

RECOVERY SURVIVAL NETWORK
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
Years Ended December 31, 2023 and 2022



JCE FINANCIAL CPA
Certified Public Accountants & Consultants

RECOVERY SURVIVAL NETWORK
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December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Recovery Survival Network
San Francisco, California

Opinion

We have audited the accompanying financial statements of **Recovery Survival Network** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Recovery Survival Network** as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Recovery Survival Network** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Recovery Survival Network's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Recovery Survival Network's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Recovery Survival Network's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

JCE financial CPA

San Francisco, CA
September 30, 2024

RECOVERY SURVIVAL NETWORK
STATEMENT OF FINANCIAL POSITION
December 31, 2023 and 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 110,469	\$ 64,228
Grants receivable	244,275	147,625
Employee retention credit receivable	-	364,407
Other current asset	9,334	1,834
Total current assets	<u>364,078</u>	<u>578,094</u>
OTHER ASSETS		
Right of use asset - Operating	185,114	428,536
Security deposits and other assets	2,300	2,300
Total other assets	<u>187,414</u>	<u>430,836</u>
Total assets	<u>\$ 551,492</u>	<u>\$ 1,008,930</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 8,668	\$ 10,665
Workers' compensation insurance payable	78,826	33,848
Loans payable	-	14,406
Refundable client deposits	95,700	89,961
Deferred revenue	-	73,482
Lease liability, current maturity - Operating	197,527	257,616
Total current liabilities	<u>380,721</u>	<u>479,978</u>
LONG-TERM LIABILITIES		
Lease liability, net of current maturity - Operating	-	197,527
Total long-term liabilities	<u>-</u>	<u>197,527</u>
NET ASSETS		
Without donor restrictions - undesignated	170,771	331,425
Total net assets	<u>170,771</u>	<u>331,425</u>
Total liabilities and net assets	<u>\$ 551,492</u>	<u>\$ 1,008,930</u>

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

RECOVERY SURVIVAL NETWORK
STATEMENT OF ACTIVITIES
For the Years Ended December 31, 2023 and 2022

	2023	2022
<u>SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS</u>		
Grants - Housing and support Programs	\$ 1,742,475	\$ 1,754,637
Sober living and other program fees	452,465	282,747
Contributions	643	616
Grants - Paycheck protection program	-	158,572
Other miscellaneous income	-	1,861
Total Support and revenues without donor restrictions	2,195,583	2,198,433
<u>EXPENSES</u>		
Program services	2,026,028	1,887,487
Support Services - Management and general	330,209	279,982
Total expenses	2,356,237	2,167,469
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	(160,654)	30,964
NET ASSETS WITHOUT DONOR RESTRICTIONS AT THE BEGINNING OF YEAR	331,425	300,461
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	\$ 170,771	\$ 331,425

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

RECOVERY SURVIVAL NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 696,224	\$ 185,936	\$ 882,160
Payroll taxes	59,056	15,772	74,828
Housing program assistance	981,486	-	981,486
Other program expenses	40,308	-	40,308
Cleaning and janitorial	51,466	-	51,466
Interest	-	3,532	3,532
Insurance	18,832	5,029	23,861
Legal and professional	38,920	81,546	120,466
Marketing and advertising	995	-	995
Office supplies	7,084	1,892	8,976
Other miscellaneous expenses	-	8,213	8,213
Payroll processing fees	9,309	2,486	11,795
Rent	17,994	4,806	22,800
Repairs and maintenance	15,444	-	15,444
Software and computer expenses	4,897	1,308	6,205
Telephone and communications	3,842	1,026	4,868
Travel and transportation	2,965	4,374	7,339
Utilities and internet	37,415	3,662	41,077
Workers' compensation insurance	<u>39,791</u>	<u>10,627</u>	<u>50,418</u>
Total expenses	<u>\$ 2,026,028</u>	<u>\$ 330,209</u>	<u>\$ 2,356,237</u>

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

RECOVERY SURVIVAL NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 720,644	\$ 166,068	\$ 886,712
Payroll taxes	58,122	13,394	71,516
Housing program assistance	807,843	-	807,843
Other program expenses	52,530	-	52,530
Cleaning and janitorial	41,206	-	41,206
Interest	-	1,126	1,126
Insurance	5,409	1,246	6,655
Legal and professional	63,195	36,412	99,607
Marketing and advertising	2,119	-	2,119
Office supplies	10,204	2,352	12,556
Other miscellaneous expenses	-	7,189	7,189
Payroll processing fees	-	6,950	-
Rent	-	23,660	23,660
Repairs and maintenance	22,169	-	22,169
Software and computer expenses	3,727	859	4,586
Telephone and communications	8,726	2,011	10,737
Travel and transportation	5,664	5,399	11,063
Utilities and internet	36,629	1,956	38,585
Workers' compensation insurance	<u>49,300</u>	<u>11,360</u>	<u>60,660</u>
Total expenses	<u>\$ 1,887,487</u>	<u>\$ 279,982</u>	<u>\$ 2,160,519</u>

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

RECOVERY SURVIVAL NETWORK

STATEMENT OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (160,654)	\$ 30,964
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Paycheck protection program loan forgiveness	-	(158,572)
Noncash portion of lease expense for operating leases	(14,194)	(1,644)
Changes in operating assets and liabilities:		
Grants receivable	(96,650)	28,458
Employee retention credit receivable	364,407	-
Other current assets	(7,500)	28,065
Security deposits and other assets	-	(800)
Accounts payable and accrued expenses	(1,997)	4,982
Workers' compensation liability	44,978	33,848
Refundable client deposits	5,739	27,635
Deferred revenue	(73,482)	(41,737)
Net cash provided (used) in operating activities	<u>60,647</u>	<u>(48,801)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Loans payable	<u>(14,406)</u>	<u>14,406</u>
Net cash provided (used) by financing activities	<u>(14,406)</u>	<u>14,406</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	46,241	(34,395)
CASH AND CASH EQUIVALENT BALANCE, beginning of year	<u>64,228</u>	<u>98,623</u>
CASH AND CASH EQUIVALENTS BALANCE, end of year	<u>\$ 110,469</u>	<u>\$ 64,228</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u>\$ 3,532</u>	<u>\$ 1,126</u>

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

RECOVERY SURVIVAL NETWORK
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

1. Organization and Purpose

Recovery Survival Network is a California nonprofit public benefit corporation organized in 1996. The organization is dedicated to providing support to individuals in recovery from substance abuse by providing vocational training, education, economic development, housing assistance, emergency shelter, meals and emotional support.

2. Summary of Significant Accounting Policies

Basis of Accounting

The organization record its financial transactions and maintains its books and records on the accrual basis of accounting which recognizes revenue as it is earned and expenses as they are incurred in accordance with accounting principles generally accepted in the Unites States of America (GAAP).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires or the conditions underlying the restriction are met, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and cash equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Concentration of credit risk

Occasionally the Organization maintains cash balances in excess of the FDIC insurance limit of \$250,000. The Organization does not believe that it is exposed to significant credit risk as deposits are maintained in high quality financial institutions.

RECOVERY SURVIVAL NETWORK
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the related revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, payroll taxes, professional services, office expenses, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d). Accordingly, no provision for income taxes has been included in these financial statements.

New Accounting Pronouncement

In February 2016, the FASB issued guidance requiring a lessee to recognize a right-of-use (“ROU”) asset and lease liability on the balance sheet for most lease contracts (which include those leases that are currently classified as operating leases under the current accounting standard). Additional disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from lease contracts. The standard is effective for Recovery Survival Network beginning January 1, 2022.

Promises to Give

Promises to give are recorded in the fiscal year, in which the promise to give has become unconditional and then is classified as either without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

RECOVERY SURVIVAL NETWORK
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Grants Revenue and Receivable

A portion of the Organization’s revenue is derived from cost-reimbursable contracts and grants with the state of California and City and County of San Francisco, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Organization has received \$-0- and \$73,482 in advance under their contracts and grants as of December 31, 2023 and 2022.

The Organization has received significant financial assistance from the State of California and City and County of San Francisco agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Organization.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged against operations. The statutory live of the respective assets are as follows:

Equipment	5 – 7 years
Buildings and improvements	15 – 39 years
Vehicles and trucks	5 years

Depreciation expense includes the depreciation of assets held under capital leases if any.

Revenue Recognition for Public Support

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a 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 return - are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or a 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 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.

RECOVERY SURVIVAL NETWORK
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Program Rent

Program rent (Sober living Program) is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for the services. The Organization's program revenue consists of rental income which is considered to have a single performance obligation that is satisfied at a point in time. The performance obligations for this service are considered met, and revenue is recognized at the beginning of the month the lessee is using the space.

2. Liquidity and Availability of Financial Assets

As of December 31, 2023, the Organization has \$354,744 of financial assets available within one year from the statement of financial position date to meet cash needs for general expenditures consisting substantially of cash and cash equivalents of \$110,469 and grants receivable of \$244,275. As of December 31, 2022, the Organization had \$576,260 of financial assets available within one year from the statement of financial position date to meet cash needs for general expenditures consisting substantially of cash and cash equivalents of \$64,228, grants receivable of \$147,625 and employee retention credit receivable of \$364,407. None of the financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The donations and grants receivable are expected to be collected within one year. On average, monthly operating expenses are approximately \$175,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

3. Refundable Tax Credits – Employer Retention Credit

In August 2023, the Organization received \$364,407 of refundable tax credits in accordance with the Employer Retention Credit (ERC) program, authorized by the Coronavirus Aid, Relief and Economic Security (CARES) Act, as amended by subsequent legislative changes.

In accordance with the ERC program, a Company is eligible for an ERC if, due to the COVID-19 pandemic, there has been a significant decline in gross receipts in the current year as compared with 2019 gross receipts, or a full or partial shutdown based on a governmental order. The ERC is computed based on a percentage of qualified wages (including qualified health insurance expenses) incurred during the year, with a maximum annual credit per employee.

The Organization's policy is to account for the ERC as a grant using guidance analogous to a conditional contribution found in ASC Subtopic 958-605, Not-for-Profit Entities- Revenue Recognition. In accordance with ASC Subtopic 958-605, the ERC is recognized and recorded as income in the statement of income when the conditions required for the ERC are substantially met. The Organization has presented \$364,407 of grant income in the other income section of the statement of income in years ended 12/31/2020 and 12/31/2021. In the current assets section of the December 31, 2022 balance sheet, the Company has an ERC receivable in the amount of \$364,407, reflective of that portion of the ERC that had not yet been received at the balance sheet date.

RECOVERY SURVIVAL NETWORK
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

4. Paycheck Protection Program

On February 19 2021, the Organization received funding of \$158,572 through the Paycheck Protection Program (PPP), as established by the CARES Act, which allows qualifying businesses to obtain federal funding for amounts not to exceed two and a half times average monthly payroll expenses.

Under the provisions of the CARES Act, the PPP proceeds must be used for eligible expenses, which include payroll, benefits, rent and utilities. The eligible expenses may be forgiven if such expenses are incurred during the 24-week period after receipt of the PPP funding and if the Organization maintains its pre-pandemic staffing levels. Under the provisions of the CARES Act, payments are deferred for six months and there is no collateral or guarantee requirements.

The Organization received forgiveness for the total amount of \$158,572 during the year ended December 31, 2022.

5. Concentration of Support and Revenue

The Organization received grants and contributions from government agencies in the total amount of \$1,742,475 during the year ended December 31, 2023, which represents 79% of the Organization's total revenue. The Organization received grants and contributions from government agencies in the total amount of \$1,913,209 during the year ended December 31, 2022, which represents 87% of the Organization's total revenue.

6. Related Parties Transactions

Throughout the year, the Organization received and repaid loans to officers, directors, and employees, or made advances to officers, directors, and employees. These loans are non-interest bearing. As of December 31, 2023 and 2022, loans payable to officers totaled \$-0- and \$14,406.

7. Operating Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "*Leases*" ("ASU 2016-02"), creating a new topic, FASB ASC Topic 842, "*Leases*" ("Topic 842"), which supersedes lease requirements in FASB ASC Topic 840, "*Leases*." The new standard requires a lessee to recognize a liability related to future lease payments and a right-of-use asset representing its right to use of the underlying asset for the lease term on the balance sheet. Effective January 1, 2022, the organization adopted ASU 2016-02, leases (Topic 842).

The Organization's lease portfolio contains all operating leases. The Organization's operating leases are presented in operating lease right-of-use assets and current and long-term operating lease liabilities in the accompanying consolidated statement of financial position.

The operating right-of-use assets and lease liabilities are measured based on the present value of future lease payments over the lease term at each lease's commencement date. As most of the Organization's leases do not specify their implicit rate, the Organization has elected a practical expedient to use the nominal yield, at lease inception, applicable to U.S. Treasury instruments with a maturity of similar length of the lease term.

RECOVERY SURVIVAL NETWORK
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

7. Operating Leases (Continued)

Operating lease right-of-use assets include all fixed contractual lease payments and initial direct costs incurred by the Organization, less any lease incentives the Organization receives from the lessor. The Organization has elected a practical expedient to account for lease and non-lease components together as a single lease component. The terms of the Organization's leases generally contain lease payments and other reimbursements to the lessor. Only the fixed lease components are included in the right-of-use assets and lease liabilities. Additionally, the Organization has elected not to apply these lease accounting policies to leases with a term of one year or less or to cancelable lease contracts at the commencement date.

Operating lease expense for lease payments is recognized on a straight-line basis over the terms of each lease.

The Organization leases various facilities for its housing programs under various short-term, cancelable and noncancelable operating leases. The noncancelable operating leases are under a five-year term with an option to renew. The monthly base rent is determined based on rooms rented with 3% to 5% annual increases starting on every anniversary of the commencement date. Total rent expenses for the years ended December 31, 2023 and 2022 amounted to \$981,486 and \$807,843 respectively.

The component of noncancelable lease expenses for the year ended December 31, 2023 and are as follows:

Operating lease expense	<u>\$ 248,468</u>
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Minimum future operating lease payments required under the various operating noncancelable lease agreements in effect at December 31, 2023 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2024	<u>198,764</u>
Total future minimum lease payments	198,764
Less amount representing interest	<u>(1,237)</u>
Present value of net minimum lease payments	<u>\$ 197,527</u>

The following provides additional information relating to the Organization's operating leases as of and for the year ended December 31, 2023:

Current portion of lease liabilities - Operating	\$ 197,527
Long-term portion of lease liabilities - Operating	<u>-</u>
Total lease liabilities - Operating	<u>\$ 197,527</u>

RECOVERY SURVIVAL NETWORK
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2023 and 2022

7. Operating Leases (Continued)

Weighted average lease term - Operating	.75 years
Weighted average discount rate - Operating	1.54%

The following provides additional information relating to the Organization's operating leases as of and for the year ended December 31, 2022:

Current portion of lease liabilities - Operating	\$ 257,616
Long-term portion of lease liabilities - Operating	<u>197,527</u>
 Total lease liabilities - Operating	 <u>\$ 455,143</u>

Weighted average lease term - Operating	1.75 years
Weighted average discount rate - Operating	1.54%

8. Contingencies

The Organization participates in a number of state and city funded grant programs which are subject to financial and compliance audits by the respective agencies. Management does not anticipate any significant adjustments as a result of such audits.

In the normal course of operations, the Organization may be involved in litigation. The Organization evaluates any contingent liabilities arising from such litigation and, if appropriate, has established loss provisions when such losses are probable and can be reasonably estimated.

9. Subsequent Events

The Organization has evaluated the need for adjustments and/or disclosure resulting from subsequent events in these financial statements through September 30, 2024, the date that the financial statements were available to be issued.