

THE TURTLE CONSERVANCY
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2019



HINRICHER & COUSINO, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of The Turtle Conservancy

We have audited the accompanying financial statements of the Turtle Conservancy (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statement of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Turtle Conservancy as of December 31, 2019, 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.

Hinricher & Cousino LLP

Thousand Oaks, California

October 6, 2020

TURTLE CONSERVANCY

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TURTLE CONSERVANCY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Current assets:	
Cash	\$ 608,091
Pledges and accounts receivable	15,476
Inventory	46,304
Investments	988
Total current assets	670,859
Property and equipment, net of accumulated depreciation	762,882
Other assets:	
Prepaid expenses and other assets	20,109
Intangible assets, net of accumulated amortization	123,254
	143,363
Total assets	\$ 1,577,104

LIABILITIES

Current liabilities:	
Accounts payable	\$ 50,687
Due to related party	55,881
Accrued expenses and other liabilities	73,450
Total liabilities	180,018

NET ASSETS

Net assets:	
Without donor-imposed restrictions	994,702
With donor-imposed restrictions	402,384
Total net assets	1,397,086
Total liabilities and net assets	\$ 1,577,104

TURTLE CONSERVANCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Imposed Restrictions	With Donor Imposed Restrictions	Total
Public support, revenue, and reclassifications			
Contributions	\$ 1,313,866	\$ 355,441	\$ 1,669,307
Sales, net of costs of \$33,074	(17,892)	0	(17,892)
Rental income	44,550	0	44,550
Membership fees	111,675	0	111,675
Interest income	267	0	267
Miscellaneous income	57,477	0	57,477
Net assets released from restrictions	581,900	(581,900)	0
Total support, revenue, and reclassifications	<u>2,091,843</u>	<u>(226,459)</u>	<u>1,865,384</u>
Expenses			
Program services	1,673,757	0	1,673,757
Fundraising expenses	131,549	0	131,549
Supporting services			
Management and general	190,924	0	190,924
Total expenses	<u>1,996,230</u>	<u>0</u>	<u>1,996,230</u>
Change in net assets	95,613	(226,459)	(130,846)
Net assets at beginning of year	899,089	628,843	1,527,932
Net assets at end of year	<u>\$ 994,702</u>	<u>\$ 402,384</u>	<u>\$ 1,397,086</u>

See accompanying auditors' report and notes to financial statements

TURTLE CONSERVANCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (130,846)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and Amortization	90,511
(Increase) or decrease in:	
Inventory	33,106
Accounts receivable	(1,941)
Prepaid expense & other assets	436
Investments	(988)
Due from related parties	888
Increase or (decrease) in:	
Accounts payable	6,290
Other liabilities	6,500
	3,956
Net cash provided by (used in) operating activities	3,956

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(6,236)
Costs of developing intangible assets	(975)
	(7,211)
Net cash provided by (used in) financing activities	(7,211)

Total increase (decrease) in cash (3,255)

Cash and restricted cash, beginning of year 611,346

Cash and restricted cash, end of year \$ 608,091

Reconciliation of cash and restricted cash:

Cash - operation	\$ 140,166
Program related restricted cash	467,925
	\$ 608,091

Supplemental Information:

Interest paid	\$ 0
Income taxes paid	\$ 0

TURTLE CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Program Expenses

	BCC	Bolson	Bolson USA	Geometric	Global	In Situ	Yniphora	Other Programs	Total Programs	General & Administrative	Fundraising	Total
Payroll and Related Expenses	\$ 447,848	\$ 16,028	\$ 886	\$ 4,015	\$ 100,979	\$ 2,148	\$ 12,946	\$ 11,384	\$ 596,234	\$ 92,493	\$ 81,351	\$ 770,078
Advertising, Promo & Marketing	2,691	0	0	0	7,972	0	0	84	10,747	307	8,884	19,938
Animal Adoption Expense	551	0	0	0	23	380	0	356	1,310	0	0	1,310
Animal Care & Supplies	28,210	0	0	0	0	0	0	103	28,313	738	0	29,051
Auto Expenses	9,887	0	0	0	7	0	0	0	9,894	108	0	10,002
Bank Fees	3,723	24	0	169	20	206	0	44	4,186	101	4,654	8,941
Communications	1,147	25	0	930	31	0	0	0	2,133	7,145	0	9,278
Computer Equipment & Software	2,173	598	0	0	1,311	0	0	0	4,082	1,696	605	6,383
Conferences & Conventions	0	175	0	0	4,864	0	0	0	5,039	0	0	5,039
Dues & Subscriptions	2,498	0	0	0	2,648	0	0	107	5,253	1,065	3,758	10,076
Sales & Use Taxes	0	0	0	0	0	0	0	0	0	0	0	0
Global Education Programs	1,718	0	0	0	65,494	0	0	0	67,212	357	5,928	73,497
Grant Giving	0	112,500	20,000	28,000	0	0	0	98,959	259,459	0	0	259,459
Housekeeping Services	5,440	0	0	0	0	0	0	0	5,440	2,500	0	7,940
Insurance	39,847	0	0	0	0	0	0	0	39,847	3,647	0	43,494
License and Taxes	420	0	0	0	0	0	0	0	420	608	0	1,028
Meals and Entertainment	2,055	202	0	243	1,498	0	57	2,536	6,591	6,873	200	13,664
Membership Expenses	71,254	0	0	0	0	0	0	0	71,254	0	4,101	75,355
Miscellaneous	55	0	0	0	0	0	0	0	55	0	0	55
Office Supplies	801	0	0	109	0	0	0	0	910	4,025	4,287	9,222
Postage & Mailing Service	751	22	0	0	610	0	0	0	1,383	1,010	5,708	8,101
Printing and Copying	415	0	0	0	109	0	0	0	524	1,114	228	1,866
Professional Services	17,416	19,322	0	1,879	1,121	206	206	206	40,356	39,283	5,998	85,637
Project Expenses	0	2,327	0	2,148	8,725	0	34,241	30,237	77,678	0	0	77,678
Rent	131,990	0	0	0	0	0	0	0	131,990	0	4,363	136,353
Rental Property Costs	13,810	0	0	0	0	0	0	0	13,810	5,524	0	19,334
Repairs and Maintenance	51,153	0	0	0	0	0	0	164	51,317	997	161	52,475
Security & Alarm	0	0	0	0	0	0	0	0	0	0	0	0
Small Equipment	2,602	0	0	0	0	0	396	534	3,532	0	0	3,532
Supplies	15,172	141	0	141	60	0	0	1,327	16,841	2,799	1,323	20,963
Travel Expenses	2,852	8,733	0	7,287	9,790	0	406	13,723	42,791	16,673	0	59,464
Utilities	70,379	0	0	0	0	0	0	0	70,379	0	0	70,379
Veterinary Expense	16,127	0	0	0	0	0	0	0	16,127	0	0	16,127
Total Expenses Before Depreciation and Amortization	942,985	160,097	20,886	44,921	205,262	2,940	48,252	159,764	1,585,107	189,063	131,549	1,905,719
Depreciation and Amortization	78,087	3,346	0	0	708	0	6,509	0	88,650	1,861	0	90,511
Total Operating Expenses	\$ 1,021,072	\$ 163,443	\$ 20,886	\$ 44,921	\$ 205,970	\$ 2,940	\$ 54,761	\$ 159,764	\$ 1,673,757	\$ 190,924	\$ 131,549	\$ 1,996,230

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION:

The Turtle Conservancy (the "TC") is dedicated to protecting the world's most endangered tortoises and turtles and their habitats through innovative and strategic conservation, land preservation, training, education, field programs, and targeted assurance colonies. The TC is supported primarily through donor contributions.

The TC was organized May 21, 2005, as a not-for-profit corporation in California under Section 501 (c)(3) of the Internal Revenue Code. Presently the TC would need to substantially scale back its operations without the financial support of its president.

During the year ended December 31, 2019, the TC funded the following programs:

Bolson Program – In 2016 the TC and HABIO AC (Mexican Non-Profit) collaborated to create a 43,540 acre preserve in the Bolson de Mapimi in the Chihuahuan Desert of northern Mexico. This is the last remaining habitat of the Bolson Tortoise. The preserve was further expanded in July 2019 by the acquisition of an additional 18,600 acres (“Guimbalete Ranch”) by HABIO AC with support from the Turtle Conservancy and other partners.

Captive Breeding Program – Based in Southern California, the Turtle Conservancy breeds more critically endangered turtles and tortoises in terms of combined species and numbers than any other institution in the world. We manage 16 of the world's 40 most endangered species, and have 522 animals from 41 taxa. During 2019 we hatched 122 endangered turtles and tortoises. The center creates a long-term plan for each species that we breed and defines the desired outcome in terms of potential need for repatriation, reintroduction, or other conservation needs.

Geometric Tortoise Program – The Turtle Conservancy, along with its partner organizations, has created a preserve of over 800 acres in South Africa, of critical habitat to create a biodiversity preserve for what is likely to be the last large population for the South African Geometric Tortoise (one of the world's most endangered animals). The Southern Africa Tortoise Conservation Trust (SATCT) was established to purchase the land and manage the reserve. SATCT continues to expand the preserve through partnerships with local land owners.

Promoting Appreciation for the Wonder of Turtles Worldwide - To inspire conservation awareness and action to save the world's turtles and tortoises, the Turtle Conservancy used a number of different approaches during 2019:

- (1) publication of The Tortoise, Volume 2, Number 3 - a cutting edge conservation magazine bringing additional awareness to an ever-increasing global audience.
- (2) global media campaign through public service announcements and documentaries.
- (3) social media - this program reaches people around the worldwide with 177,880 followers on Facebook, 20,600 followers on Twitter and 126,000 followers on Instagram.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

The TC presents its financial statements in accordance with Generally Accepted Accounting Principles (“GAAP”) for not-for-profit organizations. Under this guidance, the TC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor imposed restrictions and net assets with donor imposed restrictions. In addition, the TC is required to present a statement of cash flows and a statement of functional expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (e.g. the fair value of financial instruments, potential impairments to fixed assets and accrued expenses) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Contributed Services

Contributions of donated services that create or enhance assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The TC received a significant amount of donated services from unpaid volunteers who assist with the TC's program services and its fundraising campaigns. No amounts have been reflected in the financial statements for these services because the criteria for recognition have not been satisfied.

In-Kind Contributions

Contributions of non-cash goods and similar items, such as advertising, are recorded at the estimated fair value on the date of the contribution. Contributions of services that (1) create or enhance non-financial assets or those that require specialized skills, (2) are provided by individuals possessing those skills, and (3) would typically need to be purchased if not provided by donation are recorded at their fair value in the period received.

For the year ended December 31, 2019, there were no non-cash in-kind donations.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Support and Revenue

In conformity with GAAP, contributions received are recorded as without donor-imposed restrictions support or with donor-imposed restrictions support, depending on the existence and/or nature of any donor restrictions. Donor-imposed support is reported as an increase in net assets with donor-imposed restrictions. When a restriction expires (that is, when stipulated time restrictions end, or purpose of restriction is accomplished), net assets with donor-imposed restrictions are reclassified as net assets without donor-imposed restrictions. If donor-restricted support whose restrictions are met in the same reporting period, such support is reported as without donor-imposed support on the Statement of Activities.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decrease of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Fair Value of Financial Instruments

The carrying amounts of certain financial instruments including cash, receivables and payables are recorded at fair value at December 31, 2019.

Cash and Cash Equivalents

The TC considers cash and short-term deposits to include all stable highly liquid instruments with an original maturity date of three months or less. At December 31, 2019, the TC had no cash equivalents.

Investments

The TC presents its investments in accordance with GAAP for not-for-profit organizations. Under this guidance investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets and are allocated among the two classifications of net assets.

Inventory

Inventory consists of magazines for sale which are carried at the lower of cost or market. Cost is determined using the first in, first out method.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment

Purchased property and equipment are stated at cost. Donated property is stated at fair market value at the date of acquisition. Such donations are reported as unrestricted revenue unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted revenue. Depreciation is computed using the straight-line method for financial statement purposes over estimated useful lives of twenty years for buildings and improvements and five years for furniture and equipment.

Expenditures for maintenance and repairs are charged directly to the appropriate operating account at the time the expense is incurred. Expenditures determined to represent additions and betterments are capitalized.

Income Tax

The TC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal and state income taxes in the accompanying financial statements. In addition, the Internal Revenue Service has determined that the TC is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2019. As of December 31, 2019, the TC's information returns generally remain open for the last three years.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the year ended December 31, 2019 was \$19,938.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are allocated to programs and supporting services based on the ratio of each activity's direct salary costs to total direct salary costs for all activities. These are called shared costs and include utilities, occupancy, telephone, and other various costs.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Application of New Accounting Standard

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers, particularly, that an entity recognizes revenue to depict the transfer of promised goods or service to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for nonpublic business entities for annual reporting periods beginning after December 15, 2018.

In June of 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update are designed to assist entities in (1) evaluating whether transactions should be accounting 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 (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018.

The new pronouncements above were applied beginning January 1, 2019. The pronouncements for revenue and contributions had no significant impact on the TC's revenue recognition.

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 15, 2019. The requirements of this statements are effective for the Organization for the fiscal year beginning after December 15, 2021. The TC is in the process of evaluating the impact of this statements and potential effects of the financial statements.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The TC maintains bank accounts at one high credit quality financial institution. Accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At times, the account balances may exceed the institution's federally insured limits. At December 31, 2019, the TC had \$343,260, of uninsured cash.

For the year ended December 31, 2019, the founder of the TC contributed \$1,094,551 which represents 59% of total revenue and contributions.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – INVENTORY

At December 31, 2019, inventory at cost consisted of printed issues of the Tortoise magazine and merchandise totaling \$46,304.

NOTE 5 – PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at December 31, 2019:

Buildings and improvements	\$ 1,145,763
Equipment	209,233
Furniture and fixtures	<u>75,849</u>
	1,430,845
Less accumulated depreciation	<u>(667,963)</u>
	<u>\$ 762,882</u>

Depreciation expense for the year ended December 31, 2019, was \$82,900.

NOTE 6 – INTANGIBLE ASSETS

At December 31, 2019, intangible assets consist of capitalized costs related to obtaining a conditional use permit from the County of Ventura. At December 31, 2019, the costs and accumulated amortization were \$156,980 and \$33,726, respectively. Amortization expense for the year ended December 31, 2019, was \$7,611.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The TC leases its facilities in Ojai, California from a related party pursuant to a 10-year lease expiring on October 31, 2022. Under the terms of the lease, the landlord will donate the value of the lease (valued at \$132,000 per annum) for the entire 10-year lease term in addition to being responsible for all the real estate taxes. For the year ended December 31, 2019, rent expense paid to the related party was \$132,000. The lease provides an additional ten-year extension at the option of the TC. The TC is also responsible for utilities and insurance costs. For the year ended December 31, 2019, utilities and property insurance expenses were \$90,181.

NOTE 8 – RELATED PARTY TRANSACTIONS

The TC pays McNell Properties LLC (“McNell”), a related LLC owned by the founder of the TC, for expenses related to operating their turtle conservation located on its premises in Ojai, California. The operating expenses include, but are not limited to supplies, utilities, landscaping and repairs and maintenance. For the year ended December 31, 2019, the amount due to related parties is \$57,281.

Additionally, the TC pays rent to a McNell (see Note 7). For the year ended December 31, 2019, the amount of rent paid to McNell was \$132,000.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET ASSETS WITH DONOR IMPOSED RESTRICTIONS

At December 31, 2019, net assets with donor imposed restrictions are restricted for the following purposes:

Subject to expenditure for a specified purpose:	
Bolson Program	\$ 75,066
In Situ	155,394
Geometric	63,561
Yniphora Program	108,363
	<u>\$ 402,384</u>

NOTE 10 – NATURAL DISASTER (THOMAS FIRE)

Between December 4, 2017, and January 12, 2018, an unprecedented wildfire swept through Santa Barbara and Ventura County. It became one of the largest wildfires in California history, known as the "Thomas Fire."

During 2017 the TC filed a claim with their insurance company for damages related to the Thomas Fire, however insurance proceeds were not received until 2018. During the years ending December 31, 2019, and December 31, 2018, the TC has received insurance payments totaling \$7,923 and \$267,566, respectively.

Total payments received from the claim is proportionately much larger than the fire-related expenses incurred due to the consideration of future expenses that may be required. Future expenses include, but are not limited to: costs from additional labor and repairs and maintenance for equipment such as water filtration systems, HVAC units, various external property damage, replacement of certain equipment and machinery with shortened useful life, damages to the conservation's surrounding environment and other possible long-term costs that are either not yet discovered or have not occurred. Other than various external property damage, the TC did not sustain any losses of its animals or buildings

NOTE 11 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The TC monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The TC has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses:

Cash - Operations	<u>\$ 140,166</u>
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In addition to financial assets available to meet general expenditures over the year, the TC operates with a balanced budget and anticipates covering its general expenditures through contributions, merchandise sales, and tours.

TURTLE CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 – SUBSEQUENT EVENTS

The COVID-19 pandemic that developed rapidly in 2020 has affected the TC both financially and operationally. Federal, state, and local government agencies have instituted restrictions in an effort to contain and slow the spread of COVID-19 that have affected economic activity. Management of the TC has taken steps to mitigate the effects of COVID-19 on TC personnel, clients, and the financial impact.

As of the date of these financial statements management believes the financial impact of COVID-19 to be minimal and expects this to remain to be the case.