 64,347	\$ 60,514	\$ 14,645	\$ 36,105	\$ 72,771	\$ 90,686	\$ 399,018	\$ 3,597	\$ 91,245	\$ 37,412	\$ -	\$ -	\$ -	\$ 870,340
Payroll taxes	-	4,600	6,426	1,282	2,680	6,674	6,980	33,896	-	7,568	2,669	-	-	-	72,775
Contract services	-	30,333	200	4,750	16,679	-	4,197	6,893	6,237	15,565	17,016	2,988	2,555	4,974	112,387
Direct service	-	-	-	-	-	84	-	11,901	-	69,579	-	16,210	1,100	710	99,584
Supplies	-	586	1,570	14	4,494	2,170	4,205	7,426	170	3,393	3,622	32,984	-	4,045	64,679
Travel	-	62	1,108	-	333	3,159	8,338	39,191	-	6,778	509	-	-	-	59,478
Rent	-	5,000	1,681	90	3,246	5,393	1,322	20,020	180	7,032	1,321	-	-	-	45,285
Moving expenses	3,060	-	-	-	-	-	-	-	-	-	-	-	-	-	3,060
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
and utilities	-	2,452	1,179	80	1,754	4,786	919	16,269	160	3,988	798	265	-	-	32,650
Marketing	-	644	506	73	472	1,004	1,028	3,165	91	3,624	493	-	245	-	11,345
Professional	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
services	-	972	208	-	625	-	208	2,778	-	1,250	209	-	-	-	6,250
Maintenance	-	1,368	645	121	989	2,803	489	7,210	160	2,306	490	-	-	-	16,581
Insurance	-	841	261	11	563	1,319	217	3,189	22	1,193	217	-	-	-	7,833
Business taxes	-	862	143	69	457	-	22	2	45	232	58	-	-	12	1,902
Training	-	18	18	18	2,878	253	1,013	2,260	18	2,262	18	-	-	375	9,131
Printing and reproduction	-	382	219	19	284	843	144	2,419	37	2,714	190	-	-	50	7,301
Service charges	-	6	-	-	-	-	-	16	-	-	-	-	-	-	22
Postage	-	100	59	2	68	147	34	654	5	395	29	-	-	-	1,493
Dues and subscriptions	-	91	188	19	66	366	36	266	19	430	36	-	-	107	1,624
	<u>\$ 3,060</u>	<u>\$ 112,664</u>	<u>\$ 74,925</u>	<u>\$ 21,193</u>	<u>\$ 71,693</u>	<u>\$ 101,772</u>	<u>\$ 119,838</u>	<u>\$ 556,573</u>	<u>\$ 10,741</u>	<u>\$ 219,554</u>	<u>\$ 65,087</u>	<u>\$ 52,447</u>	<u>\$ 3,900</u>	<u>\$ 10,273</u>	<u>\$ 1,423,720</u>

The accompanying notes are an integral part of these financial statements.

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FAMILY EDUCATION AND SUPPORT SERVICES
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows provided by operating activities		
Change in net assets	\$ 130,558	\$ 42,623
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	32,547	14,453
Increase in accounts receivable	(102,364)	(24,362)
Decrease in prepaid assets	-	4,854
Increase in prepaid rent	(100,203)	-
Increase in accounts payable	6,549	4,641
Increase (decrease) in accrued payroll and taxes	42,033	(26,857)
Increase in accrued vacation	2,805	13,245
Total adjustments	<u>(118,633)</u>	<u>(14,026)</u>
Net cash provided by operating activities	<u>11,925</u>	<u>28,597</u>
Cash flows used in investing activities:		
Purchase of equipment/improvements	(108,803)	(3,868)
Loss on disposal of fixed assets	(42,438)	-
Net cash used in investing activities	<u>(151,241)</u>	<u>(3,868)</u>
Cash flows provided by financing activities:		
Addition of notes payable	120,000	-
Payments made on notes payable	(2,210)	-
Net cash provided by financing activities	<u>117,790</u>	<u>-</u>
Net (decrease) increase in cash	(21,526)	24,729
Cash, July 1	<u>176,690</u>	<u>151,961</u>
Cash, June 30	<u>\$ 155,164</u>	<u>\$ 176,690</u>
Supplemental Disclosure		
Non-cash donations	<u>\$ 71,936</u>	<u>\$ 47,876</u>

The accompanying notes are an integral part of these financial statements.

FAMILY EDUCATION AND SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Description of Organization

Family Education and Support Services (the Organization) is a non-faith based social service agency. It provides targeted services to those who care for children including parents, relative caregivers, foster parents, early childhood educators, community partners, and others. It provides services to the entire family unit through effective classroom training, workshops, home visitation support services, and networking with local, state, and national organizations. Services include being a supporting resource for several superior courts of Washington counties.

Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted revenues that are released from restriction in the same year are reported as unrestricted amounts on the Statement of Activities.

Compensated Absences

Family Education and Support Services accrues vacation leave when earned and vested. Employees will accrue paid time off, which is a combination of vacation and sick leave. The amount of vacation and sick leave accrued is dependent of full time equivalent status and number of years of service with the organization. Full time equivalent status is based off the number of hours typically worked per pay period. An employee who works 21-40 hours has the full time equivalent status of 0.5. An employee with the full time equivalent status of 0.5 can only carry 108 hours of unused paid time off over to the next fiscal year. In addition, there are ten scheduled holidays, as well as, one ***Family Education and Support Services*** Wellness Day to be used each fiscal year which is issued annually on the first day of the fiscal year and expires on the last day of the fiscal year. ***Family Education and Support Services*** is not subject to the Family Medical Leave Act however, employees may request a medical leave of absence.

Retirement Plan

Employees participate in a 401(k) retirement plan. There is no employer matching fund in place for the 401(k) retirement plan for the year ended June 30, 2019. Employees are eligible to participate in the plan under the following conditions: one year of service worked and have worked more than 1000 hours per year with the organization. Enrollment for eligible employees is offered semi-annually in January or July after the employee is eligible.

FAMILY EDUCATION AND SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Revenue Recognition

Sources of revenue are contributions, contracts, and program service fees. Contribution revenue is recognized when contributions are received. Contract revenue and program service fees are recognized when services have been performed. Non-cash, in-kind donations are recorded at fair market value at the time of receipt. Household goods, diapers, and clothing are examples of commonly donated items.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Organization classifies operating expenses in the schedule of functional expenses between program service activities, management and general activities, and fundraising activities. These expense classifications are generally based on specific attributable transactions. When specific allocation is not possible, expenses are estimated based on employee time expenditure.

Income Taxes

Family Education and Support Services is an organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3); therefore, no liability for federal income tax is reflected in these financial statements. All tax years not closed by statute may be subject to examination.

Cash

Family Education and Support Services has cash accounts that consist of checking and money market funds due less than 90 days from purchase. The Organization maintains cash and equivalents in accounts which at times may exceed Federal Deposit Insurance Corporation insured limits. The Organization maintains separate cash accounts related to restricted funds. See restricted funds note on page 11.

FAMILY EDUCATION AND SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Restricted Funds

Family Education and Support Services functions as a fiscal sponsor for Little Red Schoolhouse, Lewis Early Learning Coalition, and Thurston Early Childhood Coalition. The organization is required to maintain a separate bank account to receive donations of cash and other designated support for each restricted fund. Fiscal sponsorship allows an organization without tax-exempt status to receive funds through an established nonprofit with 501(c)(3) tax-exempt status. *Family Education and Support Services* has determined the establishment of these restricted funds will further the organization's mission. The restricted revenues and expenses are shown on the comparative statements of activities and changes in net assets.

Accounts Receivable

Accounts receivable represent amounts due from contracts that are carried at their original billing amount. No allowance for doubtful accounts is maintained by the Organization. Although directly charging off receivables is not in accordance with generally accepted accounting principles, its effect is considered immaterial.

Property and Equipment

Property and equipment consist of leasehold improvements, computers, and office equipment stated at historical cost. The cost of property and equipment is depreciated over the estimated useful lives between five and ten years using the straight-line method. It is the policy of the Organization to capitalize equipment with a purchase price over \$5,000. Donated equipment is stated at fair value at the time of the donation. Depreciation expense for the years ended June 30, 2019 and 2018 was \$32,547 and \$14,453, respectively.

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 24,623	\$ 22,444
Computers and office equipment	<u>182,856</u>	<u>76,232</u>
Total property and equipment	207,479	98,676
Less accumulated depreciation	<u>(52,351)</u>	<u>(62,242)</u>
Net property and equipment	<u>\$ 155,128</u>	<u>\$ 36,434</u>

FAMILY EDUCATION AND SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Prepaid Rent

The Organization entered into a lease agreement that was paid upon execution of the lease. To accomplish this *Family Education and Support Services* borrowed funds from OBEE Credit Union. See Notes Payable below. The balance for prepaid rent received for the Community Development Block Grant (CDBG) State Grant is \$100,203 for the year ended June 30, 2019.

Future payments are as follows:

2020	\$ 79,188
2021	<u>21,015</u>
Total prepaid rent	<u>\$ 100,203</u>

Facility Lease

The Organization ended the lease agreement related to its former location in Olympia, Washington as of March 2019. The Organization was obligated through December 30, 2018 with lease increases based on the consumer price index. The Organization made monthly lease payments until separation from this location which totaled \$37,174 for the year ended June 30, 2019.

Family Education and Support Services entered into a facility lease agreement to move into its primary location in Tumwater, Washington as of March 2019. This initial lease payment was funded in two ways. First, *Family Education and Support Services* borrowed \$120,000 from OBEE Credit Union for which \$2,210 has been repaid at June 30, 2019. Second, it received a Community Development Block Grant (CDBG) to provide services in the facility through August 31, 2019. See Notes payable note below. Rent expense on this lease for the year ended June 30, 2019 was \$19,797.

The Organization entered into a facility lease agreement related to its secondary location in Shelton, Washington in October 2016. The Organization is obligated through September 30, 2020 for this location. Lease payments totaled \$13,116 and \$12,636 for the years ended June 30, 2019, and 2018, respectively.

Notes Payable

To facilitate the prepaid rent the Organization borrowed from OBEE Credit Union on a line of credit described in facility lease above. The total amount due at June 30, 2019 is \$117,790, with a stated annual interest rate of 5.5%. The loan amount due is paid at OBEE Credit Union's discretion but paid no later than May 1, 2020.

FAMILY EDUCATION AND SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Summary of Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through January 23, 2020, the date that the financial statements were available to be issued. No significant events have been identified that would require adjustment of or disclosure in the accompanying financial statements.