

BONK, CUSHMAN, EAGLE & GARCIA

CERTIFIED PUBLIC ACCOUNTANTS

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AN ACCOUNTANCY CORPORATION

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AN ACCOUNTANCY CORPORATION

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NORTH PARK ORGANIZATION OF BUSINESSES, INC. dba NORTH PARK MAIN STREET

**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North Park Organization of Businesses, Inc.
dba North Park Main Street

We have audited the accompanying financial statements of North Park Organization of Businesses, Inc., dba North Park Main Street (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

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 North Park Organization of Businesses, Inc., dba North Park Main Street as of June 30, 2021 and 2020, 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.

Bonk, Cushman, Eagle & Garcia

Bonk, Cushman, Eagle & Garcia

January 25, 2022

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 & 2020

	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash and Cash Equivalents	\$ 123,585	\$ 134,466
Accounts Receivable	54,359	53,104
Employee Advance	150	700
Total Current Assets	<u>178,094</u>	<u>188,270</u>
Equipment	15,261	15,261
Less: (Accumulated Depreciation)	<u>(10,589)</u>	<u>(8,554)</u>
Total Property & Equipment	<u>4,672</u>	<u>6,707</u>
Security Deposit	129	129
Total Other Assets	<u>129</u>	<u>129</u>
Total Assets	<u>\$ 182,895</u>	<u>\$ 195,106</u>
LIABILITIES:		
Accounts Payable	\$ 9,530	\$ 17,648
Payroll Liability	13,054	12,409
COVID Rent Deferral	7,710	4,626
Grants Payable	15,000	15,000
Credit Cards	527	283
Total Current Liabilities	<u>45,821</u>	<u>49,966</u>
PBID Advance	<u>75,000</u>	<u>75,000</u>
Total Liabilities	<u>\$ 120,821</u>	<u>\$ 124,966</u>
NET ASSETS:		
With Donor Restrictions	\$ -	\$ 9,203
Without Donor Restrictions	<u>62,074</u>	<u>60,937</u>
Total Net Assets	<u>62,074</u>	<u>70,140</u>
Total Liabilities & Net Assets	<u>\$ 182,895</u>	<u>\$ 195,106</u>

The Accompanying Notes are an Integral Part of the Financial Statements

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2020</u>
REVENUE:				
Governmental Funding:				
BID Reimbursements	\$ 104,632	\$ -	\$ 104,632	\$ 84,474
PBID Reimbursements	229,437	-	229,437	258,227
Small Business Enhancement Program Grant	17,878	-	17,878	22,878
Government Grant Income	82,741	-	82,741	77,000
Net Assets Released from Restrictions	9,203	(9,203)	-	-
Total Governmental Funding	<u>443,891</u>	<u>(9,203)</u>	<u>434,688</u>	<u>442,579</u>
Other Revenue:				
Special Events	44,653	-	44,653	255,021
Program Income	32,363	-	32,363	37,062
Other Income	10,426	-	10,426	9,460
Interest	21	-	21	33
Total Other Revenue	<u>87,463</u>	<u>-</u>	<u>87,463</u>	<u>301,576</u>
Total Revenue	531,354	(9,203)	522,151	744,155
EXPENSES:				
Program Services	407,064	-	407,064	546,509
General & Administrative	123,153	-	123,153	155,748
Total Expenses	<u>530,217</u>	<u>-</u>	<u>530,217</u>	<u>702,257</u>
Change in Net Assets	1,137	(9,203)	(8,066)	41,898
Net Assets, Beginning of Year	<u>60,937</u>	<u>9,203</u>	<u>70,140</u>	<u>28,242</u>
Net Assets, End of Year	<u>\$ 62,074</u>	<u>\$ -</u>	<u>\$ 62,074</u>	<u>\$ 70,140</u>

The Accompanying Notes are an Integral Part of the Financial Statements

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total</u>
Salaries & Wages	\$ 138,797	\$ 46,266	\$ 185,063
Payroll Taxes	12,621	4,207	16,828
Employee Benefits	16,441	5,480	21,921
Total Payroll & Related Expenses	<u>167,859</u>	<u>55,953</u>	<u>223,812</u>
PBID Contract			
Administration	17,380	5,793	23,173
Improvement & Economic Dev.	3,784	1,262	5,046
Sanitation	47,820	15,940	63,760
Other	19,340	6,447	25,787
Accounting/Audit	24,088	8,029	32,117
Advertising/Marketing	4,258	1,419	5,677
Bank Fees	330	110	440
Depreciation	1,527	509	2,036
Dues/Subscriptions	1,258	419	1,677
Grant Expenses	10,797	3,599	14,396
Hospitality	597	199	796
Insurance	13,976	4,659	18,635
Miscellaneous	-	1,090	1,090
Payroll Processing Fees	1,715	572	2,287
Phone/Fax	502	167	669
Postage	568	189	757
Rent	20,220	6,740	26,960
Special Projects/Events	61,312	6,813	68,125
Supplies	5,640	1,880	7,520
Taxes & Licenses	8	2	10
Travel	111	37	148
Utilities	<u>3,974</u>	<u>1,325</u>	<u>5,299</u>
Total Expenses	<u>\$ 407,064</u>	<u>\$ 123,153</u>	<u>\$ 530,217</u>

The Accompanying Notes are an Integral Part of the Financial Statements

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total</u>
Salaries & Wages	\$ 158,188	\$ 52,729	\$ 210,917
Payroll Taxes	13,215	4,405	17,620
Employee Benefits	23,883	7,961	31,844
Total Payroll & Related Expenses	<u>195,286</u>	<u>65,095</u>	<u>260,381</u>
 PBID Contract			
Salaries	-	-	-
Administration	11,771	3,923	15,694
Improvement & Economic Dev.	22,976	7,659	30,635
Sanitation	53,112	17,704	70,816
Other	542	181	723
Accounting/Audit	27,051	9,017	36,068
Advertising/Marketing	9,628	3,209	12,837
Bank Fees	5,578	1,859	7,437
Depreciation	1,527	509	2,036
Dues/Subscriptions	1,546	515	2,061
Grant Expenses	42,898	14,300	57,198
Hospitality	752	251	1,003
Insurance	8,354	2,784	11,138
Internet	26	9	35
Legal Fees	562	188	750
Miscellaneous	-	781	781
Payroll Processing Fees	1,820	607	2,427
Phone/Fax	1,567	522	2,089
Postage	268	89	357
Rent	30,598	10,199	40,797
Repairs & Maintenance	60	20	80
Special Projects/Events	122,407	13,601	136,008
Supplies	4,653	1,551	6,204
Taxes & Licenses	8	2	10
Travel	182	61	243
Utilities	3,337	1,112	4,449
 Total Expenses	 <u>\$ 546,509</u>	 <u>\$ 155,748</u>	 <u>\$ 702,257</u>

The Accompanying Notes are an Integral Part of the Financial Statements

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 & 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (8,066)	\$ 41,898
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Depreciation	2,036	2,036
(Increase) / Decrease in:		
Accounts Receivable	(1,255)	(15,578)
Employee Advances	550	3,739
Increase / (Decrease) in:		
Accounts Payable	(8,119)	3,022
COVID Rent Deferral	3,084	4,626
Payroll Liabilities	645	10,170
Credit Cards	244	(10)
Net Cash (Used) Provided by Operating Activities	<u>(10,881)</u>	<u>49,903</u>
Net (Decrease) Increase in Cash & Cash Equivalents	(10,881)	49,903
Cash & Cash Equivalents, Beginning of Year	<u>134,466</u>	<u>84,563</u>
Cash & Cash Equivalents, End of Year	<u>\$ 123,585</u>	<u>\$ 134,466</u>

The Accompanying Notes are an Integral Part of the Financial Statements

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Note 1. Nature of Organization

North Park Organization of Businesses, Inc. dba North Park Main Street (the Organization) is a non-profit consortium of local businesses organized for the purpose of promoting, improving, and fostering business conditions in the City of San Diego in the area commonly known as North Park, pursuant to City Ordinance 16481, which established and defined a parking and business improvement area as the North Park Business Improvement District under the provisions of the Parking and Business Improvement Area Law of 1979 of the State of California and enabling ordinances of the City of San Diego.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.
liabilities.

Basis of Presentation: The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

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

Net assets without donor restrictions: net assets without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations.

Net assets with donor restrictions: net assets with donor-imposed restrictions are the net assets that are contributions subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that either expire by the passage of time or can be fulfilled and removed by action of the Organization pursuant to these stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports unconditional contributions restricted by donors as increases in net assets with donor restrictions in the reporting period in which the revenue is recognized. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization reports conditional contributions with restrictions by donors as increases in net assets without donor restrictions in the reporting period in which the condition has been satisfied and revenue has been recognized, and when the time restriction ends, or purpose restriction is accomplished.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies, continued

Measure of Operations: The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing programs. Non-operating activities are limited to resources that generate return from long-term investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition: The Organization is funded principally through the administration of contracts and grants with the City and County of San Diego (special assessment districts BID, PBID, EDTS, etc.). Additional funds are generated from special projects and special events.

Cash and Cash Equivalents: The Organization has defined cash and cash equivalents as cash in banks and certificates of deposits with an initial maturity of three months or less.

Accounts Receivable: Accounts receivable represents unpaid claims submitted to various agencies of the City of San Diego for expenditures incurred through the end of the fiscal year and other receivables. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from past history. No allowance for doubtful accounts was considered necessary as of June 30, 2021 and 2020.

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, which are generally from 3 to 7 years. All property and equipment purchased by the Organization with funds received from the City of San Diego are considered property of the City. If the agreement with the City of San Diego is terminated for any reason, the Organization is required to deliver such assets to the City of San Diego.

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$2,036 and \$2,036, respectively.

Donated Materials and Services: Donated materials and services are recognized as contributions if the materials or services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses: The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of programs or supporting service.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Note 3. Income Tax Status

The Organization is a California Not-For-Profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(6) and California State Tax Code 23701(e), respectively.

U.S. generally accepted accounting principles require Organization management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken uncertain tax positions that more-likely-than-not would not be sustained upon examination by applicable taxing authorities. Management has analyzed tax positions taken by the Organization and has concluded that, as of June 30, 2021 and 2020, there are no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or that would require disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions. However, currently no audits for any tax periods are in progress.

Note 4. Commitments and Contingencies

Contracts: The Organization's contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Organization has no provisions for the possible disallowance of program costs on its financial statements. Management has submitted all reports required by funding agencies and is not aware of the existence of any potential disallowances.

Obligations Under Operating Leases: The Organization moved to a new location at 3939 Iowa Street, Suite 2, San Diego, CA 92104 and entered into a lease agreement for a period of five (5) years beginning February 1, 2017 and ending January 31, 2022. On December 1, 2021, an extension to this lease was agreed to, which extended the term of the lease from February 1, 2022 through January 31, 2023, with a monthly rent of \$3,029.35. Total lease payments under this lease amounted to \$21,587 and \$33,498, respectively, in the years ended June 30, 2021 and 2020.

Future minimum lease payments, by year and in the aggregate, under this lease consist of the following:

<u>Years ending June 30:</u>	
2022	\$ 35,334
2023	<u>21,205</u>
	<u>\$ 56,539</u>

Note 5. PBID Advance

The City of San Diego advanced the Organization \$75,000 for the PBID program to be used / expended in the next five years.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Note 6. Grants Payable

During the fiscal year ending June 30, 2014, the Organization received \$20,000 in private grants to support the Property Based Business Improvement District (PBID). The purpose of the PBID program is to provide sanitation, landscaping, maintenance, improvement, and economic development for the North Park Business Improvement District. The City approved this program in fiscal year ending June 30, 2018 and \$5,000 was repaid. The private donors will decide whether to donate the remaining fund of \$15,000 to the Organization or have the grant returned to them during the fiscal year ending June 30, 2022.

Note 7. Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows are relatively consistent throughout the year due to monthly assessments from BID, PBID and SBEP programs. For months in which special events occur the Organization receives grants and sponsorships for the events corresponding to the timing of the event. To manage liquidity the Organization maintains adequate cash balances.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>06/30/2021</u>	<u>06/30/2020</u>
Cash and Cash Equivalents	\$ 123,585	\$ 134,466
Accounts Receivable	<u>54,359</u>	<u>53,104</u>
Financial assets at year-end	177,944	187,570
Less those unavailable for general expenditures within one year:		
County of San Diego Grant Restricted for a Power Washer	<u>-</u>	<u>9,203</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 177,944</u>	<u>\$ 178,367</u>

Note 8. SBA PPP Loan – Government Grant Income

The Organization received a promissory note from Union Bank for the Paycheck Protection Program (PPP2) to help the Organization through the COVID-19 pandemic. On February 12, 2021, the Organization received a promissory note in the amount of \$52,741 with a fixed annual interest rate of 1%. The Organization submitted their forgiveness application subsequent to June 30, 2021, and on October 5, 2021, Union Bank informed the Organization that all principal and interest was forgiven in full for the PPP Loan.

The Organization has elected to report the forgiven loan funds of \$52,741 with government grant income in the financial statements for the year ended June 30, 2021.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Note 9. Subsequent Events

The management of the Organization have reviewed the results of operations and evaluated subsequent events for the period of time from its year end June 30, 2021 through January 25, 2022, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

COVID-19:

On January 30, 2020, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The Organization responded to the coronavirus outbreak by enabling its employees who can work remotely to do so, limiting operations that could be done while maintaining appropriate social distancing, banning all business travel, and placing a temporary hold on most in-person meetings.

Given the dynamic nature of these circumstances, it is too early to tell what effect these changes will have on the business in the short term. The Organization will continue to monitor the situation closely, but given the uncertainty about the situation, the Organization cannot estimate the impact to the Organization's financial statements.

Note 10. Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also requires additional disclosure to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted this update, along with all subsequent amendments (collectively, "ASC 606") in fiscal year ending June 30, 2021, under the modified retrospective method. Additionally, the Organization applied the practical expedient (i) to account for revenues with similar characteristics as a collective group rather than individually, (ii) to not adjust the transaction price for the effects of significant financing components (if any), and (iii) to not disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations related to contracts with an expected duration of less than one year. The effect of the Organization's adoption of ASC 606 is outlined below.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction (i.e., ASC 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted this update on a prospective basis and the effects of the adoption are outlined below.

NORTH PARK ORGANIZATION OF BUSINESSES, INC.
dba NORTH PARK MAIN STREET
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

Note 10. Accounting Pronouncements Adopted, continued

The effect of ASC 606 and ASU 2018-08 on the Organization's financial statements were examined in conjunction with one another. The Organization's revenue-producing arrangements do not meet the definition of a contract under ASC 606, as the arrangement does not have commercial substance and does not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. The Organization reassessed the nature of its revenue-producing arrangements to ensure alignment with the definition of a contract under ASC 606 and exchange transaction under ASU 2018-08. The following changes in accounting policies occurred during the year ended June 30, 2021, as a result of the implementation of the ASC 606 and ASU 2018-08.

- Program-related and grant revenues were accounted for under ASC 958-605, *Not-For-Profit Entities, Revenue Recognition*, before the implementation of the new standards. With the clarifications outlined in ASU 2018-08, Organization management reviewed existing agreements as of the effective date, as well as new agreements for 2021, and concluded that there are no material changes in revenue related to program-related and grant revenues.

- Government reimbursement contracts: Under ASU 2018-08, these arrangements constitute contributions since the customer does not receive commensurate value for the consideration received by the Organization; rather, the purpose of the arrangement is for the benefit of the general public. Therefore, Organization management concluded that the agreements are conditional due to rights of return/release and barriers to entitlement of funds. Revenue is recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverable, the pattern of revenue recognition remained consistent with previous years. Therefore, under the prospective approach, there was no material change in the revenue recognition for government reimbursement contracts.