

CAVE CANEM FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2020

RB | RICH &
BANDER

CERTIFIED PUBLIC ACCOUNTANTS

CAVE CANEM FOUNDATION, INC.
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RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

JONATHAN A. BANDER, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cave Canem Foundation, Inc.
Brooklyn, NY

We have audited the accompanying financial statements of Cave Canem Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, 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.

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 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 Cave Canem Foundation, Inc. as of December 31, 2020, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of and for the year ended December 31, 2020, Cave Canem Foundation, Inc. adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), using the modified retrospective method applied to all contracts. Our opinion is not modified with respect to this matter.

Rich and Bander, LLP

New York, NY
July 6, 2021

CAVE CANEM FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Current assets

Cash and cash equivalents	\$ 357,253
Grants and contributions receivable	336,880
Prepaid expenses	2,312
Total current assets	<u>696,445</u>

Property and equipment, net of accumulated depreciation	1,901
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Other assets

Security deposit	9,639
Total other assets	<u>9,639</u>

TOTAL ASSETS	<u><u>\$ 707,985</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 35,565
Total current liabilities	<u>35,565</u>

Net assets

Without donor restrictions	
Undesignated	199,940
Designated by the Board for operating reserve fund	150,000
Total without donor restrictions	<u>349,940</u>
With donor restrictions	322,480
Total net assets	<u>672,420</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 707,985</u></u>
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CAVE CANEM FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions				Total
	Undesignated	Board-Designated	Total Without Donor Restrictions	With Donor Restrictions	
Revenue, support and gains					
Grants and contributions					
Foundation	\$ 339,940	\$ -	\$ 339,940	\$ 206,730	\$ 546,670
Individual	91,277	-	91,277	-	91,277
Government	59,500	-	59,500	30,750	90,250
Corporate	11,577	-	11,577	5,000	16,577
Total grants and contributions	502,294	-	502,294	242,480	744,774
Program service revenue					
Program fees	17,898	-	17,898	-	17,898
Total program service revenue	17,898	-	17,898	-	17,898
Other income					
Interest income	6	-	6	-	6
Miscellaneous income	1,709	-	1,709	-	1,709
Total other income	1,715	-	1,715	-	1,715
Net assets released from restrictions	131,000	-	131,000	(131,000)	-
	652,907	-	652,907	111,480	764,387
Expenses					
Program services expense	206,931	-	206,931	-	206,931
Supporting services expense					
Management and general	189,817	-	189,817	-	189,817
Fundraising	183,596	-	183,596	-	183,596
Total supporting services expenses	373,413	-	373,413	-	373,413
Total expenses	580,344	-	580,344	-	580,344
Change in net assets	72,563	-	72,563	111,480	184,043
Net transfers - board-designated operating reserve fund	(150,000)	150,000	-	-	-
Net assets - beginning of year	277,377	-	277,377	211,000	488,377
Net assets - end of year	\$ 199,940	\$ 150,000	\$ 349,940	\$ 322,480	\$ 672,420

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

CAVE CANEM FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Management & General	Fundraising	Total
Salaries and related payroll expenses	\$ 127,642	\$ 64,387	\$ 81,463	\$ 273,492
Professional fees	10,586	91,179	83,533	185,298
Honoraria	30,520	-	200	30,720
Occupancy	12,135	6,169	7,846	26,150
Payroll taxes	9,245	4,659	5,940	19,844
Bad debt	-	9,010	-	9,010
Supplies - office and other	2,677	3,305	1,481	7,463
Telephone	2,840	1,444	1,836	6,120
Regrants	4,000	-	-	4,000
Insurance	1,639	835	1,063	3,537
Travel	2,389	688	-	3,077
Catering and hospitality	-	2,522	-	2,522
Banking fees	-	2,430	-	2,430
Residence room and board	2,058	-	-	2,058
Advertising and marketing	633	1,384	-	2,017
Dues and subscriptions	-	1,060	-	1,060
Printing, postage and shipping	406	478	130	1,014
Office equipment	161	82	104	347
Depreciation	-	185	-	185
	<u>\$ 206,931</u>	<u>\$ 189,817</u>	<u>\$ 183,596</u>	<u>\$ 580,344</u>

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

CAVE CANEM FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	
Change in net assets	\$ 184,043
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>	
Depreciation	185
Bad debt expense	9,010
(Increase) decrease in operating assets:	
Accounts receivable	115,427
Grants and contributions receivable	(246,317)
Prepaid expenses	1,631
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	34,569
Deferred revenue	(2,384)
Total adjustments	(87,879)
Net cash provided by operating activities	96,164
Cash flows from investing activities:	
Purchase of property and equipment	(2,086)
Net cash used in investing activities	(2,086)
Net increase in cash and cash equivalents	94,078
Cash and cash equivalents, beginning of year	263,175
Cash and cash equivalents, end of year	\$ 357,253
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	\$ -
Unrelated business income taxes	\$ -

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Cave Canem Foundation, Inc. (the “Foundation”) is a New York not-for-profit foundation founded in 1997, for the artistic and professional development of the poetry of African-Americans through sponsorship of residence, workshops, readings, publications and other programs. The Foundation’s support comes primarily from individual donors and various government and agency grants.

Basis of Accounting

Revenues and expenses are recorded on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash, Cash Equivalents, and Restricted Cash

The Foundation considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents. Restricted cash consists of cash or cash equivalents held for endowments, special projects, or other long-term purposes. There was no restricted cash for the year ended December 31, 2020.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000 at cost, if purchased, or at fair value on the date of receipt, if donated. Depreciation for property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Equipment	3

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is reported. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue, Revenue Recognition, Receivables, and Grant Advance

Grants and Contributions – Grants and contributions are recognized when cash, securities or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of release/return, are not recognized until the conditions on which they depend have been substantially met.

Grant Advance – A portion of grant revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as grant advance in the statement of financial position.

Grants and Contributions Receivable – Grants and contributions that are not yet collected are recorded as grants and contributions receivable. Amounts expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Foundation uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Program Fees – Program and course fees charged are recognized at the time the programs are offered at which time the Foundation's performance obligation is completed.

Accounts Receivable – Accounts receivable represents program fees that have been earned but not collected as of the financial statement date at amounts expected to be collected. The Foundation uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific accounts receivable. As of December 31, 2020, there are no accounts receivable.

Contract Balances

Contract assets are recognized when the Foundation has satisfied a contract obligation but must satisfy other performance obligations before being entitled to payment. Contract liabilities are recognized when the Foundation has an obligation to transfer goods or service to a customer for which the Foundation has received consideration from the customer (or payment is due), but the transfer has not yet been completed. As of December 31, 2020, there are no contract assets or liabilities.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Net Assets

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 available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor - (or certain grantor) - imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Foundation to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective January 1, 2020, using the modified retrospective applied to all contracts. There were no material changes to the timing of recognition of revenue and therefore no material impact to the statement of financial position upon adoption.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new ASU establishes a right-of-use (“ROU”) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for most leases with terms longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) which requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The ASU is effective for annual periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.

The Foundation is currently evaluating the effect that these updates will have on its financial statements.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Foundation does not have any unrelated business income.

The Foundation’s Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended December 31, 2019, 2018 and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

The Foundation has evaluated its current tax positions and has concluded that as of December 31, 2020, the Foundation does not have any significant uncertain tax positions for which a reserve would be necessary.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

2) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at December 31, 2020 totaled \$336,880. These amounts are generally collected within one year. During the year ended December 31, 2020, bad debt expense amounted to \$9,010.

3) LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 339,773
Grants and contributions receivable	<u>46,130</u>
Total	<u>\$ 385,903</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit in the amount of \$20,000, which it could draw upon (see Note 9). During 2020 the Foundation also established a board-designated operating reserve fund established by the Foundation's Board of Directors (the "Board"), (See Note 10).

4) FAIR VALUE MEASUREMENTS

The Foundation has a number of financial instruments, none of which are held for trading purposes. The Foundation estimates that the fair value of all financial instruments at December 31, 2020 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange.

5) ADVERTISING AND MARKETING COSTS

For the year ended December 31, 2020, advertising and marketing expense amounted to \$2,017.

6) DISSAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates the Foundation's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2020:

Revenue recognized at a point in time:	
Program fees	\$ 17,898
Total	<u>\$ 17,898</u>

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:	
Fundraising Salary	\$ 180,000
Retreat	80,000
Workshops	23,612
Poetry Coalition Fellowship	12,480
Readings	<u>12,138</u>
Subtotal	308,230
Subject to the passage of time:	
For periods after December 31, 2020	<u>14,250</u>
Subtotal	14,250
Total net assets with donor restrictions	<u>\$ 322,480</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2020:

Expiration of time restrictions	\$ 43,500
Satisfaction of purpose restrictions:	
Workshops	47,500
Retreats	<u>40,000</u>
Subtotal	87,500
Total	<u>\$ 131,000</u>

8) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2020. Depreciation expense for the year then ended was \$185.

Equipment	\$ 2,086
Less: accumulated depreciation	<u>185</u>
	<u>\$ 1,901</u>

During the year ended December 31, 2020, the Foundation disposed of fully depreciated equipment totaling \$10,099.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

9) LINE OF CREDIT

The Foundation has available a \$20,000 revolving line of credit with a bank at a variable interest rate of 3.25% over the Wall Street Journal Prime Index Rate per annum. On December 31, 2020, the interest rate on the line of credit was 11.4% per annum. The line of credit is reviewed annually and its renewal is at the sole discretion of the bank. There was no outstanding balance on the line of credit as of December 31, 2020. The line of credit is available for the general business operations of the Foundation.

10) BOARD DESIGNATED NET ASSETS

The Foundation has a Board Designated Operating Reserve Fund (the "Fund") that was established to maintain an adequate level of net assets without donor restrictions to support the Foundation's day-to-day operations in the event of unforeseen shortfalls. The Fund may also be used for one-time, non-restructuring and specific program needs. The Fund is funded with surplus operating funds with no donor restrictions. The Board may, from time to time, direct a specific source revenue, such as one-time gifts, bequests, special grants or special appeals to be set aside for the Fund. In 2020 the Board designated \$150,000 of operating funds with no donor restrictions to the Fund. The total Fund's balance at December 31, 2020 is \$150,000.

11) FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and occupancy costs related to the office space, as well as salaries and related payroll expenses, telephone, office supplies, and utilities, which are allocated on the basis of estimates of time and effort.

12) CONCENTRATIONS OF RISK

The Foundation maintains its cash balances at a major financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2020, the total uninsured balance was \$87,860. The Foundation has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk regarding its cash balances.

During the year ended December 31, 2020, the Foundation received approximately 50% of its total grants and contributions from two donors. In addition, grants and contributions receivable from the same donors accounted for approximately 50% of grants and contributions receivable at year-end.

CAVE CANEM FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

13) LEASE COMMITMENTS

The Foundation leases office space in Brooklyn, New York under a lease agreement that expires on December 31, 2021. Rental expense charged to operations was approximately \$20,136 and is included in occupancy in the statement of functional expenses. Rent is payable in equally monthly installments of \$1,678. During the lease term the Foundation is also responsible for paying its share of real estate taxes and common charges for trash and real estate escalation throughout the lease term.

14) CONTINGENCIES

From time to time the Foundation may become involved in legal claims arising in the ordinary course of its activities. In the opinion of management, the outcome of any legal proceedings would be covered by the Foundation's insurance policies, subject to normal deductibles, and accordingly, would not have a material effect on its financial position or changes in net assets.

15) COVID-19 AND SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization recognized the novel strain of coronavirus COVID-19, as a pandemic. In direct response, on March 22, 2020, the Governor of New York State issued executive order *New York State on PAUSE*, which closed all non-essential businesses state-wide. The coronavirus outbreak has severely impacted economic activity across the world. The Foundation's Board of Directors and Management are in discussion to identify and limit the negative long-term implications of this pandemic to the Foundation.

Since the start of the pandemic, the Foundation has implemented a host of protocols in order to provide a safe working environment including remote working for the staff, plus specific health & safety protocols for any person on site including, but not limited to mandatory mask wearing and social distancing at their performance and office space, when either space was accessible.

To date, the Foundation was able to secure a total of \$49,700 in federal COVID-19 related relief, which includes a PPP loan totaling \$49,700 (approved on April 1, 2021). The Foundation intends to apply for loan forgiveness for the PPP loan as soon as it is eligible to do so. The Foundation believes that it will receive full forgiveness of the PPP loan. The Foundation believes that this money will help alleviate effects of the pandemic on potential short-term cash requirements. Given

the uncertainty of the spread and long-term impacts of COVID-19, the related financial impact to the Foundation, if any, cannot be determined at this time.

Management has evaluated subsequent events through July 6, 2021, which is the date the financial statements were available to be issued.