



FEEDING OPPORTUNITY & COMMUNITY

**Root NS, Inc.
Financial Statement
For the Years Ended
December 31, 2021 and 2020**

Root NS, Inc.

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Independent Auditor's Report

To the Board of Directors
Root NS, Inc.
Salem, MA

Opinion

I have audited the accompanying financial statements of Root NS, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Root NS, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Root NS, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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

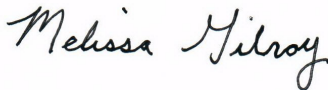
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Root NS, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Root NS, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in cursive script that reads "Melissa Gilroy".

Melissa Gilroy, Certified Public Accountant
Westwood, Massachusetts
August 9, 2022

Root NS, Inc.
Statements of Financial Position

As of December 31,	2021	2020
<u>Assets</u>		
Cash and cash equivalents	\$ 547,677	\$ 622,108
Accounts receivable	23,109	4,687
Contribution receivables	45,000	98,577
Prepaid expenses	21,893	7,675
Investments	20,360	-
Furniture and equipment	243,975	175,374
Leasehold improvements	1,572,949	1,572,949
Accumulated depreciation	(749,630)	(560,866)
Total Assets	\$ 1,725,333	\$ 1,920,504
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 82,390	\$ 47,131
Note Payable	150,000	150,000
Total Liabilities	232,390	197,131
Net Assets		
Without donor restrictions	1,331,261	1,444,733
With donor restrictions	161,682	278,640
Total Net Assets	1,492,943	1,723,373
Total Liabilities and Net Assets	\$ 1,725,333	\$ 1,920,504

Root NS, Inc.
Statements of Activity

For the years ended December 31,

2021

2020

	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Food operations	\$ 112,932	-	112,932	\$ 61,582	-	\$ 61,582
Contributions and grants	737,116	255,340	992,456	595,640	330,187	925,827
Special events, net of direct costs of \$0 and \$31,840, respectively	-	-	-	84,161	10,000	94,161
Interest income and investment income	423	-	423	70	-	70
Net assets released from restriction	372,298	(372,298)	-	331,812	(331,812)	-
Total revenue and support	<u>1,222,769</u>	<u>(116,958)</u>	1,105,811	<u>1,073,265</u>	<u>8,375</u>	1,081,640
Expenses						
Program services	1,042,335	-	1,042,335	839,892	-	839,892
Management and administrative	155,643	-	155,643	155,844	-	155,844
Fundraising	206,253	-	206,253	141,559	-	141,559
Total expenses	<u>1,404,232</u>	<u>-</u>	1,404,232	<u>1,137,295</u>	<u>-</u>	1,137,295
Change in Net Assets - operating	(181,463)	(116,958)	(298,421)	(64,030)	8,375	(55,655)
Non-Operating Activity						
Contributions restricted for capital purchases	-	67,991	67,991	-	-	-
Net assets released from restriction	67,991	(67,991)	-	-	-	-
Total non-operating activity	<u>67,991</u>	<u>-</u>	67,991	<u>-</u>	<u>-</u>	-
Change in Net Assets	(113,472)	(116,958)	(230,430)	(64,030)	8,375	(55,655)
Net Assets at Beginning of Year	<u>1,444,733</u>	<u>278,640</u>	1,723,373	<u>1,508,763</u>	<u>270,265</u>	1,779,028
Net Assets at End of Year	<u>\$ 1,331,261</u>	<u>161,682</u>	1,492,943	<u>\$ 1,444,733</u>	<u>278,640</u>	\$ 1,723,373

Root NS, Inc.

Statements of Functional Expenses

For the years ended December 31, 2021 and 2020

	Management and			2021	Management and			2020
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Salaries	\$ 420,248	63,262	131,652	\$ 615,162	\$ 317,334	60,602	109,805	\$ 487,741
Payroll taxes	42,895	4,234	8,880	56,009	30,724	4,917	9,280	44,921
Benefits	10,397	1,549	3,248	15,194	7,491	1,370	2,585	11,446
Total payroll and related expenses	473,540	69,045	143,780	686,365	355,549	66,889	121,670	544,108
Depreciation	188,764	-	-	188,764	183,109	125	-	183,234
Occupancy	122,310	2,109	2,109	126,528	114,334	3,800	3,948	122,082
Professional fees	24,621	63,620	37,214	125,455	19,408	65,191	1,521	86,120
Food enterprise supplies and expenses	98,416	-	-	98,416	84,070	-	-	84,070
Program supplies	69,558	-	-	69,558	14,273	-	-	14,273
Office supplies and expense	31,010	6,269	19,584	56,863	23,838	8,356	11,312	43,506
Students, stipends, meals and travel	17,832	4,606	-	22,438	28,000	2,560	-	30,560
Insurance	11,153	1,661	3,484	16,298	9,006	1,647	3,108	13,761
Dues and Subscriptions	-	1,873	82	1,955	-	-	-	-
Repairs and Maintenance	-	2,206	-	2,206	-	-	-	-
Bad Debt	5,131	-	-	5,131	8,305	-	-	8,305
Interest expense	-	4,254	-	4,254	-	7,276	-	7,276
Total Functional Expenses	\$ 1,042,335	155,643	206,253	\$ 1,404,232	\$ 839,892	155,844	141,559	\$ 1,137,295

Root NS, Inc.
Statements of Cash Flows

For the years ended December 31,

2021

2020

Cash Flows from Operating Activities

Change in Net Assets	\$	(230,430)	\$	(55,655)
Adjustments to reconcile change in net assets to cash provided by operations				
Depreciation		188,764		183,234
Donated securities		(23,927)		-
Unrealized gain on investment		(379)		-
Decrease (increase) in assets				
Accounts receivable		(18,422)		44,863
Contribution receivable		53,577		66,216
Prepaid expenses		(14,218)		9,290
Accounts payable and accrued expenses		35,259		(11,827)
Net Cash Provided by Operating Activities		(9,776)		236,121

Cash Flows from Investing Activities

Purchase of fixed assets		(68,601)		(5,853)
Proceeds from sale of investments		3,946		-
Net Cash Used in Investing Activities		(64,655)		(5,853)

Cash Flows from Financing Activities

Proceeds from line of credit		-		150,000
Line of credit repayment		-		(300,000)
Note payable proceeds		-		150,000
Net Cash Provided by (Used in) Financing Activities		-		-

Net (Decrease) Increase in Cash and Cash Equivalents **(74,431)** 230,268

Cash and Cash Equivalents - Beginning **622,108** 391,840

Cash and Cash Equivalents - Ending **\$ 547,677** \$ 622,108

Supplement Disclosure of Cash Flow Information

Cash paid during the year for interest	\$	4,254	\$	7,276
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Root NS, Inc.

Notes to Financial Statements

1. Nature of the Business

Root NS, Inc. (the Organization) was incorporated in 2015 as a Massachusetts non-profit and is tax exempt for federal purposes under the Internal Revenue Code under section 501c3. Root's mission is to help young adults create a pathway to independence through food service training and employment. By developing essential life and work readiness skills, youth leave Root prepared for success in the workplace. The Organization provides educational services to at-risk youth through a comprehensive food services training program. The program is founded on a learn by doing premise. The experiential learning model aims to provide a pathway out of the entrenched cycle of poverty through:

- Culinary instruction to increase employability and stable employment.
- Health and Nutrition Education.
- Increasing educational attainment.
- Increasing financial literacy.
- Developing a more stable lifestyle by addressing social barriers such as housing, mental health issues, childcare and healthy relationships.
- Offering Post-Graduation and Transition Services.

2. Summary of Significant Accounting Policies

Use of Estimates

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified in two categories based on the existence or absence of externally imposed restrictions. Operating revenues consist of those monies received and contributions attributable to the Organization's ongoing efforts. Nonoperating activities are limited to resources that generate return from other contributions and activities considered to be of a more unusual or nonrecurring nature. The net assets of the Organization are classified and defined as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are considered unrestricted.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Root NS, Inc.
Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents, reported at fair value; include cash and all highly liquid investments with a maturity of three months or less when purchased. Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2021 and 2020, the Organization had \$283,077 and \$311,594 in excess of the FDIC insured limit, respectively.

Accounts Receivable

The Organization carries its accounts receivable at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

Contribution Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Contribution receivables from two sources accounted for 100% and 91% of the outstanding contribution receivable balance as of December 31, 2021 and 2020, respectively.

Property and Equipment

Property and equipment is stated at cost at the time of acquisition or fair market value at the time of donation. Expenditures for maintenance and repairs are charged to expense as incurred; betterments are capitalized. When assets are sold or retired, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain and loss is credited or charged to operations. Depreciation is recorded on a straight-line basis based on the related assets estimated useful lives.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activity. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Revenue Recognition

The Organization earns revenue from its catering operations which is recognized upon service delivery as the performance obligation is complete upon delivery. Substantially all of the Organization's revenue is derived from its operations in, Massachusetts.

Root NS, Inc.
Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Contribution Revenue

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donations from board members represents 10% and 19% of total contribution and grant income at December 31, 2021 and 2020, respectively.

Donated Facilities, Services and Assets

Donated facilities, services and assets are recorded at the estimated fair value provided to the Organization. Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills in the period in which they are received in accordance with GAAP. During the year ended December 31, 2021, donated investment securities amounting to \$23,927 were received and are recorded in the accompanying statement of financial position.

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Income Taxes

The Organization is a tax-exempt entity under Code Section 501(c)(3) of the Internal Revenue Code (the "Code"), and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code and is not considered to be a private foundation. The Organization is also exempt from state income tax. Accordingly, no provision for income taxes is included in the financial statements.

The Organization complies with the provisions of GAAP related to the accounting for the uncertainty in income taxes. As required, the Organization has evaluated its tax positions, applying a "more likely than not" threshold and believes that there would be no material changes to the results of its operation or financial position as a result of an audit by the applicable taxing authorities, federal or state. The Organization has filed all of its known and required tax returns in a timely manner, including as permitted, allowed extensions.

Reclassification

In the current year, certain prior year amounts were reclassified to conform to the current year presentation.

Root NS, Inc.
Notes to the Financial Statements

3. Special Events

The Organization had special event revenue and related expenses consisting of the following:

	2021	2020
Special event income	\$ -	\$ 126,001
Special event expense	-	(31,840)
	<u>\$ -</u>	<u>\$ 94,161</u>

4. Liquidity and Availability

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

	2021	2020
Cash and Cash Equivalents	\$ 547,677	\$ 622,108
Accounts Receivable	23,109	4,687
Contribution Receivable, current portion	45,000	55,000
Investments	20,360	-
Financial assets	<u>\$ 636,146</u>	<u>\$ 681,795</u>
Less donor purpose restrictions	(116,682)	(215,063)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 519,464</u>	<u>\$ 466,732</u>

As part of its liquidity management plan, the Organization manages its operations within a balanced budget. The organization relies on annual fund donations, unrestricted grants, fundraising event revenue, and earned service revenue to cover the costs of operations.

5. Debt

Line of Credit

In fiscal 2019, the Organization obtained a line of credit in the amount of \$150,000 to be used for working capital purposes payable on demand due to a Board member. During fiscal 2020, the line was used and repaid during the year. During fiscal 2021 the line was not drawn on, as such, the amount outstanding as of December 31, 2021 was zero.

Note Payable

The Organization obtained a note payable due the Small Business Administration under the Economic Injury Disaster Loan Program ("EIDL") in the amount of \$150,000. The loan requires principal and interest payments of \$641 monthly beginning in November 2022 and matures in June 2050. Payments of interest only commence in November 2022 and principal and interest payments begin in October 2025. The note has a fixed interest rate of 2.75%. As of December 31, 2021 and 2020, the amount outstanding was \$150,000, respectively.

Total interest expense for all outstanding debt for the years ended December 31, 2021 and 2020 amounted to \$4,254 and \$7,276, respectively.

Principal payments on the note payable are due as follows:

2022	\$ -
2023	-
2024	-
2025	757
2026	3,633
Thereafter	145,610
	<u>\$ 150,000</u>

Root NS, Inc.
Notes to the Financial Statements

6. Lease

The Organization maintains a lease for office space that began in October 2017 and expires in September 2022 with an option to renew for an additional five years. **As of the report date, the lease renewal option has not been executed.** Monthly lease payments amount to \$6,621 per month. The lease provided for two months of free rent. Total rent expense for the year ended December 31, 2021 and 2020 amounted to \$78,123 and \$76,800. Payments of \$59,589 on the lease are due in fiscal 2022.

7. Contribution Receivables

As of December 31, 2021 and 2020, contribution receivables are scheduled to be collected as follows:

	2021	2020
Less than one year	\$ 45,000	\$ 55,000
One to five years	-	45,000
Less discount	-	(1,423)
	<u>\$ 45,000</u>	<u>\$ 98,577</u>

8. Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgement or estimation.

The assets or liabilities 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. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value. It is reasonably possible that change in the value of these instruments will occur in the near term and that such changes could materially affect amounts reported in the financial statements.

The following fair value hierarchy table presents information about the Organization' assets measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations as of December 31, 2021:

	Level 1
Common Stock	<u>\$ 20,360</u>
	<u>\$ 20,360</u>

Root NS, Inc.
Notes to the Financial Statements

9. Net Assets with Donor Restrictions

Net assets with donor restrictions consists of the following at December 31, 2021 and 2020:

Description	As of		As of	
	12/31/2020	Additions	Released	12/31/2021
Pledge receivable - time restriction	\$ 98,577	1,423	(55,000)	\$ 45,000
<i>Purpose restricted:</i>				
Youth training program	15,900	90,500	(56,400)	50,000
Salem meet and greet	10,590	-	(4,750)	5,840
Fiscal 2022 event	-	7,500	-	7,500
Scholarships	35,074	25,000	(14,149)	45,925
Payroll and other costs	-	98,917	(98,917)	-
COVID and community meals	116,999	57,000	(168,082)	5,917
Capital improvements	1,500	67,991	(67,991)	1,500
	<u>\$ 278,640</u>	<u>348,331</u>	<u>(465,289)</u>	<u>\$ 161,682</u>

10. Paycheck Protection Program

In April 2021 and April 2020, the Organization received a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan under the CARES act in the amount of \$98,917 and \$98,000, respectively. The loans were accounted for as conditional grants and available to fund eligible payroll and related costs, utilities and rent. The Organization met the conditions as of its year-ended December 31, 2021 and December 31, 2020 in order to earn the revenue in accordance with GAAP and as the related income was recorded in contribution and grant income in the accompanying financial statements. Both loans have been officially forgiven by the SBA.

11. Recent Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. The guidance is effective for the Organization for the fiscal year ending December 31, 2022. Management is evaluating the effect that adoption of this new standard will have on the Organization's consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires disclosure of contributed nonfinancial assets in a separate line item within the statement of activities, disclosure of the policy about monetizing rather than utilizing contributed nonfinancial assets and qualitative information about those monetized or utilized during the fiscal year, and a description of any donor-imposed restrictions on the contributed nonfinancial assets. This guidance must be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. The Organization has adopted this standard which did not have a material impact on its financial statements.

12. Risks and Uncertainties

During fiscal 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of school and businesses. As a result of the Pandemic, during 2020, the Organization was required to close the Café and cancel certain events. Specific to the Organization, COVID-19 may impact operations and financial results, including but not limited to, additional costs for emergency preparedness, potential shortages of personnel, or loss of revenue. Management believes it is taking appropriate actions to mitigate any negative impact COVID-19 may have on its operations.

Root NS, Inc.
Notes to the Financial Statements

13. Subsequent Events

Management has evaluated subsequent events through August 9, 2022, which is the date financial statements were available to be issued.