

**DESTINY RESCUE USA, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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## **Independent Auditor's Report**

To the Board of Directors of  
Destiny Rescue USA, Inc.

We have audited the accompanying financial statements of Destiny Rescue USA, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Destiny Rescue USA, Inc. as of December 31, 2018, 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.

Fort Wayne, Indiana  
November 5, 2019

**Destiny Rescue USA, Inc.**  
**Statement of Financial Position**  
**December 31, 2018**

**ASSETS**

|                                    |                                   |
|------------------------------------|-----------------------------------|
| Cash                               | \$ 1,300,602                      |
| Note receivable                    | 15,478                            |
| Inventory                          | 45,651                            |
| Prepaid expenses                   | 27,847                            |
| Security deposit                   | <u>2,000</u>                      |
| <b>Total current assets</b>        | <b>1,391,578</b>                  |
| <b>Property and equipment, net</b> | <u>199,373</u>                    |
| <b>Total assets</b>                | <b>\$ <u><u>1,590,951</u></u></b> |

**LIABILITIES AND NET ASSETS**

|   |                                   |
|---|-----------------------------------|
| <b>Current liabilities:</b>                   |                                   |
| Current portion of long-term debt             | \$ 21,112                         |
| Accounts payable                              | 48,861                            |
| Grants payable                                | 225,608                           |
| Accrued payroll and withholdings              | <u>79,348</u>                     |
| <b>Total current liabilities</b>              | <b>374,929</b>                    |
| <b>Long-term debt, net of current portion</b> | <u>141,201</u>                    |
| <b>Total liabilities</b>                      | <u>516,130</u>                    |
| <b>Net assets:</b>                            |                                   |
| Without donor restrictions                    | 401,826                           |
| With donor restrictions                       | <u>672,995</u>                    |
| <b>Total net assets</b>                       | <u>1,074,821</u>                  |
| <b>Total liabilities and net assets</b>       | <b>\$ <u><u>1,590,951</u></u></b> |

*See accompanying notes*

**Destiny Rescue USA, Inc.**  
**Statement of Activities**  
**For the year ended December 31, 2018**

|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| <b>Revenue and support:</b>           |                               |                            |                     |
| Contributions                         | \$ 2,539,684                  | \$ 675,972                 | \$ 3,215,656        |
| Special events                        | 343,742                       | -                          | 343,742             |
| Jewelry sales                         | 243,913                       | -                          | 243,913             |
| Interest income                       | 1,462                         | -                          | 1,462               |
| Other income                          | 1,290                         | -                          | 1,290               |
| Gain on disposal of assets            | 227                           | -                          | 227                 |
| Net assets released from restrictions | 164,806                       | (164,806)                  | -                   |
|                                       | <u>3,295,124</u>              | <u>511,166</u>             | <u>3,806,290</u>    |
|                                       |                               |                            |                     |
| <b>Program expense:</b>               |                               |                            |                     |
| Grants to affiliates                  | 1,475,056                     | -                          | 1,475,056           |
| Sponsorships                          | 40,380                        | -                          | 40,380              |
| Jewelry and apparel                   | 216,688                       | -                          | 216,688             |
| Public awareness                      | 806,909                       | -                          | 806,909             |
|                                       | <u>2,539,033</u>              | <u>-</u>                   | <u>2,539,033</u>    |
|                                       |                               |                            |                     |
| <b>Supporting services expense:</b>   |                               |                            |                     |
| Management and general                | 260,671                       | -                          | 260,671             |
| Fundraising                           | 321,885                       | -                          | 321,885             |
|                                       | <u>582,556</u>                | <u>-</u>                   | <u>582,556</u>      |
|                                       |                               |                            |                     |
| Total supporting services expense     | <u>582,556</u>                | <u>-</u>                   | <u>582,556</u>      |
|                                       |                               |                            |                     |
| Total expenses                        | <u>3,121,589</u>              | <u>-</u>                   | <u>3,121,589</u>    |
|                                       |                               |                            |                     |
| <b>Change in net assets</b>           | 173,535                       | 511,166                    | 684,701             |
|                                       |                               |                            |                     |
| <b>Net assets, beginning of year</b>  | <u>228,291</u>                | <u>161,829</u>             | <u>390,120</u>      |
|                                       |                               |                            |                     |
| <b>Net assets, end of year</b>        | <u>\$ 401,826</u>             | <u>\$ 672,995</u>          | <u>\$ 1,074,821</u> |

*See accompanying notes*

**Destiny Rescue USA, Inc.**  
**Statement of Functional Expenses**  
**For the year ended December 31, 2018**

|                             | Program Expenses     |                  |                   |                   |                     | Supporting Services  |                   |                           | Total Expenses      |
|-----------------------------|----------------------|------------------|-------------------|-------------------|---------------------|----------------------|-------------------|---------------------------|---------------------|
|                             | Grants to Affiliates | Sponsorships     | Jewelry & Apparel | Public Awareness  | Total Program       | Management & General | Fund-raising      | Total Supporting Services |                     |
| Grants to affiliates        | \$ 1,453,847         | \$ -             | \$ -              | \$ -              | \$ 1,453,847        | \$ -                 | \$ -              | \$ -                      | \$ 1,453,847        |
| Payroll and related taxes   | 9,066                | 33,185           | 80,923            | 439,369           | 562,543             | 189,289              | 114,188           | 303,477                   | 866,020             |
| Mission team trip costs     | -                    | -                | -                 | 186,161           | 186,161             | -                    | -                 | -                         | 186,161             |
| Direct fundraising costs    | -                    | -                | -                 | -                 | -                   | -                    | 128,991           | 128,991                   | 128,991             |
| Office supplies and other   | 1,069                | 3,913            | 9,542             | 51,806            | 66,330              | 22,319               | 13,464            | 35,783                    | 102,113             |
| Meals and travel            | -                    | -                | 23,488            | 46,975            | 70,463              | -                    | 23,488            | 23,488                    | 93,951              |
| Cost of goods sold          | -                    | -                | 75,858            | -                 | 75,858              | -                    | -                 | -                         | 75,858              |
| Processing and bank fees    | 10,185               | -                | 10,185            | 10,185            | 30,555              | -                    | 10,185            | 10,185                    | 40,740              |
| Conferences and conventions | -                    | -                | 8,690             | 17,380            | 26,070              | -                    | 8,690             | 8,690                     | 34,760              |
| Depreciation                | 295                  | 1,085            | 2,645             | 14,360            | 18,385              | 6,188                | 3,732             | 9,920                     | 28,305              |
| Professional fees           | -                    | -                | -                 | -                 | -                   | 24,995               | -                 | 24,995                    | 24,995              |
| Advertising                 | -                    | -                | -                 | 11,590            | 11,590              | -                    | 11,590            | 11,590                    | 23,180              |
| Repairs and maintenance     | 182                  | 668              | 1,628             | 8,841             | 11,319              | 3,809                | 2,298             | 6,107                     | 17,426              |
| Utilities                   | 168                  | 615              | 1,500             | 8,143             | 10,426              | 3,508                | 2,116             | 5,624                     | 16,050              |
| Technology                  | 139                  | 507              | 1,237             | 6,715             | 8,598               | 2,893                | 1,745             | 4,638                     | 13,236              |
| Interest                    | -                    | -                | -                 | -                 | -                   | 5,352                | -                 | 5,352                     | 5,352               |
| Amortization                | 54                   | 194              | 474               | 2,575             | 3,297               | 1,109                | 669               | 1,778                     | 5,075               |
| Insurance                   | 31                   | 114              | 277               | 1,503             | 1,925               | 647                  | 391               | 1,038                     | 2,963               |
| Miscellaneous               | 20                   | 99               | 241               | 1,306             | 1,666               | 562                  | 338               | 900                       | 2,566               |
|                             | <u>\$ 1,475,056</u>  | <u>\$ 40,380</u> | <u>\$ 216,688</u> | <u>\$ 806,909</u> | <u>\$ 2,539,033</u> | <u>\$ 260,671</u>    | <u>\$ 321,885</u> | <u>\$ 582,556</u>         | <u>\$ 3,121,589</u> |

*See accompanying notes*

**Destiny Rescue USA, Inc.**  
**Statement of Cash Flows**  
**For the year ended December 31, 2018**

**Cash flows from operating activities:**

|   |            |
|---|------------|
| Change in net assets  | \$ 684,701 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |            |
| Depreciation and amortization   | 33,380     |
| Loss on sale of assets  | 227        |
| Changes in assets and liabilities:  |            |
| Prepaid expenses  | 13,007     |
| Inventory   | 10,222     |
| Security deposit  | (2,000)    |
| Accounts payable  | (93,525)   |
| Grants payable  | 195,608    |
| Accrued payroll and withholdings  | 6,859      |
|   | <hr/>      |
| Net cash provided by operating activities   | 848,479    |

**Cash flows from investing activities:**

|                                       |          |
|---------------------------------------|----------|
| Issuance of note receivable           | (15,478) |
| Proceeds from sale of assets          | 1,500    |
|                                       | <hr/>    |
| Net cash used in financing activities | (13,978) |

**Cash flows from financing activities:**

|                                       |          |
|---------------------------------------|----------|
| Principal payments on long-term debt  | (17,582) |
|                                       | <hr/>    |
| Net cash used in financing activities | (17,582) |

**Net increase in cash** 816,919

**Cash, beginning of year** 

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483,683

**Cash, end of year** \$ 1,300,602

**Supplementary information:**

|                   |          |
|-------------------|----------|
| Interest paid     | \$ 5,352 |
| Financed vehicles | 25,897   |

*See accompanying notes*

**Destiny Rescue USA, Inc.**  
**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies**

**Organization and Nature of Activities**

Destiny Rescue USA, Inc. (the "Organization"), is an Indiana not-for-profit corporation organized for the purpose of raising awareness regarding human trafficking and child sex slavery, and for the purpose of raising financial assistance to support organizations involved in the rescue efforts of those children, their rehabilitation after rescue and activities to prevent future trafficking of children overseas.

**Basis of Accounting**

The Organization prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. On an ongoing basis, management evaluates the estimates and assumptions based upon historical experience and various other facts and circumstances. Management believes these estimates and assumptions are reasonable; however, actual results could differ from those estimates.

**Net Assets**

The financial statements report net assets and changes in net assets based on the existence or absence of donor or grantor imposed restrictions. A description of the net asset classes are as follows:

*Net Assets Without Donor Restrictions* – Resources that are without donor-imposed restrictions and available to support operations subject to the nature of the organization, the environment in which it operates, and the specified purpose in its application for tax-exempt status. The Organization may designate, from net assets without donor restrictions, net assets for specific purposes by action of the Board of Directors.

*Net Assets With Donor Restrictions* – Resources whose use by the organization is restricted by the donor for a particular purpose or particular future period. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the release of restriction is reported in the financial statements by reclassifying the net assets.

**Cash**

Cash include deposit and interest-bearing accounts. The Organization places its cash with high credit quality institutions. At times such balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 per account. At December 31, 2018, the Organization's account balances exceeded the federally insured limit by \$472,763. The Organization has not experienced any losses on these accounts and management believes the Organization is not exposed to any significant risk on cash and cash equivalents accounts.



**Destiny Rescue USA, Inc.**  
**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies, continued**

**Inventory**

Inventory consist primarily of jewelry items created by girls who have been rescued from sex slavery. These items are for resale, the proceeds from which support the ongoing care, counseling, and nurturing of these children. The inventory is valued at the lower of cost or market under the first-in, first-out method.

**Property and Equipment**

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment is stated at cost for purchased assets. Contributed property and equipment is recorded at fair market value at the date of the donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

|                            |              |
|----------------------------|--------------|
| Buildings and improvements | 40 years     |
| Furniture and equipment    | 3 – 10 years |
| Vehicles                   | 5 – 10 years |
| Software                   | 3 years      |

Repairs and maintenance are expensed when incurred. Betterments and renewals are capitalized. The cost of assets sold or retired, and the amounts of accumulated depreciation, are eliminated in the year of disposal and the resulting gains or losses are included in the change in net assets.

Property and equipment is reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized during the year ended December 31, 2018.

**Support and Revenue**

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. The Organization classifies donor-restricted contributions as net assets without restrictions if the restrictions are met in the same reporting period in which the contributions are received.

The Organization reports gifts of property and equipment as net assets without restrictions 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 and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Advertising**

Advertising costs (non-direct response and direct response) are expensed as incurred. Total advertising cost expensed for the year ended December 31, 2018 was \$23,180.

**Destiny Rescue USA, Inc.**  
**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies, continued**

**Functional Allocation of Expenses**

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related taxes, office supplies and other, depreciation and amortization, utilities, technology, insurance, miscellaneous and repairs and maintenance, which are allocated on the basis of percent of labor. Advertising, conferences and conventions, meals and travel, process and bank fees are allocated based on estimated usage.

**Income Tax**

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation. No provision for federal income taxes has been made in the accompanying financial statements. There was no unrelated business income for the year ended December 31, 2018.

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the positions related to the potential sources of income subject to unrelated business income tax (UBIT). There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2018.

**2. Liquidity and Availability**

Financial assets without donor imposed restriction and available for general expenditures, within one year of the balance sheet date, comprise the following:

|                  |    |                       |
|------------------|----|-----------------------|
| Cash             | \$ | 627,607               |
| Notes receivable |    | <u>15,478</u>         |
|                  | \$ | <u><u>643,085</u></u> |

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity and reserves following three guiding principles: operating within budgetary compliance in a prudent range of financial stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the year ended December 31, 2018, the level of liquidity and reserves was managed within the policy requirements.

**Destiny Rescue USA, Inc.**  
**Notes to Financial Statements**

**3. Note Receivable**

The Organization issued a \$15,400 note receivable to a related party in September 2018. The note is receivable in monthly installments of \$1,304 including interest at 3.00% and matures in August 2019. Subsequent to December 31, 2018, the note was converted into a grant and the note was released.

**4. Inventory**

Inventory consisted of jewelry items and was \$45,651 at December 31, 2018.

**5. Property and Equipment**

Property and equipment at December 31, 2018 is as follows:

|                            |    |                 |
|----------------------------|----|-----------------|
| Land                       | \$ | 35,965          |
| Buildings and improvements |    | 95,675          |
| Furniture and equipment    |    | 22,968          |
| Vehicles                   |    | 111,467         |
| Software                   |    | <u>26,065</u>   |
|                            |    | 292,140         |
| Accumulated depreciation   |    | <u>(92,767)</u> |
|                            | \$ | <u>199,373</u>  |

Depreciation expense for the year ended December 31, 2018 was \$28,305.

**6. Long-term Debt**

Long-term debt at December 31, 2018 is as follows:

|   |    |         |
|---|----|---------|
| Note payable to Mutual Bank in monthly installments of \$950 including interest at 4.29%. The note matures in April 2030 and is secured by real estate.               | \$ | 101,490 |
| Note payable to Mazda Capital Services in monthly installments of \$393 including interest at 2.90%. The note matures in September 2024 and is secured by a vehicle.  |    | 25,003  |
| Note payable to Honda Financial Services in monthly installments of \$276 including interest at 0.90%. The note matures in May 2022 and is secured by a vehicle.      |    | 10,887  |
| Note payable to Honda Financial Services in monthly installments of \$310 including interest at 1.90%. The note matures in November 2022 and is secured by a vehicle. |    | 14,046  |

**Destiny Rescue USA, Inc.**  
**Notes to Financial Statements**

**6. Long-term Debt, continued**

Note payable to Honda Financial Services in monthly installments of \$276 including interest at 0.90%. The note matures in May 2022 and is secured by a vehicle.

|                          |                   |
|--------------------------|-------------------|
|                          | <u>10,887</u>     |
|                          | 162,313           |
| Less: Current maturities | <u>21,112</u>     |
|                          | <u>\$ 141,201</u> |

Maturities on long-term debt as of December 31, 2018 is as follows:

|            |                   |
|------------|-------------------|
| 2019       | \$ 21,112         |
| 2020       | 21,663            |
| 2021       | 22,231            |
| 2022       | 18,368            |
| 2023       | 13,972            |
| Thereafter | <u>64,967</u>     |
|            | <u>\$ 162,313</u> |

**7. Net Assets with Donor Restrictions**

Net assets were released from restrictions by incurring expenses satisfying the donor-imposed restriction. The amount released was \$164,806 for year ended December 31, 2018. Net assets with donor restrictions are available for the following purposes or periods at December 31:

Subject to expenditure for specific purpose:

|                                      |                   |
|--------------------------------------|-------------------|
| Rescue efforts in Cambodia           | \$ 2,268          |
| Rescue efforts in Dominican Republic | 5,572             |
| Rescue efforts in India              | 94,455            |
| Rescue efforts in Thailand           | 8,242             |
| Rescue efforts in Philippines        | 4,200             |
| Rescue efforts unspecified           | 355,585           |
| Restore efforts                      | 156,010           |
| Mission teams and support            | 22,346            |
| USA office plants                    | 8,437             |
| Food                                 | <u>15,880</u>     |
|                                      | <u>\$ 672,995</u> |

**Destiny Rescue USA, Inc.**  
**Notes to Financial Statements**

**8. Operating Lease**

The Organization leases office space under a non-cancelable operating lease agreement effective in October 2018. The lease requires monthly payments ranging from \$2,001 and \$2,166 and expires in February 2022. There was no lease payments made for the year ended December 31, 2018.

Minimum future rental payments under non-cancelable operating leases having initial or remaining lease terms exceeding one year as of December 31, 2018 for each of the next five years and in the aggregate are as follows:

|            |    |               |
|------------|----|---------------|
| 2019       | \$ | 24,008        |
| 2020       |    | 24,008        |
| 2021       |    | 25,993        |
| 2022       |    | 4,332         |
| 2023       |    | -             |
| Thereafter |    | -             |
|            | \$ | <u>78,341</u> |

**9. Related Party Transactions**

The Organization provides grants to other Destiny Rescue organizations around the world that are directly involved in the rescue efforts within the countries which they are located. There are no ownership interest in existence between the Organization and other Destiny Rescue organizations that would require the consolidation of financial statements or financially related interests. However, the Organization's board president is also a member of the board of directors of the other Destiny Rescue organizations that receive grants from the Organization. Grants paid to the other Destiny Rescue organizations totaled \$1,228,239 for the year ended December 31, 2018. Grants payable to the other Destiny Rescue organizations was \$225,608 as of December 31, 2018.

The Organization has a note receivable from another Destiny Rescue organization (Note 3). During 2018, \$15,400 was issued on this note and no payments were received.

**10. New Accounting Pronouncement**

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the earliest period presented. The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The statement of functional expenses has been included as part of the basic financial statements.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).

**Destiny Rescue USA, Inc.**  
**Notes to Financial Statements**

**11. Subsequent Event**

In January 2019, the Organization purchased four vehicles under separate note payable agreements. The notes are payable in monthly installments ranging from \$331 to \$434 and mature in various dates from November 2023 and March 2024. Future maturities of these notes are as follows:

|            |    |                      |
|------------|----|----------------------|
| 2019       | \$ | 14,258               |
| 2020       |    | 16,870               |
| 2021       |    | 17,367               |
| 2022       |    | 17,876               |
| 2023       |    | 18,402               |
| Thereafter |    | <u>4,775</u>         |
|            | \$ | <u><u>89,548</u></u> |

In June 2019, the Organization sold land, building and improvements for \$124,900 incurring a \$7,863 loss. From the sales proceeds, the note payable to Mutual Bank (Note 6) was paid in full.

Subsequent events for possible adjustment to the financial statements or disclosures have been evaluated through November 5, 2019, which is the date the financial statements were available to be issued.