TAOS CENTER FOR THE ARTS

Financial Statements
For the Year Ended August 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Taos Center for the Arts
Albuquerque, New Mexico

We have audited the accompanying financial statements of Taos Center for the Arts (Organization) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses and cash flows for 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 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 qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note 2J to the financial statements, accounting principles generally accepted in the United States of America require that unconditional promises to give are to be recorded at the time the Organization receives notification of the promise. Management has informed us that the unconditional promise to give was not recorded at the time they received the notification during the year ended

August 31, 2019, but was recorded when the cash was received during the year ended August 31, 2020. The effect of this departure on the financial statements is an overstatement of contributions - public support without donor restrictions and an understatement of net assets with donor restrictions at the beginning of the year of $247,620.

In addition, due to the inadequacy of internal control and missing accounting records, we are unable to form an opinion regarding the completeness of ticket sales and co-sponsorship revenue totaling approximately $54,000 in the accompanying statement of activities.

Opinion

In our opinion, except for the effects of not recording the unconditional promise to give upon notification and except for the possible effects of such adjustments, if any, as might have been determined to be necessary had we been able to apply adequate procedures to ticket sales revenue, as discussed in the Basis for Qualified Opinion paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Taos Center for the Arts as of August 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.

Burt + Company CPAs, LLC

Burt & Company CPAs, LLC

August 30, 2021

TAOS CENTER FOR THE ARTS
Statement of Financial Position
August 31, 2020

Assets		
Cash and cash equivalents	$	47,722
Investments		204,354
Accounts receivable, net		-
Grant receivable		15,835
Prepaid expense		1,324
Property and equipment, net		246,261
Land		142,869
Collections		182,674
Quasi-endowment		190,299
Total assets	$	1,031,338
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	3,852
Accrued liabilities		4,139
Payroll Protection Program		35,600
Deferred membership fees		24,971
Deposits		6,090
Total liabilities		74,652
Net Assets		
Without donor restrictions		759,270
Without donor restrictions - board designated		190,299
Total without donor restrictions		949,569
With donor restrictions		7,117
		956,686
Total liabilities and net assets	$	1,031,338

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

TAOS CENTER FOR THE ARTS
Statement of Activities
For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Program Revenues and Support			
Contributions - public support	$ 349,212	4,416	353,628
Program service	101,946	-	101,946
Membership fees	72,839	-	72,839
Rental	59,494	-	59,494
In-kind contributions	52,008	-	52,008
Grants	35,185	-	35,185
Advertising	15,450	-	15,450
Concession sales, net	11,404	-	11,404
Fundraising	1,640	-	1,640
Dividends and interest income, net of fees	3,971	-	3,971
Net assets released from restrictions	21,436	(21,436)	-
Total program revenues and support	724,585	(17,020)	707,565
Expenses			
Program expenses			
Visual arts	63,376	-	63,376
HD/Movies	263,899	-	263,899
Live theater performances	41,671	-	41,671
Total program expenses	368,946	-	368,946
Management and general expenses	125,165	-	125,165
Fundraising expenses	12,019	-	12,019
Total expenses	506,130	-	506,130
Other (Loss) Gain			
Economic Injury Disaster Loan	10,000	-	10,000
Gain on sale of equipment	2,500	-	2,500
Net realized and unrealized gain on investments	10,838	-	10,838
Total other (loss) gain	23,338	-	23,338
Change in net assets	241,793	(17,020)	224,773
Net assets, at beginning of year	707,776	24,137	731,913
Net assets, at end of year	$ 949,569	7,117	956,686

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

TAOS CENTER FOR THE ARTS
Statement of Functional Expenses
For the Year Ended August 31, 2020

	PROGRAM SERVICES				SUPPORTNG SERVICES			
	Visual Arts	HD/ Movies	Live Theater Performances	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Personnel expenses:								
Salary	$ 25,919	100,795	17,279	143,993	42,238	5,760	47,998	191,991
Benefits	481	1,871	321	2,673	784	107	891	3,564
Payroll taxes	2,208	8,585	1,472	12,265	3,596	491	4,087	16,352
Total personnel expenses	28,608	111,251	19,072	158,931	46,618	6,358	52,976	211,907
Other expenses:								
Advertising	1,754	6,822	1,170	9,746	2,859	390	3,249	12,995
Bad debt	-	-	-	-	7,733	-	7,733	7,733
Bank fees	-	-	-	-	7,512	-	7,512	7,512
Contract labor	6,349	24,690	4,233	35,272	5,338	144	5,482	40,754
Depreciation	4,384	17,048	2,922	24,354	7,144	974	8,118	32,472
In-kind rent - theater	9,361	36,406	6,241	52,008	-	-	-	52,008
Insurance	250	972	167	1,389	407	55	462	1,851
Internet	425	1,654	284	2,363	693	94	787	3,150
Legal and accounting	-	-	-	-	8,438	-	8,438	8,438
Miscellaneous	-	-	-	-	7,504	-	7,504	7,504
Occupancy	6,815	26,503	4,543	37,861	11,106	1,514	12,620	50,481
Postage and delivery	-	-	-	-	1,556	-	1,556	1,556
Program event	872	20,826	-	21,698	-	-	-	21,698
Repair and maintenance	4,558	17,727	3,039	25,324	7,429	1,013	8,442	33,766
Supplies	-	-	-	-	10,828	1,477	12,305	12,305
Total expenses	$ 63,376	263,899	41,671	368,946	125,165	12,019	137,184	506,130

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

TAOS CENTER FOR THE ARTS
Statement of Cash Flows
For the Year Ended August 31, 2020

Cash flows from operating activities:		
Change in net assets	$	224,773
Cash provided by operating activities:		
Net appreciation of investments		(10,838)
Depreciation expense		32,472
Bad debt expense		7,733
Gain on sale of property and equipment		(2,500)
Changes in assets and liabilities:		
Accounts receivable		(3,515)
Grants receivable		(15,835)
Prepaid expenses		(829)
Accounts payable		(688)
Accrued liabilities		1,515
Deferred membership fees		12,326
Deposit		3,262
Total adjustments		23,103
Net cash provided by operating activities		247,876
Cash flow from investing activities:		
Proceeds from sale of property and equipment		2,500
Purchase of investments		(276,696)
Purchases of property and equipment		(31,215)
Net cash used by investing activities		(305,411)
Cash flow from financing activities:		
Proceeds from Payroll Protection Program		35,600
Net cash provided by financing activities		35,600
Net increase in cash and cash equivalents		(21,935)
Cash, beginning of year		69,657
Cash, end of year	$	47,722

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

1. Nature of Organization

Taos Center for the Arts (Organization) is a not-for-profit organization established in 1953 whose purpose is to curate culturally relevant films, art exhibitions, and live performances as well as to provide local, regional, and internationally renowned artists, thinkers and performers the space to inspire creativity and foster a thriving love for the arts.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization is required to report information regarding its financial position and activities according to the following net assets classification:

Net Assets Without Donor Restriction - Net assets without donor restrictions are resources available to support operations and are not subject to donor restrictions. The governing board has designated from net assets without donor restrictions, a board-designated endowment.

Net Assets With Donor Restrictions - Net assets with donor restrictions result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all investments purchased with an original maturity of three months or less to be cash equivalents.

C. Accounts Receivables, Net

Accounts receivables consist of receivables charged for per diem cost to operate the auditorium. Total receivables for the use of the auditorium was $7,733 as of August 31, 2020. Management does not believe these to be collectible. As such, an allowance for doubtful accounts in the amount of $7,733 has been established.

D. Grants Receivable

Grants receivable of $15,835 was due from the National Endowment for the Humanities.

2. Summary of Significant Accounting Policies (continued)

E. Investments

The Organization investments consist of money market funds, which are reported as short-term investments. The funds are invested in broker/dealer federal money market funds, which are managed to maintain a net asset value per share of $1.00 and are reported at net asset value, which closely approximates fair value. Investment gains and losses are included in the statement of activities.

F. Inventory

The Organization's policy is to expense inventory when purchased. Inventory is purchased for concession and alcohol sales. Total inventory expensed for the year ended August 31, 2020 was $14,638.

G. Property and Equipment

The Organization capitalizes property and equipment of $2,000 or more and with a useful life of greater than one year. Property and equipment is stated at cost and is depreciated over its estimated useful life using the straight-line method as follows:

Equipment	3-5 years
Building improvements	7-39 years

H. Land

The Organization received donated land assets from multiple donors. The valuation of the land is based on the lower of the value on the date of donation and/or the value reported on the county's property tax assessments.

I. Collections

The Organization capitalizes its collections. The collections are made up of the Manby House historical building that are held for educational, research, and cultural purposes. Each of the buildings are preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. The Organization defines direct care of collections as any activity that involves the protection and preservation of the collection. The Manby House is not being depreciated.

2. Summary of Significant Accounting Policies (continued)

J. Revenue Recognition

1) Contributions – Public Support

Contributions are recognized when cash or other assets are received. Accounting principles generally accepted in the United States of America requires unconditional promises to give to be recognized when notification of the promise is received.

The Organization reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when stipulated time restriction expires or a purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. However, restricted donated assets are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period.

Donated materials, facilities, services, and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions, unless the donor has restricted the donated assets to a specific purpose. During the year ended August 31, 2020, the Organization received $52,008 of contributed theater rent.

Donated services are recognized as contributions if the donated services create or enhance non-financial assets or require specialized skills, and are provided by individuals possessing those skills and would otherwise be purchased by the Organization. Many individuals have donated time and services to the Organization. The value of these services has not been recorded in the financial statements because they do not meet the definition of recognition under GAAP.

2) Program Service Revenue and Concession Sales

The Organization sells admission tickets to shows and events and serves food and alcohol during live performances. Revenue from these sales are recognized when earned.

3) Membership Fees

The Organization sells memberships for discounts of shows and events which include annual or lifetime memberships. Revenue is recognized when earned and unearned revenue is deferred for membership fees that extend beyond August 31, 2020.

2. Summary of Significant Accounting Policies (continued)

J. Revenue Recognition (continued)

4) Rental and Lease Income

The Organization has short-term rental agreements for rent of its theater and long-term agreements related to the lease of a portion of its building. The Organization recognizes rental and lease income in the period in which it was earned.

5) Grants

The Organization records the grant awards as exchange transactions. Grants require expenditures for specified activities before the Organization is re-imbursed by the grantor for costs incurred.

6) Advertising

Advertising income is recognized when earned.

7) Fundraising

Fundraising revenue is recognized when earned or when the event takes place.

K. Advertising

The Organization expenses advertising costs as they are incurred, which was $12,995 for the year ending August 31, 2020.

L. Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and support services benefited. These costs include administrative labor and related expenses, insurance, internet costs, occupancy, repairs and maintenance, and other shared costs and are allocated based on estimates of time and effort.

M. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Organization may recognize the tax (benefit) expense from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The Organization files an exempt organization return

2. Summary of Significant Accounting Policies (continued)

M. Income Taxes (continued)

with Internal Revenue Service (IRS) and the State of New Mexico. It is not a "private foundation" for tax purposes.

The Organization had no taxable unrelated business income for the year ended August 31, 2020. Accordingly, a provision for income taxes has not been established in the accompanying financial statements.

N. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

O. Recent Accounting Pronouncements

FASB ASU 2018-08 - The FASB issued Accounting Standards Update 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made - This ASU provides clarification in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The guidance is applicable for transactions where the entity serves as the resource recipient beginning after December 15, 2018. Management adopted this pronouncement as of September 1, 2019. As a result, there were no cumulative effect adjustments to opening net asset without donor restrictions as of September 1, 2019.

3. Concentration of Credit Risk

The Organization occasionally maintains cash and cash equivalent balances in excess of the balance insured by the Federal Deposit Insurance Corporation (FDIC). At August 31, 2020, the Organization’s cash and cash equivalents did not exceed the balance insured by the FDIC.

Cash held in broker/dealer money market accounts are protected up to $500,000 provided by the Securities Investor Protection Corporation (SIPC). SIPC coverage does not protect against losses due to market fluctuations. At August 31, 2020, the Organization’s money market accounts did not exceed SIPC coverage.

4. Fair Value Measurements

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework of accounting standards. Fair value measurements are determined base on the assumptions that market participants would use in pricing an asset or liability.

Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The standards define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data. The Organization did not have any Level 2 inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Organization did not have any Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2020.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment securities at fair value as of August 31, 2020:

	Level 1	Level 2	Level 3	Total Fair Value
Quasi-endowment	$ 190,299	-	-	190,299
Total assets in the fair value hierarchy	$ 190,299	-	-	190,299

5. Property and Equipment

Property and equipment is comprised of the following at August 31, 2020:

Building improvements	$	333,344
Equipment		271,313
		604,657
Less accumulated depreciation		358,396
Property and equipment, net	$	246,261

Depreciation expense for the year ended August 31, 2020 was $32,472.

6. Quasi-Endowment

The Organization's quasi-endowment consists of funds designated by the governance board to support operations. Quasi-endowment funds function as endowments and are classified as net assets without donor restrictions - board designated.

The Organization’s quasi-endowment funds are invested in pooled funds held by the Taos Community Foundation.

The Organization anticipates a 5% net return after fees and has a spending policy of appropriating for distribution each year 4.5% of its board-designated endowment fund’s average fair value of the prior four quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its general endowment fund to grow at an average of approximately 1% annually. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

August 31, 2020		Without Donor Restrictions
Board-designated investments	$	190,299
Total designated endowed net assets	$	190,299

6. Quasi-Endowment (continued)

Changes in endowment net assets for the year ended August 31, 2020 are as follows:

		Without Donor Restrictions
Endowment assets, at September 1, 2019	$	107,119
Contributions		72,947
Investment return:		
Dividends and interest income, net of fees		3,971
Net appreciation (realized and unrealized)		10,838
Distributions		(4,576)
Endowment assets, at August 31, 2020	$	190,299

7. Forgivable Loans Received Under the Small Business Administration

On April 17, 2020, the Organization received loan proceeds in the amount of $35,600 pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020.

Funds from the loan will be forgiven if used for payroll costs, interest on a mortgage, rent, and utilities. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. The Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. Management believes it will meet the forgiveness criteria for the $35,600 in the fiscal year ended August 31, 2021 and the PPP loan payable is considered to be a current obligation until the criteria is met.

8. Deferred Membership Fees

Income from membership fees received in advance are deferred and recognized over the periods to which the fees relate. At August 31, 2020, the Organization’s deferred membership fees totaled $24,971.

9. Net Assets

Net assets with donor restrictions consist of the following as of August 31, 2020:

Restricted for purpose:		
Theatre seed	$	2,882
Assisted hearing devices		2,000
Taos Community Foundation virtual programming		1,804
FM transmitter		431
Total net assets with door restrictions	$	7,117

Net assets without donor restrictions consist of the following:

Undesignated	$	759,270
Board-designated endowment		190,299
Total net assets without door restrictions	$	949,569

10. Net Assets Released from Restrictions

Net assets released from restriction consist of the following as of August 31, 2020:

Restricted for purpose:		
Stables renovation	$	17,150
Manby house renovation		4,100
Theatre seed		186
	$	21,436

11. Leasing Activities

The Organization leases space to a restaurant tenant, under a noncancelable operating lease with terms that expire August 2025. The Organization also leases space to a retail tenant under a month-to-month lease agreement and leases its theater on short-term leases. For the year ended August 31, 2020, rental income totaled $59,494. The future rentals on operating leases related to the Organization's rental property for the year ending August 31, are receivable as follows:

2021	$	17,729
2022		27,132
2023		23,760
2024		24,180
2025		24,600

12. Liquidity

As part of the Organization'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. This policy includes investment of excess cash in short-term instruments.

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. Amounts not available include amounts set aside for long-term investing of the board-designated endowments that could be drawn upon if the governing board approves that action.

Financial assets as of August 31, 2020:		
Cash and cash equivalents	$	47,722
Investments		204,354
Quasi-endowment		190,299
Financial assets at year-end		442,375
Less assets unavailable for general expenditure within one year due to:		
Board-designated endowment		190,299
Donor-restricted funds		7,117
Financial assets available to meet cash needs for general expenditure within one year	$	244,959

The Organization is supported, in part, by restricted contributions, because a donor's restriction requires resources to be used in a particular manner or in a future period. The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year and, accordingly, are reflected in the above as a reduction of amounts available for general use.

13. Accounting Pronouncements Issued but not yet Adopted

A. Revenue Recognition

In September 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* The new standard 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 the entity expects to be entitled in exchange for those goods or services. The entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; (5) recognize revenue when (or as) the entity satisfies a performance obligation. This is a comprehensive principles-based framework for recognizing revenue, and when effective, will supersede the requirements in FASB ASC 605,

13. Accounting Pronouncements Issued but not yet Adopted (continued)

A. Revenue Recognition (continued)

Revenue Recognition, and virtually all industry-specific revenue recognition guidance in the FASB ASC. However, the standards for the recognition of revenue from contributions by nonprofit organizations will be retained in FASB ASC 958-605, which will be retitled Not-for-Profit Entities - Revenue Recognition-Contributions when ASU 2014-09 is effective. Subsequent to the issuance of ASU 2014-09, the FASB issued a number of ASUs clarifying certain matters in ASU 2014-09.

In August 2015, the original effective dates of ASU 2014-09 were deferred by one year through the issuance of ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. For nonpublic entities, including most nonprofit organizations, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2018. Early application is allowed, but no earlier than reporting periods beginning after December 15, 2016.

In June 2020, the FASB issued ASU 2020-05 to defer the effective date of ASU 2014-09 an additional year to fiscal years beginning after December 15, 2019 for private companies and certain not-for-profit entities (NFP) that have not yet issued financial statements or made those financial statements available for issuance. The FASB made this decision to provide a measure of relief to certain companies and organizations focused on the COVID-19 pandemic.

The Organization is currently evaluating the impact of its pending adoption of this new standard on its financial statements.

B. Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. Under the new standard, leases will be classified as either finance or operating, with classification affecting the pattern of revenue recognition in the statement of activities.

In November 2019, the new standard's effective date was delayed one year to fiscal years beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05 to defer the effective date of ASU 2016-02, an additional year to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

14. COVID-19

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. The Board is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers,

14. COVID-19 (continued)

industry, and workforce. As a result of public health orders issued by the New Mexico Department of Health due to the COVID-19 pandemic, the Organization was required to suspend all on-site operations effective March 18, 2020. As of July 1, 2021, the New Mexico public health order has been lifted. The Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

15. Subsequent Events

On March 31, 2021, the $35,600 PPP loan was forgiven.

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

The Organization has evaluated subsequent events through August 30, 2021, which is the date the financial statements were available for issuance.