

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
dba CENTRAL OREGON VETERANS OUTREACH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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To the Board of Directors of
Central Oregon Veterans & Community Outreach, Inc.
dba Central Oregon Veterans Outreach
Bend, Oregon

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying financial statements of Central Oregon Veterans & Community Outreach, Inc. dba Central Oregon Veterans Outreach (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis of reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, except for the issue noted in the Known Departure from Accounting Principles Generally Accepted in the United States of America paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Known Departure from Accounting Principles Generally Accepted in the United States of America

As disclosed in Note 3 to the financial statements, accounting principles generally accepted in the United States of America require that Long-Term Debt principal be presented as the present value of future payments discounted over the repayment period. Management has indicated they have not undertaken the calculations required to report Long-Term Debt amounts in this manner for the notes with no stated interest rates. Management has not determined the effects of this departure from accounting principles generally accepted in the United States of America on financial position, results of operations, and cash flows.

Wilcox Arredondo & Co.

Certified Public Accountants
Canby, Oregon
October 15, 2021

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
 dba CENTRAL OREGON VETERANS OUTREACH
 STATEMENT OF FINANCIAL POSITION
 December 31, 2020

ASSETS

Cash	\$ 358,257
Investments	567
Contracts receivable, net	8,859
Prepaid expenses and other current assets	<u>20,972</u>
Total Current Assets	<u>388,655</u>
Security deposits	5,000
Property and equipment, net	<u>3,571,169</u>
Total Assets	<u><u>\$ 3,964,824</u></u>

LIABILITIES

Accounts payable	\$ 10,243
Accrued expenses	25,979
Deferred revenue	40,000
Current portion of long-term debt	<u>26,521</u>
Total Current Liabilities	<u>102,743</u>
Long-term debt, less current portion	<u>3,523,955</u>
Total Liabilities	<u>3,626,698</u>

NET ASSETS

Net Assets without donor restrictions:	
Undesignated	<u>325,151</u>
Net Assets with donor restrictions, Note 6	
Donor imposed purpose restrictions	<u>12,975</u>
Total Net Assets	<u>338,126</u>
Total Liabilities and Net Assets	<u><u>\$ 3,964,824</u></u>

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
dba CENTRAL OREGON VETERANS OUTREACH
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Public support			
Contributions and gifts	\$ 354,641	\$ 296	\$ 354,937
Contributions - in-kind	242,437	-	242,437
Fundraising	1,738	-	1,738
Total Public Support	<u>598,816</u>	<u>296</u>	<u>599,112</u>
Fees and grants from			
Contracts with governmental agencies	736,982	-	736,982
Other organizations	25,000	-	25,000
Total Fees and Grants	<u>761,982</u>	<u>-</u>	<u>761,982</u>
Other revenue			
Rent contracts	202,589	-	202,589
Miscellaneous	426	-	426
Net realized gains (losses) from disposal of property and equip.	74,129	-	74,129
Total Other Revenue	<u>277,144</u>	<u>-</u>	<u>277,144</u>
Net assets released from restrictions			
Satisfaction of program expenses	296	(11,832)	(11,536)
Total Revenue, Gains, and Other Support	<u>1,638,238</u>	<u>(11,536)</u>	<u>1,626,702</u>
Expenses			
Program services			
Housing programs	244,394	-	244,394
SSVF program	670,134	-	670,134
Other veterans programs	233,111	-	233,111
Supporting services			
Management and general	195,274	-	195,274
Total Expenses	<u>1,342,913</u>	<u>-</u>	<u>1,342,913</u>
Change in Net Assets	295,325	(11,536)	283,789
Net Assets, beginning of year	<u>29,826</u>	<u>24,511</u>	<u>54,337</u>
Net Assets, end of year	<u>\$ 325,151</u>	<u>\$ 12,975</u>	<u>\$ 338,126</u>

See Notes to the Financial Statements

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
dba CENTRAL OREGON VETERANS OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services			Total		
	Housing Programs	SSVF Program	Other Veteran Programs	Program Services	Management and General	Total
Bank fees	\$ -	\$ -	\$ -	\$ -	\$ 78	\$ 78
Contracted services	10,710	-	-	10,710	-	10,710
Depreciation	107,886	-	-	107,886	5,065	112,951
Insurance	21,956	-	1,000	22,956	8,802	31,758
Interest	8,600	-	-	8,600	-	8,600
Legal & professional	15,716	-	-	15,716	12,075	27,791
License and permits	-	10,061	-	10,061	929	10,990
Miscellaneous	679	-	864	1,543	-	1,543
Office expense	345	604	-	949	16,024	16,973
Payroll taxes	159	22,520	18,931	41,610	5,211	46,821
Property taxes	24,830	-	-	24,830	-	24,830
Repairs and maintenance	12,167	-	-	12,167	1,027	13,194
Salaries and wages	1,200	235,547	180,315	417,062	40,362	457,424
Supplies	-	5,758	20,026	25,784	816	26,600
Special events	-	-	-	-	5,249	5,249
Temp. financial assistance	-	392,342	3,551	395,893	-	395,893
Telephone	3,905	1,863	-	5,768	3,713	9,481
Training	-	1,219	386	1,605	-	1,605
Travel and transportation	-	220	6,094	6,314	464	6,778
Utilities and occupancy	36,241	-	1,944	38,185	95,459	133,644
	<u>\$ 244,394</u>	<u>\$ 670,134</u>	<u>\$ 233,111</u>	<u>\$ 1,147,639</u>	<u>\$ 195,274</u>	<u>\$ 1,342,913</u>

See Notes to the Financial Statements

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
 dba CENTRAL OREGON VETERANS OUTREACH
 STATEMENT OF CASH FLOWS
 Year Ended December 31, 2020

Reconciliation of Change in Net Assets to Net Cash
 Provided by Operating Activities

Change in Net Assets	<u>\$ 283,789</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation and amortization	112,951
Donated assets included in public support revenue	(242,437)
(Increase)/decrease in contracts receivable	(2,427)
(Increase)/decrease in prepaids	(808)
Increase/(decrease) in accounts payable	5,406
Increase/(decrease) in accrued expenses	<u>(7,166)</u>
Total Adjustments	<u>(134,481)</u>
Net Cash Provided (Used) by Operating Activities	<u>149,308</u>
Cash Flows from Investing Activities	
Purchase of fixed assets	(17,989)
Proceeds from sale of property and equipment	133,397
(Gain) from disposals of property and equipment	<u>(74,129)</u>
Net Cash Provided (Used) by Investing Activities	<u>41,279</u>
Cash flows from Financing Activities	
Deferred revenue - contingent conditional contributions	40,000
Proceeds from acquisition of long-term debt	69,479
Principal paid on long-term debt	<u>(138,794)</u>
Net Cash Provided (Used) by Financing Activities	<u>(29,315)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	161,272
Cash and Cash Equivalents	
Beginning of year	<u>196,985</u>
End of year	<u><u>\$ 358,257</u></u>
Interest paid	<u><u>\$ 8,682</u></u>

See Notes to the Financial Statements

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
dba Central Oregon Veterans Outreach
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

Note 1. The Organization and Summary of Significant Accounting Policies

Central Oregon Veterans & Community Outreach, Inc., dba Central Oregon Veterans Outreach, is a not-for-profit corporation organized in the State of Oregon in 2005. Central Oregon Veterans Outreach, Inc's mission is to provide assistance to homeless veterans and other homeless individuals and families in Central Oregon.

The following is a summary of significant accounting policies of the Organization:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Net Assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions, but the Organization is permitted to use the income.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers cash and short-term investments with maturities of three months or less to be cash equivalents.

Receivables

Contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. Management considers all receivables to be collectible. Accordingly, no bad debt expense or valuation allowance has been recorded.

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
 dba Central Oregon Veterans Outreach
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2020

Note 1. The Organization and Summary of Significant Accounting Policies (Continued)

Receivables (Continued)

		Contracts receivable
Beginning of year	\$	6,432
End of year		<u>8,859</u>
Change in contracts receivable	\$	<u>2,427</u>

Compensated Absences

The Organization accrues vacation pay when earned. Accrued but unused vacation for the year ended December 31, 2020, totaled \$14,192. This is included in accrued expenses on the Statement of Financial Position.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair market value at date of gift, if donated. Property and equipment with a cost greater than \$500 and useful life greater than one year are capitalized. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

Expenditures for additions, major renewals and betterments are capitalized, and expenditures for repairs and maintenance are charged against revenue as incurred.

The costs of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to operations.

Capital assets are depreciated using the straight-line method over the following useful lives.

Buildings and improvements	10 to 30 years
Vehicles and Equipment	5 to 7 years

Deferred Revenue

The Organization follows FASB ASC 958-605 and recognizes revenues from contributions and grants with contingent conditions as the conditions are met. See Note 6.

Revenue

Revenue is recognized in accordance with Topic 606, Revenue from Contracts with Customers and subsequently issued additional related Accounting Standards Updates (“Topic 606”). Topic 606 provides a five-step model for recognizing revenue from contracts with customers as follows: (1) Identify the contract, (2) Identify the performance obligations, (3) Determine the transaction price, (4) Allocate the transaction price to the performance obligations, and (5) Recognize revenue.

Note 1. The Organization and Summary of Significant Accounting Policies (Continued)

Revenue (Continued)

Revenue is primarily derived from contracts with the Department of Veterans Affairs as well as from customers. This revenue is primarily for room and board and is recognized on a month to month basis as services are provided to customers.

Support Without Donor Restrictions and With Donor Restrictions

Contributions received are recorded without donor restrictions and with donor restrictions on support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment 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 and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor 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.

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 in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are made on the basis of cost accounting information available and the judgment of management.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization files returns in the U.S. federal and the State of Oregon jurisdictions. The Organization's Form 990, *Return of Organization Exempt from Income Tax* and the State of Oregon Form CT-12 for the years ending 2017, 2018, and 2019 are subject to examination by the IRS, generally for 3 years after they were filed.

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
 dba Central Oregon Veterans Outreach
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2020

Note 1. The Organization and Summary of Significant Accounting Policies (Continued)

Estimates

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

Note 2. Property and Equipment

Property and equipment consist of the following:

	2020
Land	\$ 1,048,097
Buildings	3,038,297
Furniture and equipment	33,078
Vehicles	45,001
Construction in progress	257,056
	4,421,529
Less accumulated depreciation	(850,360)
	\$ 3,571,169
Depreciation charged against income	\$ 112,951

Land and buildings with a carrying value of 3,074,342 are pledged as collateral for debt. See Note 3.

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
 dba Central Oregon Veterans Outreach
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2020

Note 3. Notes Payable

The Organization’s obligations under Long-Term Debt consisted of the following for the year ended December 31, 2020:

4.37% note payable, due in monthly installments of \$1,299, including interest, with remaining balance due February 2023, secured by real estate.	\$ 146,981
Non-interest note payable, due in monthly installments of \$556 until paid in full, secured by real estate.	156,078
Non-interest note payable, due in monthly installments of \$388 until paid in full, secured by real estate.	155,704
1% note payable, due in monthly installments of \$101, including interest, with remaining balance due February 2050, secured by real estate.	30,629
Non-interest note payable, due in monthly installments of \$76 until paid in full, secured by real estate.	17,384
9.45% note payable, due in monthly installments of \$2,085, including interest, with remaining balance due February 2021.	4,169
Non-interest notes payable, with no monthly installments, secured by real estate. Loans are to be repaid in event real estate is no longer used for specified purpose or Organization terminates.	<u>3,039,531</u>
	3,550,476
Less current maturities	<u>(26,521)</u>
	<u>\$ 3,523,955</u>

The Organization has significant debt agreements as noted above that do not bear any stated interest rate and/or do not require regularly scheduled repayments of principal. Accounting principles generally accepted in the United States of America require that debt be disclosed at the present value of future payments discounted over the repayment period which also requires imputing interest for notes with no, or below market, interest rates. The cost of making these calculations greatly outweighs the benefits of making the appropriate disclosures under United States of America generally accepted account principles. We have not determined the effects of these departures from accounting principles generally accepted in the United State of America on financial position, results of operations, and cash flows.

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
 dba Central Oregon Veterans Outreach
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2020

Note 3. Notes Payable (Continued)

Maturities of long-term debt are as follows:

Year ended December 31,		
2021	\$	26,521
2022		22,900
2023		141,182
2024		13,169
2025		13,178
Thereafter		3,333,527
	\$	<u>3,550,476</u>

Note 4. In-Kind Donations and Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

Note 5. Fair Values of Financial Instruments

Cash and Cash Equivalents

Cash and cash equivalents have original maturity dates of three months or less, therefore carrying value approximates fair value as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 358,257	\$ 358,257

Investments

The Organization’s investments recoded at market value consist of the following:

Stocks	\$ <u>567</u>
	<u>\$ 567</u>

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
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 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2020

Note 6. Deferred Conditional Contributions

During the year ended, December 31, 2020, the Organization received government assistance through the Payroll Protection Program administered by the Small Business Administration. The total amount of assistance received was \$40,000. Terms of the assistance require the Organization to meet certain employment and expenditure criteria. Once the criteria are met and the amount of loan forgiveness through the Payroll Protection Program is determined, the amount forgiven will be recorded as Government Grant revenue. Any amounts not forgiven will be considered a loan payable of a 60-month period at an interest rate of 1%. At the time the financial statements were available to be issued, this loan was fully forgiven and recorded as Government Grant income.

Note 7. Net Assets with Donor Restrictions

Donor-Imposed Purpose Restrictions

Donor-imposed purpose restricted net assets contain donor-imposed restrictions that expire once specific actions are undertaken by the Organization. The net assets are then released and reclassified to unrestricted support when they are expended.

Net assets with donor restrictions are available for the following purposes:

	December 31, 2019	Contributions	Released from Restrictions	December 31, 2020
Bend Veterans Day Parade	\$ 7,311	\$ -	\$ 607	\$ 6,704
US Bank Foundation Building Fund	4,200	-	-	4,200
Home of the Brave Projects	500	-	136	364
Crevier Grant	10,000	-	8,293	1,707
BNSF Outreach Grant	2,500	-	2,500	-
Propane and Holiday Funds	-	296	296	-
	<u>\$ 24,511</u>	<u>\$ 296</u>	<u>\$ 11,832</u>	<u>\$ 12,975</u>

Note 8. Operating Leases

Central Oregon Veterans Outreach, Inc. leases its office facility under a long-term lease. A \$5,000 security deposit was paid in 2014 with the original execution of the lease. In 2018, the Organization exercised its first of two, four-year renewal options, with the current lease terms expiring March 31, 2022. The rental expense relating to this lease totaled \$94,640 for the year ended December 31, 2020.

Future obligations over the primary terms of the Organization’s long-term lease are as follows:

Year Ended December 31,	
2021	\$ 97,240
2022	<u>24,461</u>
	<u>\$ 121,701</u>

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
 dba Central Oregon Veterans Outreach
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2020

Note 8. Operating Leases (Continued)

The Organization leases a Konica C458 printer and copier under a long-term lease. Lease was executed in 2018 and expires in 2023. The rental expense relating to this lease totaled \$2,322.

Future monthly payment obligations over the primary terms of the Organization’s long-term lease are as follows:

Year Ended December 31,	
2021	\$ 2,322
2022	2,322
2023	<u>968</u>
	<u>\$ 5,612</u>

Note 9. Concentrations of Risk

Concentrations of risks not clearly identified elsewhere in these notes follow:

- The Organization receives significant support from the Department of Veterans Affairs. Reductions of this support, if it were to occur, could have adverse effects on the Organization’s ability to support programs and activities.
- The Organization maintains several bank accounts with one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2020, the Organization’s uninsured cash balances totaled \$103,144.

Note 10. Liquidity

The Organization has \$367,116 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$358,257 and contracts receivable of \$8,859. Of the financial assets \$12,975 are subject to donor restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain financial assets, consisting of cash and cash equivalents, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$331,129. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 11. Subsequent Events

Subsequent events were evaluated through October 15, 2021, which is the date the financial statements were available to be issued.

The COVID-19 outbreak worldwide has resulted in government mandated closures that have caused disruption in both the local and global economies. The extent and duration of the impact of this outbreak on our operations is unknown at this time.

CENTRAL OREGON VETERANS & COMMUNITY OUTREACH, INC.
dba Central Oregon Veterans Outreach
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2020

Note 12. Change in Accounting Principles

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs-Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 340-40 as the “new guidance.”

Management adopted the requirements of the new guidance as of January 1, 2020, utilizing the modified retrospective method of transition. Adoption of the new guidance resulted in changes to accounting policies for revenue and cost recognition, as previously disclosed.

Management has reviewed the contracts in progress as of December 31, 2020, and have found that there were no components of variable consideration, and the amount of incremental costs were immaterial. Accordingly, no adjustment to beginning fund balance is necessary.