

**GADSDEN CULTURAL ARTS  
FOUNDATION, INC.**

AUDITED FINANCIAL STATEMENTS  
December 31, 2021 and 2020

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1 - 3
STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS.....	4 - 5
STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS.....	6
STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS.....	7 - 8
NOTES TO THE FINANCIAL STATEMENTS .....	9 - 13

# MDA PROFESSIONAL GROUP, P.C.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Gadsden Cultural Arts Foundation, Inc.  
Gadsden, Alabama

### **Opinion**

We have audited the accompanying financial statements of Gadsden Cultural Arts Foundation, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2021 and 2020, the related statements of support, revenues, expenses, and changes in net assets – modified cash basis, and the statements of functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Gadsden Cultural Arts Foundation, Inc. as of December 31, 2021 and 2020, and its support, revenue, expenses, changes in net assets, and functional expenses, for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **Basis for Opinion**

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

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements**

Our 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 our 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, we:

- 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 Gadsden Cultural Arts Foundation, 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gadsden Cultural Arts Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

Gadsden Cultural Arts Foundation, Inc.  
Page 3

We are 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 we identified during the audit.

*MDA Professional Group, P.C.*

Gadsden, Alabama  
April 19, 2022

GADSDEN CULTURAL ARTS FOUNDATION, INC.

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

DECEMBER 31, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 311,466	\$ 184,962
Investments - Cash	290,062	82,308
	<u>601,528</u>	<u>267,270</u>
<b>PROPERTY AND EQUIPMENT</b>		
Building and Improvements	3,135,971	3,067,647
Building - Symphony	542,713	542,713
Office Equipment	97,734	94,039
Youth Symphony Orchestra Equipment	125,750	125,750
Furniture	106,491	105,979
Children's Museum	30,633	30,633
Automobiles	26,310	26,310
	<u>4,065,602</u>	<u>3,993,071</u>
Less Accumulated Depreciation	<u>2,835,093</u>	<u>2,720,752</u>
	<u>1,230,509</u>	<u>1,272,319</u>
<b>OTHER ASSETS</b>		
Investments, at Cost	<u>1,969,195</u>	<u>1,931,839</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,801,232</u></u>	<u><u>\$ 3,471,428</u></u>

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<u>LIABILITIES AND NET ASSETS</u>	<u>2021</u>	<u>2020</u>
<b>CURRENT LIABILITIES</b>		
Long-Term Debt, Current Maturities	\$ -	\$ 48,950
Payroll Tax Liabilities and Other Withholdings	<u>8,990</u>	<u>11,239</u>
	<u>8,990</u>	<u>60,189</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	<u>3,792,242</u>	<u>3,411,239</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 3,801,232</u>	 <u>\$ 3,471,428</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

GADSDEN CULTURAL ARTS FOUNDATION, INC.

STATEMENTS OF SUPPORT, REVENUES, EXPENSES, AND CHANGES  
IN NET ASSETS - MODIFIED CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<b>SUPPORT AND REVENUE</b>		
Grants	\$ 690,809	\$ 502,220
School	331,530	267,794
Gadsden Arts Tickets	3,203	67,526
Youth Symphony Orchestra	179,069	162,917
Pledges, Fundraising, and Legacy	152,266	185,084
Imagination Place and Other Activities	121,478	67,704
Projects	18,489	5,718
Exhibits	7,000	2,035
Rental - Other	-	500
Memberships	21,920	17,371
Miscellaneous	834	3,006
	<u>1,526,598</u>	<u>1,281,875</u>
<b>EXPENSES</b>		
Program Services		
School	394,433	339,173
Youth Symphony Orchestra	321,329	330,740
Imagination Place	111,382	125,836
Exhibits	51,338	16,781
Projects	18,590	8,913
Gadsden Arts Tickets	3,203	69,196
Management and General		
Personnel	186,149	194,788
Building Expenses	46,905	56,324
Operating Expenses	106,714	100,648
Depreciation	72,549	71,262
Fundraising and Legacy	104,352	151,729
	<u>1,416,944</u>	<u>1,465,390</u>
<b>OTHER INCOME (EXPENSES)</b>		
Dividend Income	49,912	50,752
Gain on Investment Securities	218,974	43,246
Interest Income	3,598	3,498
Loss on Disposal of Fixed Assets	-	(24,505)
Interest Expense	(1,135)	(3,980)
	<u>271,349</u>	<u>69,011</u>
CHANGES IN NET ASSETS	381,003	(114,504)
NET ASSETS, BEGINNING OF YEAR	<u>3,411,239</u>	<u>3,525,743</u>
NET ASSETS, END OF YEAR	<u>\$ 3,792,242</u>	<u>\$ 3,411,239</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.



GADSDEN CULTURAL ARTS FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Functional Expenses	2021											
	Program Activities						Supporting Activities					Total
	School	Youth Symphony Orchestra	Imagination Place	Exhibits	Projects	Gadsden Arts Tickets	Programs Subtotal	General and Administrative	Fund-Raising	Supporting Subtotal		
Payroll and Related Benefits	\$ 54,064	\$ 231,996	\$ 75,691	\$ 1,142	\$ 3,015	\$ -	\$ 365,908	\$ 186,149	\$ 45,250	\$ 231,399	\$ 597,307	
Supplies and Program Services	220,691	41,330	11,914	48,826	11,958	-	334,719	-	-	-	334,719	
Depreciation	21,070	11,381	7,721	445	1,175	-	41,792	72,549	-	72,549	114,341	
Utilities	13,623	7,358	4,992	288	760	-	27,021	46,905	-	46,905	73,926	
Fundraising	-	-	-	-	-	-	-	-	59,102	59,102	59,102	
Contract Labor	54,783	-	-	-	-	-	54,783	-	-	-	54,783	
Insurance	7,915	4,275	2,900	167	441	-	15,698	27,251	-	27,251	42,949	
Investment Fees	4,933	2,664	1,807	104	275	-	9,783	16,985	-	16,985	26,768	
Bank Charges	3,313	1,790	1,214	70	185	-	6,572	11,408	-	11,408	17,980	
Office Expense	2,913	3,229	1,067	61	162	-	7,432	10,029	-	10,029	17,461	
Service Contracts	2,680	1,447	982	57	149	-	5,315	9,227	-	9,227	14,542	
Repairs and Maintenance	2,630	1,420	964	56	147	-	5,217	9,053	-	9,053	14,270	
Advertising	2,268	1,416	831	48	126	-	4,689	7,810	-	7,810	12,499	
Professional Fees	2,108	1,138	772	45	118	-	4,181	7,257	-	7,257	11,438	
Printing	37	4,087	13	1	2	-	4,140	126	-	126	4,266	
Dues and Subscriptions	402	1,526	147	8	22	-	2,105	1,387	-	1,387	3,492	
Postage	636	359	233	13	35	-	1,276	2,193	-	2,193	3,469	
Gadsden Arts Tickets	-	-	-	-	-	3,203	3,203	-	-	-	3,203	
Small Tools and Equipment	-	3,162	-	-	-	-	3,162	-	-	-	3,162	
Membership Expenses	-	-	-	-	-	-	-	2,721	-	2,721	2,721	
Miscellaneous	115	1,089	42	2	6	-	1,254	398	-	398	1,652	
Travel and Training	252	271	92	5	14	-	634	869	-	869	1,503	
Telephone	-	1,391	-	-	-	-	1,391	-	-	-	1,391	
<b>Total Functional Expenses</b>	<b>\$ 394,433</b>	<b>\$ 321,329</b>	<b>\$ 111,382</b>	<b>\$ 51,338</b>	<b>\$ 18,590</b>	<b>3,203</b>	<b>\$ 900,275</b>	<b>\$ 412,317</b>	<b>\$ 104,352</b>	<b>\$ 516,669</b>	<b>\$ 1,416,944</b>	

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2020

	Program Activities						Supporting Activities				Total
	School	Youth Symphony Orchestra	Imagination Place	Exhibits	Projects	Gadsden Arts Tickets	Programs Subtotal	General and Administrative	Fund-Raising	Supporting Subtotal	
Functional Expenses											
Payroll and Related Benefits	\$ 61,463	\$ 230,673	\$ 102,815	\$ 467	\$ 1,312	\$ -	\$ 396,730	\$ 194,788	\$ 119,698	\$ 314,486	\$ 711,216
Supplies and Program Services	162,005	45,604	5,774	15,796	6,144	-	235,323	-	-	-	235,323
Depreciation	22,485	13,679	5,685	171	480	-	42,500	71,262	-	71,262	113,762
Utilities	14,260	8,676	3,605	108	304	-	26,953	45,196	-	45,196	72,149
Gadsden Arts Tickets	-	-	-	-	-	69,196	69,196	-	-	-	69,196
Insurance	9,974	6,068	2,522	76	213	-	18,853	31,611	-	31,611	50,464
Contract Labor	47,486	-	-	-	-	-	47,486	-	-	-	47,486
Fundraising	-	-	-	-	-	-	-	-	32,031	32,031	32,031
Investment Fees	4,011	2,440	1,014	30	86	-	7,581	12,710	-	12,710	20,291
Repairs and Maintenance	3,511	2,136	888	27	75	-	6,637	11,128	-	11,128	17,765
Advertising	3,320	2,391	839	25	71	-	6,646	10,523	-	10,523	17,169
Service Contracts	3,231	1,966	817	25	69	-	6,108	10,241	-	10,241	16,349
Bank Charges	2,909	1,770	736	22	62	-	5,499	9,221	-	9,221	14,720
Membership Expenses	-	-	-	-	-	-	-	12,020	-	12,020	12,020
Professional Fees	2,282	1,648	577	17	49	-	4,573	7,232	-	7,232	11,805
Printing	372	3,810	94	3	8	-	4,287	1,180	-	1,180	5,467
Dues and Subscriptions	658	1,841	166	5	14	-	2,684	2,087	-	2,087	4,771
Office Expense	634	1,601	160	5	14	-	2,414	2,011	-	2,011	4,425
Small Tools and Equipment	-	3,081	-	-	-	-	3,081	-	-	-	3,081
Postage	447	304	113	3	10	-	877	1,418	-	1,418	2,295
Miscellaneous	20	1,426	5	-	-	-	1,451	62	-	62	1,513
Telephone	-	1,398	-	-	-	-	1,398	-	-	-	1,398
Travel and Training	105	228	26	1	2	-	362	332	-	332	694
<b>Total Functional Expenses</b>	<b>\$ 339,173</b>	<b>\$ 330,740</b>	<b>\$ 125,836</b>	<b>\$ 16,781</b>	<b>\$ 8,913</b>	<b>69,196</b>	<b>\$ 890,639</b>	<b>\$ 423,022</b>	<b>\$ 151,729</b>	<b>\$ 574,751</b>	<b>\$ 1,465,390</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

GADSDEN CULTURAL ARTS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION

The Foundation promotes cultural, educational, and artistic activities in the Etowah County, Alabama area.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting differs from accounting principles generally accepted in the United States of America (U.S. GAAP) in that certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

DEPOSITS

The Foundation maintains its cash balances at two financial institutions located in Gadsden, Alabama. The balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2021, the Foundation's uninsured cash balances totaled \$63,941. At December 31, 2020, all of the Foundation's cash balances were insured.

SUPPORT AND REVENUES

Contributions are recorded as income when received. Gifts of property and equipment are recorded at estimated fair market value. Contributions are considered available for unrestricted use unless specifically restricted by donors or the Board of Directors of the Foundation.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Donated property and equipment are recorded at estimated fair market value at the date of the donation. Additions and improvements that extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged against income. Depreciation is computed by the straight-line method based on the estimated useful lives of the individual assets.

INCOME TAXES

There is no provision for income taxes for charitable purpose income since the Foundation is a not-for-profit institution exempt from both federal and state income taxes. The Foundation has received an exemption letter from the Internal Revenue Service granting it tax-exempt status under Internal Revenue Code Section 501(c)(3).

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GADSDEN CULTURAL ARTS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES (Continued)

ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The standard also provides guidance on derecognition, classification, treatment of interest and penalties, and disclosure of such positions. The Foundation follows ASC 740-10 in accounting for any uncertain tax positions. Management believes that any potential liability resulting from taxing authorities imposing additional taxes or penalties would have no material effect on the Foundation's financial statements.

REVENUE RECOGNITION

Revenue is measured based on consideration specified in a contract with a customer, whether verbal or nonverbal. The Foundation recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The Foundation does not have any significant financing components as payment is received at or shortly after the point of sale or upon completion of the service.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. General and administrative expenses are allocated to each program based on the percentage of total revenue that each program generates.

USE OF ESTIMATES

The preparation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

FINANCIAL STATEMENT PRESENTATION

The Foundation has adopted FASB ASC 958-205, "Presentation of Financial Statements for Not-for-Profit Entities." Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

Net Assets with Donor Restrictions – The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions. There were no net assets with donor restrictions as of December 31, 2021 and 2020.

Net Assets without Donor Restrictions – The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions.

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GADSDEN CULTURAL ARTS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through April 19, 2022, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Investments are shown on the statements of assets, liabilities, and net assets – modified cash basis at cost. The market value at December 31, 2021 and 2020 was \$3,199,438 and \$2,562,868, respectively.

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and Money Funds	\$ 290,062	\$ 290,062	\$ -
Equities	<u>1,969,195</u>	<u>2,909,376</u>	<u>940,181</u>
	<u>\$ 1,969,195</u>	<u>\$ 3,199,438</u>	<u>\$ 940,181</u>

	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and Money Funds	\$ 82,308	\$ 82,308	\$ -
Equities	<u>1,931,839</u>	<u>2,480,560</u>	<u>548,721</u>
	<u>\$ 2,014,147</u>	<u>\$ 2,562,868</u>	<u>\$ 548,721</u>

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GADSDEN CULTURAL ARTS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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NOTE 2 – CASH AND INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest Income	\$ 3,598	\$ 3,498
Dividend Income	49,912	50,752
Gain on Investment Securities	<u>218,974</u>	<u>43,246</u>
	<u>\$ 272,484</u>	<u>\$ 97,496</u>

NOTE 3 – LONG-TERM DEBT

Long-term debt at December 31, 2021 and 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Note payable to the Exchange Bank of Alabama, payable in monthly installments of \$5,039 including interest at a fixed rate of 5.00% through October 2021. This note was paid in full during October 2021.	<u>\$ -</u>	<u>\$ 48,950</u>

On April 7, 2020, the Foundation obtained a note payable with the Exchange Bank of Alabama in the amount of \$162,310 under the Paycheck Protection Program (PPP). The PPP program was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). On November 2, 2020, the loan was fully forgiven under the CARES Act.

On January 26, 2021, the Foundation obtained a note payable with the Exchange Bank of Alabama under the Paycheck Protection Program Round 2 (PPP2), which was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan was fully forgiven on July 26, 2021.

NOTE 4 - RETIREMENT PLAN

The Foundation established a retirement plan effective as of January 1, 2011. Employees who are age 21 and over and have completed one year of service and working a minimum of 1,000 hours or more per year are allowed to contribute to the plan. The Foundation made contributions of \$46,534 and \$43,879 to the plan during the years ended December 31, 2021 and 2020.

GADSDEN CULTURAL ARTS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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NOTE 5 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$	311,466
Investments - Cash		<u>290,062</u>
Total	\$	<u>601,528</u>

NOTE 6 – ADOPTION OF NEW ACCOUNTING STANDARD

In May 2014, the FASB issued guidance (Accounting Standards Codifications [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Foundation adopted ASC 606 with a date of the initial application of January 1, 2019, using the full-retrospective method.

The adoption of ASC 606 did not have an impact on the Foundation’s financial position, results of operations, or cash flows. The Foundation’s revenue arrangements consist of a single performance obligation to transfer promised goods or services. Based on the Foundation’s evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

NOTE 7 – POTENTIAL ECONOMIC IMPACTS

As a result of the COVID-19 worldwide pandemic, much of the United States economy has been negatively impacted. The related local financial impact and duration of the pandemic cannot be reasonably estimated.