Pipeline Safety Trust

Financial Statements with
Independent Auditor's Report

Years Ended March 31, 2020 (Audited) and
March 31, 2019 (Reviewed)

Larson Gross

Pipeline Safety Trust

Contents

Larson Gross

Independent Auditor's Report

To the Board of Directors
Pipeline Safety Trust
Bellingham, Washington

Report on the Financial Statements
We have audited the accompanying financial statements of Pipeline Safety Trust (the Trust), which comprise the statement of financial position as of March 31, 2020, 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.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pipeline Safety Trust as of March 31, 2020 and 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Change in Accounting Principle
As discussed in Note 10 to the financial statements, management changed its method of accounting for revenue recognition on contracts with customers due to the adoption of ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

Report on 2019 Financial Statements
The financial statements of the Trust, as of and for the year ended March 31, 2019, were reviewed by us and our report thereon, dated August 6, 2019, referred to a departure from accounting principles in the United States of America because the Trust's financial statements did not present certain endowment information, including a break-down of endowment activity, spending and appropriation policies, return objectives and risk parameters, and strategies employed for achieving the return objectives. During the year ended March 31, 2020, the Trust included the required disclosures relating to the Trust's board-designated endowment fund for the periods presented. Accordingly, our present statement on the financials statements for the year ended March 31, 2019, as presented herein, states that we are not aware of any material modifications that should be made to the accompanying financials statements is different from that expressed in our previous report.

Larson Gross PLLC

Bellingham, Washington
September 11, 2020

Pipeline Safety Trust

Statements of Financial Position

March 31, 2020 (Audited) and 2019 (Reviewed)

	2020	2019
Assets		
Current assets		
Cash	$ 145,756	$ 82,360
Interest and dividends receivable	295	114
Total current assets	146,051	82,474
Investments	3,905,665	4,260,673
Security deposit	1,025	1,025
Total assets	$ 4,052,741	$ 4,344,172
Liabilities and Net Assets		
Current liabilities		
Accrued liabilities	$ 21,982	$ 17,599
Contract liabilities	7,435	16,462
Total current liabilities	29,417	34,061
Net assets		
Without donor restrictions		
Undesignated	(26,676)	260,111
Board-designated	4,050,000	4,050,000
Total net assets	4,023,324	4,310,111
Total liabilities and net assets	$ 4,052,741	$ 4,344,172

Pipeline Safety Trust

Statements of Activities

Years Ended March 31, 2020 (Audited) and 2019 (Reviewed)

	2020	2019
Changes in net assets without donor restrictions		
Support and revenue		
Support		
Contributions	$ 43,928	$ 30,152
In-kind contributions	22,527	20,667
Total support	66,455	50,819
Revenue		
Government grant revenue	94,003	89,441
Program service fees	67,768	85,804
Investment return (loss), net	(59,008)	267,685
Interest income – other	445	680
Total revenue	103,208	443,610
Total support and revenue	169,663	494,429
Expenses		
Program services	425,798	387,426
Management and general	25,575	41,574
Fundraising	5,077	8,253
Total expenses	456,450	437,253
Change in net assets without donor restrictions	(286,787)	57,176
Net assets – beginning of year	4,310,111	4,252,935
Net assets – end of year	$ 4,023,324	$ 4,310,111

Pipeline Safety Trust

Statements of Functional Expenses

Years Ended March 31, 2020 (Audited) and 2019 (Reviewed)

	2020				2019			
	Program Services	**Management and General**	**Fundraising**	**Total**	**Program Services**	**Management and General**	**Fundraising**	**Total**
Salaries and wages	$ 170,932	$ 9,190	$ 3,676	$ 183,798	$ 191,848	$ 10,426	$ 6,256	$ 208,530
Employee benefits	28,984	1,558	623	31,165	29,577	1,608	965	32,150
Payroll taxes	15,276	821	329	16,426	13,224	719	431	14,374
Total payroll and related	215,192	11,569	4,628	231,389	234,649	12,753	7,652	255,054
Grants and other assistance	63,061	-	-	63,061	48,773	-	-	48,773
Conferences and conventions	55,530	-	-	55,530	41,043	-	-	41,043
Professional fees	33,475	8,899	-	42,374	28,033	9,344	-	37,377
Travel and entertainment	34,445	3,827	-	38,272	30,179	3,353	-	33,532
Rent	14,240	766	306	15,312	13,635	741	445	14,821
Miscellaneous	5,534	281	50	5,865	1,548	68	5	1,621
Insurance	2,262	122	49	2,433	2,160	117	70	2,347
Telephone and utilities	2,059	111	44	2,214	2,470	134	81	2,685
	$ 425,798	$ 25,575	$ 5,077	$ 456,450	$ 402,490	$ 26,510	$ 8,253	$ 437,253

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

Pipeline Safety Trust

Statements of Cash Flows

Years Ended March 31, 2020 (Audited) and 2019 (Reviewed)

	2020	2019
Cash flows from operating activities		
Change in net assets without donor restrictions	$ (286,787)	$ 57,176
Adjustments to reconcile change in net assets without donor restrictions to net cash used by operating activities:		
Net realized and unrealized (gain) loss on investments	121,275	(198,387)
Decrease in current assets:		
Interest and dividends receivable	(181)	(12)
Increase (decrease) in current liabilities:		
Accrued liabilities	4,383	(556)
Contract liabilities	(9,027)	(1,804)
Net cash used by operating activities	(170,337)	(143,583)
Cash flows from investing activities		
Proceeds from sales of investments withdrawn from investment account	296,000	230,913
Reinvested interest and dividends, net of fees	(62,267)	(69,286)
Net cash provided by investing activities	233,733	161,627
Net increase in cash	63,396	18,044
Cash – beginning of year	82,360	64,316
Cash – end of year	$ 145,756	$ 82,360

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

Note 1 – Summary of Significant Accounting Policies

Nature of activities – The Pipeline Safety Trust (the Trust) was incorporated in July 2003 as a not-for-profit corporation in the State of Washington. The Trust is organized to promote pipeline safety through education and advocacy, by increasing access to information, and by building partnerships with residents, safety advocates, government, and industry, that result in safer communities and a healthier environment.

In June 2003, as a result of the 1999 Olympic Pipe Line explosion in Bellingham, Washington, the U.S. District Court ordered that four million dollars of the criminal fines imposed as a result of the tragedy be provided to the Trust. It is the Board of Directors' intent to maintain the contributed assets as a $4 million endowment as described in Note 9, with the income earned from the contributed assets to be used to support the mission of the Trust.

Basis of accounting – The Trust prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – The Trust presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under this standard, the Trust is required to present its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions, depending on the existence and nature of donor restrictions.

> **Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as net assets without donor restrictions.
>
> **Net assets with donor restrictions** – Net assets that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Trust to use or expend part or all of the income derived from the donated assets for either specific or unspecific purposes. The Trust had no net assets with donor restrictions as of March 31, 2020 or 2019.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. In addition, if a restriction is fulfilled in the same year in which the contribution is received, the Trust reports the support as net assets without donor restrictions.

Cash – Cash consists of cash in a bank for statement of cash flows purposes.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Investment valuation and income recognition – Investments in marketable securities are stated at fair value. Income and gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless restricted by donor.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment gain includes the Trust's gains and losses on investments bought and sold as well as held during the year.

Furniture and equipment – Furniture and equipment are recorded at cost or, if acquired as a donation, at the estimated fair market value on the date acquired. Additions, improvements, or expenditures that exceed $2,500 and add to productive capacity or extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of 5 to 7 years.

Contributions – Contribution revenue is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated equipment usage and services – Equipment usage and services are donated to the Trust by an agency of the U.S. government. Such contributed amounts totaling $22,527 and $20,667 for the years ended March 31, 2020 and 2019, respectively, were recorded as deferred grant revenue.

Government grant revenue – The Trust receives support from the U.S Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA). As part of the contract, the Trust engages with leaders from the pipeline industry and regulatory entities and provides trainings to members of the public. The contract stipulates complete and timely submission of reporting on deliverables. Contract grant revenue under cost reimbursement arrangements is recognized as expenses are incurred. Grant receipts in advance of being earned are recorded as contract liabilities (Note 5).

Program service fees – The Trust hosts an annual pipeline safety conference for the affected public, local government, the pipeline industry and government regulators to discuss barrier to safer pipeline and promote collaboration between these groups. Revenue for program service fees are recognized as income as the related program service is provided by the Trust. The transaction price is the amount of consideration to which the Trust expects to be entitled in exchange for transferring services. Program service fees revenue is recognized at a point in time when the conference is held.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Functional allocation of expenses – (Continued) – Salaries, payroll taxes and employee benefits are allocated on the basis of estimates of time and effort. All other allocated expenses are allocated based on estimates of usage utilizing square footage, mileage, and other metrics.

Federal income tax – The Trust is a nonprofit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Trust received a determination letter from the Internal Revenue Service on its organization status as a publicly supported organization under Section 509(a)(1), as of December 17, 2003. Accordingly, no provision of income tax is necessary. The tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

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

Subsequent events – In preparing these financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through September 11, 2020 the date the financial statements were available to be issued.

Note 2 – Availability and Liquidity

The following represents the Trust's financial assets available for general expenditures over the next twelve months as of March 31:

Financial assets at year-end:	**2020**	**2019**
Cash	$ 145,756	$ 82,360
Interest and dividends receivable	295	114
Investments	3,905,665	4,260,673
Total financial assets	4,051,716	4,343,147
Less amounts not available to be used within one year:		
Board-designated endowment reserve	(4,000,000)	(4,000,000)
Financial assets not available to be used within one year	(4,000,000)	(4,000,000)
Financial assets available to meet general expenditures within one year	$ 51,716	$ 343,147

The Board intends to maintain the investment principal as a restricted balance indefinitely and is not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As part of the Trust's liquidity management plan, cash in excess of daily requirements may be invested in equity investments, mutual funds and money market funds. Investing in certain mutual funds is also permitted with Board approval.

Note 3 – Investments and Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1: Observable inputs to the valuation methodology that are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology that are unobservable for the asset or liability and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at March 31, 2020 and 2019.

The following tables set forth the Trust's investments at fair value as of March 31:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market fund	$ 6,973	$ -	$ -	$ 6,973
Equity investments	2,429,563	-	-	2,429,563
Mutual funds	1,469,129	-	-	1,469,129
Total	$ 3,905,665	$ -	$ -	$ 3,905,665

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market fund	$ 70,324	$ -	$ -	$ 70,324
Equity investments	2,808,711	-	-	2,808,711
Mutual funds	1,381,638	-	-	1,381,638
Total	$ 4,260,673	$ -	$ -	$ 4,260,673

Note 4 – Risks and Uncertainties

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported on the statements of financial position.

Note 5 – Government Grant Agreements

In September 2017, the Trust was awarded a technical assistance grant totaling $79,437 by the PHMSA. In September 2018, the Trust was awarded a grant totaling $99,976. As of March 31, 2020, the Trust had recognized as grant revenue the full amounts awarded under these grants.

In September 2019, the Trust was awarded an additional technical assistance grant totaling $30,468 by the PHMSA. As of March 31, 2020, the Trust had received $15,000 under the grant. The Trust recognized as revenue $7,565 with $7,435 recorded as deferred work to be performed through September 2021.

Total grant support received and recognized as of March 31 is as follows:

	2020		
	Funds Received	**Grant Revenue**	**Contract Liabilities**
2018 PHMSA - $99,976	$ 69,976	$ 86,438	$ -
2019 PHMSA - $30,468	15,000	7,565	7,435
Total	$ 84,976	$ 94,004	$ 7,435

	2019		
	Funds Received	**Grant Revenue**	**Contract Liabilities**
2017 PHMSA - $79,437	$ 44,437	$ 62,703	$ -
2018 PHMSA - $99,976	30,000	13,538	16,462
Other	13,200	13,200	-
Total	$ 87,637	$ 89,441	$ 16,462

Note 6 – Retirement Plan

The Trust sponsors the Pipeline Safety Trust Retirement Plan, a SEP-IRA plan covering all employees. The Trust is obligated to contribute 5% of employee gross wages on a quarterly basis to the Plan. For the years ended March 31, 2020 and 2019, the Trust's contributions to the Plan totaled $9,539 and $10,705, respectively.

Note 7 – Operating Lease

The Trust leases office space under an operating lease agreement extending through December 2020. Monthly rent totaled $1,245 through December 31, 2019 and subsequently increased to $1,272 as of January 2020. Rent expense totaled $15,312 and $14,821 for the years ended March 31, 2020 and 2019, respectively.

The scheduled minimum lease payments to be paid total $11,400 during the year ending March 31, 2021.

Note 8 – Board-Designated Net Assets

Board-designated net assets consist of the following as of March 31:

	2020	2019
Endowment reserve	$ 4,000,000	$ 4,000,000
Operating reserve	50,000	50,000
	$ 4,050,000	$ 4,050,000

Note 9 – Endowment

As mentioned in Note 1, it is the Board of Directors' intent to maintain the contributed assets as a $4 million endowment, with the income earned from the contributed assets to be used to support the mission of the Trust. As required by U.S. GAAP, net assets associated with endowment funds, are classified as reported based on the existence or absence of donor-imposed restrictions. All endowment net assets are classified as without donor restrictions, given the absence of donor restrictions that the funds must be held in perpetuity.

Interpretation of relevant law – The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted by Washington State as of July 2009. The Board of Trustees applies UPMIFA to all the Trust's endowment funds. UPMIFA eliminates the historic dollar value threshold, an amount below which an organization could not spend from the fund, and establishes a set of prudent management and investment standards for boards to follow when managing endowment funds. Under UPMIFA, the Trust may spend as much of an endowment fund as it considers prudent, regardless of whether the fund is below its historic dollar value. For any funds with donor restrictions, the donor's intent that the fund be perpetual in nature must still be considered and the fund managed accordingly. In accordance with UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

- Duration and preservation of the fund
- Purposes of the Trust and the donor-restricted endowment fund
- General economic conditions
- Possible effects of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Trust
- Investment policies of the Trust

Note 9 – Endowment – (Continued)

As of March 31, 2020 and 2019, endowment net assets were classified entirely as board-designated quasi-endowment. Changes to endowment net assets were as follows for the years ended March 31:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 4,000,000	$ -	$ 4,000,000
Investment loss	(59,008)	-	(59,008)
Appropriations for expenditure	(35,327)	-	(35,327)
Underwater borrowing from investments	94,335	-	94,335
Endowment net assets, end of year	$ 4,000,000	$ -	$ 4,000,000

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 4,000,000	$ -	$ 4,000,000
Investment return	267,685	-	267,685
Appropriations for expenditure	(267,685)	-	(267,685)
Endowment net assets, end of year	$ 4,000,000	$ -	$ 4,000,000

Return Objectives and Risk Parameters – The Trust has adopted investment policies for endowment assets that attempt to provide support of program needs in perpetuity. The Trust has developed investment guidelines which have been designed to allow flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program. The investment objective of the Trust is striking a balance between cash flow for operating expenses, capital preservation, and growth of principal. Generating cash flow for operating expenses is the key objective of the portfolio. Beyond the cash needed for operating expenses, growth of capital is desired to ensure that Trust is capable of supporting its mission with stable or increasing income over the years.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Trust seeks an annual average annual return of 8%. The target asset allocation for endowment investments is 2-50% equity, 30-60% fixed income and 0-10% real estate investment trust. The purpose of the equity investments is to provide a means to increase or to at least maintain the purchasing power and grow the asset base of the investment account over the long term.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Trust will withdraw funds from the investment account on a regular basis for operating expenses. The Board of Directors will determine and approve the amount for appropriations. The Trust anticipates it will withdraw 4-6% of the value of its assets annually. Should the portfolio fall below $4 million, management and the Board of Directors would determine if the long-term viability of the Trust was endangered and whether a revision or suspension of withdrawal amounts or change in investment strategy is needed.

Note 9 – Endowment – (Continued)

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Trust is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies of this nature for the year ended March 31, 2020 and 2019, given that there were no donor-restricted endowment funds. Deficiencies of this nature exist in the board-restricted endowment fund, which has an original gift value of $4,000,000, a current fair value of $3,905,665 and a deficiency of $94,335 as of March 31, 2020. These deficiencies resulted from unfavorable market fluctuations.

Note 10 – Impact of Accounting Method Change

The FASB issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the ASC. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Trust adopted the requirements of the new guidance as of April 1, 2019, utilizing the modified retrospective method of. Under this method, any cumulative effects of initially applying the new guidance are recognized as an adjustment to net assets on the statement of financial position as of April 1, 2019. The Trust did not recognize any adjustments in revenue, net assets, or any other financial statement line item as a result of adopting ASC 606.

Note 11 – Subsequent Event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Trust operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Trust, it is reasonably possible that the Trust is vulnerable to the risk of a near-term severe impact.

In May 2020, the Trust received a $41,200 loan from the Federal Payroll Protection Program. This loan accrues interest at 1%, is guaranteed by the Small Business Administration, and may be forgivable if the Trust's use of funds meets the criteria for such forgiveness. Monthly accrued interest payments begin December 2020. The portion of the loan that is not forgiven, if any, is due in one principal payment in May 2022.

Note 12 – Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, "*Leases*", which requires lessees to record most leases with terms greater than 12 months on their statement of financial position by recognizing a liability to make lease payments and an asset representing their right to use the asset during the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize the corresponding assets and lease liabilities. Lessee recognition, measurement, and presentation of expenses and cash flows will not change significantly from existing guidance and lessor accounting is largely unchanged. ASU 2016-02 also changes the definition of a lease and requires qualitative and quantitative disclosures that provide information about the amount, timing, and uncertainty of cash flows arising from leases. Application is currently required for annual periods beginning after December 15, 2021. The Trust continues to evaluate the impact of the new accounting guidance on its financial statements.

In August 2018, The FASB issued ASU 2018-13, "*Disclosure Framework – Changes to the Disclosure Requirements for Fair Value measurement"* which changes the fair value disclosure requirements including new, eliminated, and modified disclosure requirements of ASC Topic 820, *Fair Value Measurements.* Specifically, the ASU requires the addition of disclosures for Level 3 fair value measurements with unrealized gains and losses included in other comprehensive income and disclosure of the range and weighted average used to develop significant unobservable inputs for Level 3 measurements. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Trust is currently assessing the impact that adopting this new standard will have on its financial statements.