

# **Brighter Bites**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2019 and 2018

# Brighter Bites

## Table of Contents

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	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position as of December 31, 2019 and 2018	3
Statement of Activities for the year ended December 31, 2019	4
Statement of Activities for the year ended December 31, 2018	5
Statements of Functional Expenses for the years ended December 31, 2019 and 2018	6
Statements of Cash Flows for the years ended December 31, 2019 and 2018	7
Notes to Financial Statements for the years ended December 31, 2019 and 2018	8

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## Independent Auditors' Report

To the Board of Directors of  
Brighter Bites:

### Report on the Financial Statements

We have audited the accompanying financial statements of Brighter Bites, which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, of functional expenses, and of 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits 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 auditors' 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 Brighter Bites as of December 31, 2019 and 2018 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.

## Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2020 on our consideration of Brighter Bites' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brighter Bites' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brighter Bites' internal control over financial reporting and compliance.

*Blazek & Vetterling*

August 11, 2020

## Brighter Bites

### Statements of Financial Position as of December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 160,967	\$ 643,542
Accounts receivable	53,256	122,468
Contributions and government grants receivable (Note 4)	1,295,321	749,582
Other assets	11,211	5,213
Property and equipment, net (Note 5)	<u>73,691</u>	<u>111,510</u>
TOTAL ASSETS	<u>\$ 1,594,446</u>	<u>\$ 1,632,315</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 166,058	\$ 276,278
Accrued payroll expense	87,551	94,324
Note payable (Note 6)	<u>450,000</u>	<u>          </u>
Total liabilities	<u>703,609</u>	<u>370,602</u>
Commitments (Note 11)		
Net assets:		
Without donor restrictions	175,512	252,098
With donor restrictions (Note 7)	<u>715,325</u>	<u>1,009,615</u>
Total net assets	<u>890,837</u>	<u>1,261,713</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,594,446</u>	<u>\$ 1,632,315</u>

*See accompanying notes to financial statements.*

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## Brighter Bites

### Statement of Activities for the year ended December 31, 2019

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grants <i>(Note 8)</i>		\$ 2,773,497	\$ 2,773,497
Contributed food <i>(Note 9)</i>	\$ 3,759,352		3,759,352
Contributions	283,339	1,211,156	1,494,495
Contract revenue	<u>196,660</u>	<u>                    </u>	<u>196,660</u>
Total revenue	4,239,351	3,984,653	8,224,004
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>4,278,943</u>	<u>(4,278,943)</u>	<u>                    </u>
Total	<u>8,518,294</u>	<u>(294,290)</u>	<u>8,224,004</u>
EXPENSES:			
Program	8,082,742		8,082,742
Management and general	380,402		380,402
Fundraising	<u>131,736</u>	<u>                    </u>	<u>131,736</u>
Total expenses	<u>8,594,880</u>	<u>                    </u>	<u>8,594,880</u>
CHANGES IN NET ASSETS	(76,586)	(294,290)	(370,876)
Net assets, beginning of year	<u>252,098</u>	<u>1,009,615</u>	<u>1,261,713</u>
Net assets, end of year	<u>\$ 175,512</u>	<u>\$ 715,325</u>	<u>\$ 890,837</u>

*See accompanying notes to financial statements.*

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## Brighter Bites

### Statement of Activities for the year ended December 31, 2018

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government grants <i>(Note 8)</i>		\$ 2,823,019	\$ 2,823,019
Contributed food <i>(Note 9)</i>	\$ 2,718,200		2,718,200
Contributions	138,223	1,363,400	1,501,623
Contract revenue	<u>252,381</u>	<u>                    </u>	<u>252,381</u>
Total revenue	3,108,804	4,186,419	7,295,223
Net assets released from restrictions:			
Satisfaction of program restrictions	3,599,862	(3,599,862)	
Donor re-designation	<u>50,000</u>	<u>(50,000)</u>	<u>                    </u>
Total	<u>6,758,666</u>	<u>536,557</u>	<u>7,295,223</u>
EXPENSES:			
Program	6,314,371		6,314,371
Management and general	628,499		628,499
Fundraising	<u>60,592</u>	<u>                    </u>	<u>60,592</u>
Total expenses	<u>7,003,462</u>	<u>                    </u>	<u>7,003,462</u>
CHANGES IN NET ASSETS	(244,796)	536,557	291,761
Net assets, beginning of year	<u>496,894</u>	<u>473,058</u>	<u>969,952</u>
Net assets, end of year	<u>\$ 252,098</u>	<u>\$ 1,009,615</u>	<u>\$ 1,261,713</u>

*See accompanying notes to financial statements.*

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## Brighter Bites

### Statements of Functional Expenses for the years ended December 31, 2019 and 2018

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	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2019 TOTAL</u>
Salaries and related expenses	\$ 2,632,322	\$ 332,949	\$ 88,801	\$ 3,054,072
Distributed donated food	3,759,352			3,759,352
Supplies and materials	641,891		213	642,104
Contractor fees	588,506	27,864	20,926	637,296
Travel and meetings	138,610	2,391	14,326	155,327
Facility and equipment	146,252	1,579	1,852	149,683
Printing and photocopying	73,004	356	3,772	77,132
Computers and information technology	47,241	41	60	47,342
Postage and freight	33,413	130	970	34,513
Other	<u>22,151</u>	<u>15,092</u>	<u>816</u>	<u>38,059</u>
Total expenses	<u>\$ 8,082,742</u>	<u>\$ 380,402</u>	<u>\$ 131,736</u>	<u>\$ 8,594,880</u>

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2018 TOTAL</u>
Salaries and related expenses	\$ 2,097,940	\$ 349,963	\$ 5,805	\$ 2,453,708
Distributed donated food	2,603,660			2,603,660
Supplies and materials	634,932	3,793	419	639,144
Contractor fees	527,817	35,902	30,097	593,816
Travel and meetings	129,430	16,462	18,915	164,807
Facility and equipment	85,685	989	3,320	89,994
Printing and photocopying	132,948		96	133,044
Computers and information technology	43,517	1,876	342	45,735
Postage and freight	32,637	59	46	32,742
Professional fees		212,187		212,187
Other	<u>25,805</u>	<u>7,268</u>	<u>1,552</u>	<u>34,625</u>
Total expenses	<u>\$ 6,314,371</u>	<u>\$ 628,499</u>	<u>\$ 60,592</u>	<u>\$ 7,003,462</u>

*See accompanying notes to financial statements.*

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## Brighter Bites

### Statements of Cash Flows for the years ended December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (370,876)	\$ 291,761
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	48,101	39,613
Loss on disposal of property		10,928
Changes in operating assets and liabilities:		
Accounts receivable	69,212	(69,439)
Other assets	(5,998)	(4,970)
Contributions and government grants receivable	(545,739)	1,307
Accounts payable	(110,220)	137,488
Accrued payroll expense	<u>(6,773)</u>	<u>58,852</u>
Net cash provided (used) by operating activities	<u>(922,293)</u>	<u>465,540</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(10,282)</u>	<u>(102,671)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Draws on line of credit	845,000	
Repayments on line of credit	<u>(395,000)</u>	
Net cash provided by financing activities	<u>450,000</u>	
<b>NET CHANGE IN CASH</b>	<b>(482,575)</b>	<b>362,869</b>
Cash, beginning of year	<u>643,542</u>	<u>280,673</u>
Cash, end of year	<u>\$ 160,967</u>	<u>\$ 643,542</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$2,961	\$684

*See accompanying notes to financial statements.*

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## Brighter Bites

Notes to Financial Statements for the years ended December 31, 2019 and 2018

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Brighter Bites’ mission is to *create communities of health through fresh food*. Brighter Bites is a comprehensive and multi-component school, preschool and after-school program that increases access to fresh fruits and vegetables combined with nutrition education for obesity prevention among low-income children and their families. Brighter Bites’ goal is to improve the long-term health outcomes of those they serve and to make systemic change throughout the process: from growing demand at the store, to changing the school and home environments, to tackling food waste and converting it into an impactful public health opportunity, all in an effort to empower families to achieve better health. Brighter Bites currently provides services in multiple schools across the country located in Houston, Austin, Dallas, New York City, Washington DC, and Southwest Florida.

Federal income tax status – Brighter Bites is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Contributions and government grants receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contributions revenue.

An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and an analysis of individual balances each period. It is possible that management’s estimate regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables.

Property and equipment is reported at cost if purchased and at fair value at the date of gift if donated. Equipment with a cost of more than \$500 is capitalized. Depreciation is provided on a straight-line basis over estimated useful lives of 3 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions and government grants are recognized as revenue at fair value when an unconditional commitment is received from a donor. Contributions and grants received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions and grants are subject to

one or more barriers that must be overcome before Brighter Bites is entitled to receive or retain funding. Conditional contributions and grants are recognized in the same manner when the conditions have been substantially met. Funding received before conditions are met is reported as refundable advances, if any.

Non-cash contributions – Donated food and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated produce is valued at the approximate average wholesale value of one pound of donated product based on the national per pound price of produce as provided by the most recent Feeding America Product Valuation Survey.

A substantial number of volunteers have contributed approximately 62,000 and 47,000 hours of time during 2019 and 2018, respectively, in connection with programs for which no amount has been reported in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Contract revenue is derived from performance obligations satisfied over time. Revenue is recognized using the input method as costs are incurred in amounts that reflect the consideration Brighter Bites expects to be entitled to in exchange for those services. Payment is due based on a payment schedule outlined in the contract. Amounts collected in advance of the performance obligations are deferred until the performance obligations are met.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation expense is allocated based on functional usage of property. IT costs are allocated based on the number of computing units in each department.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. Brighter Bites is required to adopt this ASU for fiscal year 2022. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.

## NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS

Brighter Bites adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU and all subsequently clarifying ASU's replaced most existing revenue recognition guidance in U. S. Generally Accepted Accounting Principles. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. Brighter Bites adopted the new standard effective January 1, 2018, using the full retrospective method. The timing and amount of revenue recognized previously is consistent with how revenue is recognized under this ASU and therefore, adoption of this ASU had no impact on total beginning net assets, or changes in net assets for 2018, but resulted in additional disclosures.

In conjunction with the adoption of ASU 2014-09, Brighter Bites adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of and for the year ended December 31, 2019. These amendments have been applied on a retrospective basis effective January 1, 2018. Adoption of this ASU resulted in reclassification of previously reported activities to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

## NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31 comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 160,967	\$ 643,542
Accounts receivable	53,256	122,468
Contributions and government grants receivable	<u>1,211,988</u>	<u>749,582</u>
Total financial assets available for general expenditure	<u>\$ 1,426,211</u>	<u>\$ 1,515,592</u>

For purposes of analyzing resources available to meet general expenditure over a 12-month period, Brighter Bites considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. Brighter Bites expects to collect sufficient government grants and contributions to fund general expenditures. Additionally, Brighter Bites has a \$500,000 line of credit that can be accessed in an immediate liquidity need.

## NOTE 4 – CONTRIBUTIONS AND GOVERNMENT GRANTS RECEIVABLE

Contributions and government grants receivable consist of the following:

	<u>2019</u>	<u>2018</u>
Receivable from government agencies	\$ 875,655	\$ 748,322
Receivable from others	<u>419,666</u>	<u>1,260</u>
Total contributions and government grants receivable	<u>\$ 1,295,321</u>	<u>\$ 749,582</u>

Contribution and government grants receivable at December 31, 2019 are expected to be collected as follows:

Less than one year	\$ 1,211,988
One to five years	<u>83,333</u>
Total contributions and government grants receivable	<u>\$ 1,295,321</u>

A portion of Brighter Bites' government grants is derived from cost-reimbursable federal and state contracts, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Brighter Bites has incurred expenditures in compliance with specific contract or grant provisions. At December 31, 2019, Brighter Bites has \$3,000,237 of conditional contributions from various government agencies, which have not been recognized because qualifying expenditures have not yet been incurred.

#### **NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Computer equipment	\$ 114,047	\$ 107,865
Website	46,008	46,008
Furniture and fixtures	<u>19,257</u>	<u>15,157</u>
Total property and equipment, at cost	179,312	169,030
Accumulated depreciation	<u>(105,621)</u>	<u>(57,520)</u>
Property and equipment, net	<u>\$ 73,691</u>	<u>\$ 111,510</u>

#### **NOTE 6 – NOTE PAYABLE**

Brighter Bites has an unsecured \$500,000 operating line of credit agreement with a local banking institution that matures on March 8, 2020. The loan was renewed subsequent to year end and matures on March 8, 2021. The line of credit bears interest at 5.5%. Principal payments are due upon maturity with interest payments due monthly. The balance outstanding under the line of credit at December 31, 2019 is \$450,000. There was no balance outstanding at December 31, 2018. Interest expense totaled \$4,818 and \$684 during 2019 and 2018, respectively.

## NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Austin expansion and programing	\$ 154,368	\$ 195,404
Florida expansion and programing	96,655	75,428
Houston expansion and programming	75,986	
IT and computer hardware	47,400	
Washington, DC expansion and programming	40,000	
Dallas expansion and programing	25,015	21,949
General expansion	15,204	600,629
Other programing	6,531	71,893
Texas food transportation	<u>                    </u>	<u>44,312</u>
Total subject to expenditure for specified purpose	461,159	1,009,615
Subject to the passage of time	<u>254,166</u>	<u>                    </u>
Total net assets with donor restrictions	<u>\$ 715,325</u>	<u>\$ 1,009,615</u>

## NOTE 8 – GOVERNMENT GRANTS

Brighter Bites is a party to contracts with government agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of significant grant revenue are as follows:

	<u>2019</u>	<u>2018</u>
Federal government awards:		
U. S. Department of Agriculture	\$ 2,179,691	\$ 1,905,938
State government awards:		
A&M AgriLife Extension Service	593,806	694,385
Texas Department of Agriculture	<u>                    </u>	<u>222,696</u>
Total government grants and other revenue	<u>\$ 2,773,497</u>	<u>\$ 2,823,019</u>

Government awards require fulfillment of certain conditions as set forth in the contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Brighter Bites with the terms of the contracts. Management believes such disallowances, if any, would not be material to Brighter Bites' financial position or changes in net assets.

## NOTE 9 – DONATED FOOD

The majority of food distributed by Brighter Bites is produce received from food banks in the communities that Brighter Bites serves.

The total value of contributed food is as follows:

	<u>2019</u>	<u>2018</u>
Pounds of food	4,803,437	3,886,060
Value per pound	x <u>.78</u>	x <u>.67</u>
Value of food	\$ 3,746,681	\$ 2,603,660
Value of donated bags	<u>12,671</u>	<u>114,540</u>
Total	<u>\$ 3,759,352</u>	<u>\$ 2,718,200</u>

#### **NOTE 10 – LEASE COMMITMENTS**

Brighter Bites leases office space under noncancelable operating leases through 2020. The future minimum rental expense under these leases at December 31, 2019 is \$95,911. Rent expense totaled \$56,422 and \$47,377 during 2019 and 2018, respectively.

#### **NOTE 11 – SUBSEQUENT EVENTS**

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States. Stay-at-home orders have caused mandated closings of multiple schools and thus, Brighter Bites is developing alternative distribution sites and redirecting donated produce to local food banks. Brighter Bites was granted a loan of approximately \$520,000 under the Paycheck Protection Program legislation passed by the federal government in order to continue to pay its employees in the short-term. The loan accrues interest at 1% and is payable over two years. The loan may be forgiven if used for qualifying expenses.

The extent of the impact of COVID-19 on Brighter Bites' operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on schools, donors, employees, and vendors all of which are uncertain and cannot be predicted. Therefore, while Brighter Bites expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

Management has evaluated subsequent events through August 11, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than as identified above and the extension of the maturity date of the line of credit as described in Note 6 were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.