

AUGUSTHEART
Audited Financial Statements
June 30, 2020

AKIN, DOHERTY, KLEIN & FEUGE, P.C.
Certified Public Accountants

AUGUSTHEART
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June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
AugustHeart
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of AugustHeart, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 U. S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U. S. generally accepted auditing standards. 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 AugustHeart as of June 30, 2020 and 2019, and the results of its activities, functional expenses and cash flows for the years then ended, in accordance with U. S. generally accepted accounting principles.

Akin Doherty Klein & Feuge PC
Akin, Doherty, Klein & Feuge, P.C.
San Antonio, Texas
October 16, 2020

AUGUSTHEART
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 175,273	\$ 84,674
Prepaid expenses and other assets	<u>27,164</u>	<u>24,204</u>
Total current assets	202,437	108,878
Property and Equipment:		
Office equipment	41,236	37,759
Heart screening equipment	<u>188,310</u>	<u>181,843</u>
Total property and equipment	229,546	219,602
Less accumulated depreciation	<u>(144,301)</u>	<u>(120,214)</u>
Net property and equipment	85,245	99,388
Endowment Fund, at fair value:		
Corpus	75,000	75,000
Accumulated earnings	<u>7,556</u>	<u>5,293</u>
Total endowment	<u>82,556</u>	<u>80,293</u>
Total Assets	<u><u>\$ 370,238</u></u>	<u><u>\$ 288,559</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 10,500	\$ 16,418
Accrued expenses	<u>673</u>	<u>1,089</u>
Total current liabilities	11,173	17,507
Net Assets:		
Without donor restrictions	284,065	196,052
With donor restrictions:		
Endowment, corpus	<u>75,000</u>	<u>75,000</u>
Total net assets	<u>359,065</u>	<u>271,052</u>
Total Liabilities and Net Assets	<u><u>\$ 370,238</u></u>	<u><u>\$ 288,559</u></u>

See notes to audited financial statements.

AUGUSTHEART
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
General donations	\$ 175,271	\$ -	\$ 175,271
In-kind contributions	41,343	-	41,343
Special events, net of expenses	133,487	-	133,487
Investment earnings, net	2,263	-	2,263
Total revenues and support	<u>352,364</u>	<u>-</u>	<u>352,364</u>
Expenses			
Program services	199,294	-	199,294
Management, general and administrative	42,056	-	42,056
Fundraising	23,001	-	23,001
Total expenses	<u>264,351</u>	<u>-</u>	<u>264,351</u>
Changes in Net Assets	88,013	-	88,013
Net assets released from restriction	-	-	-
Net assets at beginning of year	<u>196,052</u>	<u>75,000</u>	<u>271,052</u>
Net Assets at End of Year	<u>\$ 284,065</u>	<u>\$ 75,000</u>	<u>\$ 359,065</u>

See notes to audited financial statements.

AUGUSTHEART
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
General donations	\$ 214,238	\$ -	\$ 214,238
In-kind contributions	102,612	-	102,612
Special events, net of expenses	98,468	-	98,468
Investment earnings, net	558	-	558
Total revenues and support	<u>415,876</u>	<u>-</u>	<u>415,876</u>
Expenses			
Program services	306,340	-	306,340
Management, general and administrative	46,436	-	46,436
Fundraising	27,650	-	27,650
Total expenses	<u>380,426</u>	<u>-</u>	<u>380,426</u>
Changes in Net Assets	35,450	-	35,450
Net assets released from restriction	-	-	-
Net assets at beginning of year	<u>160,602</u>	<u>75,000</u>	<u>235,602</u>
Net Assets at End of Year	<u>\$ 196,052</u>	<u>\$ 75,000</u>	<u>\$ 271,052</u>

See notes to audited financial statements.

AUGUSTHEART
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Management, General and Administrative	Fundraising	Total
Salaries	\$ 75,347	\$ 12,558	\$ 12,558	\$ 100,463
Payroll taxes	5,580	930	930	7,440
Employee benefits	7,748	1,291	1,291	10,330
Contract labor	23,534	-	-	23,534
Computer services	2,600	433	433	3,466
Marketing and advertising	8,816	-	3,778	12,594
Professional fees	-	10,500	-	10,500
In-kind expenses:				
Professional fees	33,916	-	-	33,916
Office space	5,570	928	928	7,426
Screening supplies	4,352	-	-	4,352
Insurance	5,027	1,676	-	6,703
Office supplies	-	1,060	-	1,060
Bank fees	-	6,467	-	6,467
Postage	218	73	72	363
Dues and subscriptions	-	1,131	-	1,131
Interest	-	-	-	-
Travel and conferences	5,993	1,998	-	7,991
Miscellaneous	2,528	-	-	2,528
Depreciation	18,065	3,011	3,011	24,087
	<u>199,294</u>	<u>42,056</u>	<u>23,001</u>	<u>264,351</u>
Total Expenses	\$ 199,294	\$ 42,056	\$ 23,001	\$ 264,351

Special event expenses not included above:

Venue	\$ 9,639
Food and beverage	36,842
Entertainment	49,312
Other direct costs	<u>34,855</u>
Total	<u>\$ 130,648</u>

See notes to audited financial statements.

AUGUSTHEART
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services	Management, General and Administrative	Fundraising	Total
Salaries	\$ 86,948	\$ 14,492	\$ 14,492	\$ 115,932
Payroll taxes	6,141	1,023	1,023	8,187
Employee benefits	6,832	1,139	1,139	9,110
Contract labor	41,575	-	-	41,575
Computer services	2,929	488	488	3,905
Marketing and advertising	15,914	-	6,820	22,734
Professional fees	-	13,200	-	13,200
In-kind expenses:				
Professional fees	96,391	-	-	96,391
Office space	4,665	778	778	6,221
Screening supplies	13,717	-	-	13,717
Insurance	5,068	1,689	-	6,757
Office supplies	-	2,245	-	2,245
Bank fees	-	5,117	-	5,117
Postage	365	122	122	609
Dues and subscriptions	-	730	-	730
Interest	-	431	-	431
Travel and conferences	6,581	2,194	-	8,775
Miscellaneous	2,487	-	-	2,487
Depreciation	16,727	2,788	2,788	22,303
	<u>\$ 306,340</u>	<u>\$ 46,436</u>	<u>\$ 27,650</u>	<u>\$ 380,426</u>

Special event expenses not included above:

Venue	\$ 7,670
Food and beverage	42,119
Entertainment	49,000
Other direct costs	<u>43,180</u>
Total	<u>\$ 141,969</u>

See notes to audited financial statements.

AUGUSTHEART
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 88,013	\$ 35,450
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,087	22,303
Unrealized (gain) on investments	(2,326)	(70)
Changes in operating assets and liabilities:		
Prepaid expenses	(2,960)	(20,304)
Accounts payable and accrued expenses	(6,334)	3,069
Net cash provided by operating activities	<u>100,480</u>	<u>40,448</u>
Investing Activities		
Purchases of investments	63	(488)
Purchases of equipment	(9,943)	(7,025)
Net cash (used) by investing activities	<u>(9,880)</u>	<u>(7,513)</u>
Financing Activities		
Repayment of long-term debt	-	(14,420)
Net cash (used) by financing activities	<u>-</u>	<u>(14,420)</u>
Change in Cash and Cash Equivalents	90,600	(44,725)
Cash and cash equivalents at beginning of year	<u>84,674</u>	<u>129,399</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 175,274</u></u>	<u><u>\$ 84,674</u></u>
Supplemental Disclosures		
Cash paid for interest	\$ -	\$ 431
Cash paid for income taxes	-	-

See notes to audited financial statements.

AUGUSTHEART
Notes to Audited Financial Statements
June 30, 2020 and 2019

NOTE A – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission: AugustHeart (the Organization) is incorporated in the State of Texas as a not-for-profit corporation. Its primary mission is to prevent sudden cardiac death in students, ages 14 to 18, in San Antonio and surrounding communities by providing free heart screenings.

Basis of Presentation: The accompanying financial statements of AugustHeart have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles (GAAP). Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in the general operations and not subject to donor restrictions. ***Grants and contributions gifted for recurring programs of the Organization generally are not considered without donor restrictions under GAAP,*** though for internal reporting the Organization tracks such amounts to verify the disbursements match the intent.

Net Assets With Donor Restrictions: Net assets subject to donor imposed restrictions that are more restrictive than the Organization's mission and purpose. 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. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: Contributions received are recorded when earned rather than received. Non-cash contributions are recorded at their fair market value at the date of donation. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Donations: The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. Gifts of equipment and other similar assets are reported at estimated fair value as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Contributions received with donor restrictions whose restrictions are met in the same reporting period are generally reported as unrestricted support.

Functional Allocation of Expenses: The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits which are allocated on the basis of time and effort, as well as depreciation, office and occupancy, which are allocated on square footage or another reasonable basis.

Special Events: Costs associated with Special Events are netted against the related revenue and totaled \$130,648 for the year ended June 30, 2020 and \$141,969 for the year ended June 30, 2019.

Advertising: Advertising and marketing costs are expensed as incurred and totaled \$12,594 in 2020 and \$22,734 in 2019.

AUGUSTHEART
Notes to Audited Financial Statements
June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents: Cash and cash equivalents consist of cash-on-hand, demand deposits held by financial institutions and any equivalent securities with a maturity of three months or less.

Property and Equipment: Property and equipment is valued at historical cost or estimated fair value at date of donation. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related asset (generally three to seven years for furniture, equipment and vehicles).

Endowment: The Organization's endowment is pooled under a managerial agency agreement and includes cash equivalents, equities and fixed income securities. The corpus (\$75,000) is classified as *with donor restriction* based on the existence of donor restrictions. Any earnings not expended at year end are reported as *without donor restriction* and are available for operations. The endowment is reported at fair market value, and earnings are reported net of fees.

Donated Services, Material, and Facilities: The Organization receives donated services from a variety of unpaid volunteers assisting the Organization during health screening and fundraising events. Such donated services are recognized as revenues and program expenses at fair market value in the period such service is performed.

Income Taxes: AugustHeart is a not-for-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, and is not a "private foundation" within the meaning of Section 509(a). Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Organization is not subject to the Texas franchise tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its tax returns for the last four years remain subject to examination.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent. The Organization maintains cash deposits with major banks which, from time-to-time, may exceed federally insured limits. The Organization periodically assesses the financial condition of the institutions and believes the risk of any loss is minimal.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

Use of Estimates: The preparation of financial statements in conformity with U. S. 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

AUGUSTHEART
Notes to Audited Financial Statements
June 30, 2020 and 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Recently Adopted Accounting Pronouncements: Accounting Standards Update (ASU) 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* was adopted effective July 1, 2019. This standard was implemented using the modified retrospective method. While adoption of this standard required additional disclosures, adoption did not have a material impact on the financial statements and no adjustments were made to prior periods.

New Accounting Pronouncements: In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

NOTE B - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions consist of the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
Endowment, corpus	<u>\$ 75,000</u>	<u>\$ 75,000</u>

NOTE C - DONATED MATERIALS AND SERVICES

Donated services meeting the criteria for recognition under U.S. generally accepted accounting principles were provided by ECG technicians, echo sonographers, doctors, and professional staff, and totaled \$33,916 in 2020 and \$96,391 in 2019.

Office space was donated by Koontz Corporation, and the value totaled \$7,426 in 2020 and \$6,221 in 2019.

AUGUSTHEART
Notes to Audited Financial Statements
June 30, 2020 and 2019

NOTE D – ENDOWMENT

General: Management is developing its investment policies for review and adoption by its Board of Directors. The policies below, with continued refinement, are being followed by the Organization currently and are expected to formally approved by the Board.

Interpretation of Relevant Law: The Board of Directors has interpreted the State of Texas Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted investment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts to be held to perpetuity, (b) the original value of subsequent gifts to be held to perpetuity, and (c) accumulations in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions (i.e., unspent earnings) is classified as net assets without donor restriction. The following factors, among others, are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

Funds with Deficiencies: From time to time, the fair value of investments associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA required the Organization to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2020 and 2019.

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment investments that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce results that equal or exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Endowment funds over time are expected to provide a positive rate of return. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Board has not established a rigid policy for distributions. Interest and dividends earned can be used for operational and program expenses.

AUGUSTHEART
Notes to Audited Financial Statements
June 30, 2020 and 2019

NOTE D – ENDOWMENT – continued

The endowment had the following activity during the last two fiscal years:

	Without Donor Restriction	With Donor Restriction	Total
<i>Year Ended June 30, 2020:</i>			
Endowment, beginning of year	\$ 5,293	\$ 75,000	\$ 80,293
Investment earnings, net	2,263	-	2,263
Endowment, end of year	<u>\$ 7,556</u>	<u>\$ 75,000</u>	<u>\$ 82,556</u>
<i>Year Ended June 30, 2019:</i>			
Endowment, beginning of year	\$ 4,735	\$ 75,000	\$ 79,735
Investment earnings, net	558	-	558
Endowment, end of year	<u>\$ 5,293</u>	<u>\$ 75,000</u>	<u>\$ 80,293</u>

NOTE E – FAIR VALUE MEASUREMENTS

In accordance with U.S generally accepted accounting principles (GAAP), the Organization utilizes a fair value hierarchy that prioritizes the inputs for the 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 as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets
 - quoted prices for identical or similar assets or liabilities in inactive markets
 - inputs other than quoted prices that are observable for the asset or liability
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means
 - if the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of 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.

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Notes to Audited Financial Statements
June 30, 2020 and 2019

NOTE E – FAIR VALUE MEASUREMENTS - continued

The following table sets forth by level, within the fair value hierarchy, the Organization’s endowment measured at fair value:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
<i>June 30, 2020:</i>				
Endowment, cash	\$ 40,000	\$ -	\$ -	\$ 40,000
Endowment, investments	<u>-</u>	<u>42,556</u>	<u>-</u>	<u>42,556</u>
Total endowment, at fair value	<u>\$ 40,000</u>	<u>\$ 42,556</u>	<u>\$ -</u>	<u>\$ 82,556</u>
<i>June 30, 2019:</i>				
Endowment, cash	\$ 40,000	\$ -	\$ -	\$ 40,000
Endowment, investments	<u>-</u>	<u>40,293</u>	<u>-</u>	<u>40,293</u>
Total endowment, at fair value	<u>\$ 40,000</u>	<u>\$ 40,293</u>	<u>\$ -</u>	<u>\$ 80,293</u>

There have been no changes in methodologies to determine fair value, nor transfers among levels. Following is a description of the valuation methodologies for various types of assets measured at fair value:

Cash and cash equivalents: Valued at cost plus accrued interest.

Investments: Pooled separate accounts which are valued at the closing price of the underlying assets closing price reported on the active market.

The preceding 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 Foundation 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.

NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

AugustHeart has approximately \$180,000 available within one year of the balance sheet date to meet its needs for general expenditures. This consists of operating cash plus accumulated earning on the Endowment which is available for operations. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures. The Organization has a goal to maintain financial assets to meet at least 120 days of normal operating expenses, which on average, total approximately \$21,000 per month given full programmatic operations.

AUGUSTHEART
Notes to Audited Financial Statements
June 30, 2020 and 2019

NOTE G – COVID-19

As a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen which could impact AugustHeart's operations. Mandated and voluntary closings have caused various business disruptions and created volatility in the economy. While these disruptions are currently expected to be temporary, there is considerable uncertainty around the duration or the effect on the stock market. Any related financial impact and duration cannot be reasonably estimated at this time.