

FEIN: 26-0064343

**LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020**

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lions Clinic of Texas, Inc.
dba Primary Care Clinic of North Texas
P.O. Box 703461
Dallas, TX 75370

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Lions Clinic of Texas, Inc. dba Primary Care Clinic of North Texas, (hereinafter referred to as "the Organization"), which comprise the statement of financial position as of June 30, 2020 and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY

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 the 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 Lions Clinic of Texas, Inc. as of June 30, 2020 , and the results of its operations and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Ranjeet Koirala CPA PC". The signature is written in a cursive, flowing style.

Ranjeet Koirala CPA PC
Irving, Texas
May 14, 2021

LIONS CLINIC OF TEXAS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020

	<u>2020</u>
<u>Assets</u>	
Cash And Cash Equivalents	\$ 591,895
Prepaid Expenses	8,733
Total Current Assets	<u>600,628</u>
Property And Equipment, Net	6,853
Security Deposits	35,024
Total Assets	<u>\$ 642,505</u>
<u>Liabilities & Net Assets</u>	
Current Liabilities	
Accounts Payable And Accrued Expenses	\$ 23,735
Current Portion of SBA-PPP Loan	29,968
Total Current Liabilities	<u>53,703</u>
Long Term Liabilities	
SBA-PPP Loan, Net Of Current Portion	50,431
Total Long Term Liabilities	<u>50,431</u>
Total Liabilities	<u>104,134</u>
Net Assets	
Net Assets Without Donor Restrictions	538,371
Net Assets With Donor Restrictions	-
Total Net Assets	<u>538,371</u>
Total Liabilities & Net Assets	<u>\$ 642,505</u>

The accompanying notes are an integral part of these financial statements.

LIONS CLINIC OF TEXAS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	2020		
	Without Donor Restriction	With Donor Restriction	Total
<u>Revenue and Support</u>			
Contributions and grants	\$ 150,589	\$ -	\$ 150,589
Patient Charges	1,021,542		1,021,542
Other Services	3,200		3,200
In-Kind Contributions	1,062		1,062
Total Contributions	1,176,393	-	1,176,393
Interest And Other	2,943		2,943
Net Assets Released From Restriction	-		-
Total Revenues, Gains And Other Support	1,179,336	-	1,179,336
<u>Expenses</u>			
Program Services	895,734	-	895,734
Management and General	223,842		223,842
Fundraising Expenses	-		-
Total Expenses	1,119,576	-	1,119,576
Change In Net Assets	59,760	-	59,760
Net Assets- Beginning Of Year	478,611	-	478,611
Net Assets- End Of Year	\$ 538,371	\$ -	\$ 538,371

The accompanying notes are an integral part of these financial statements

LIONS CLINIC OF TEXAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

Description	2020			
	Program	Management and General	Fund Raising	Total
Salaries and wages	\$ 316,293	\$ 79,073	\$ -	\$ 395,366
Payroll taxes	24,314	6,079	-	30,393
Accounting	3,421	855	-	4,276
Office expenses	39,506	9,877	-	49,383
Occupancy	115,326	28,832	-	144,158
Depreciation and Amortization	1,726	432	-	2,158
Insurance	12,584	3,146	-	15,730
Consultation-Doctors	187,287	46,822	-	234,109
Laboratory fees	129,579	32,395	-	161,974
Medical Supplies	11,064	2,672	-	13,736
Consultation-Nurses	54,634	13,659	-	68,293
Total Expenses	\$ 895,734	\$ 223,842	\$ -	\$ 1,119,576

The accompanying notes are an integral part of these financial statements.

LIONS CLINIC OF TEXAS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2020</u>
<u>Cash Flows From Operating Activities</u>	
Increase/(Decrease) In Net Assets	\$ 59,760
Adjustments To Reconcile Net Increase/(Decrease) In Net Assets	
<hr/>	
Depreciation and Amortization	2,158
<hr/>	
Decrease (Increase) in Operating Assets & Liabilities	
Accounts Receivable	864
Prepaid Expenses	(479)
Security Deposit	(25,000)
Accounts Payable And Accrued Expenses	4,416
Cash Provided By Operating Activities	<u>41,719</u>
<u>Cash Flows From Investing Activities</u>	
Acquisition of Property Plant & Equipment	(2,859)
Cash Used By Investing Activities	<u>(2,859)</u>
<u>Cash Flows From Financing Activities</u>	
Notes Payable	80,399
Cash Provided By Financing Activities	<u>80,399</u>
Change In Cash And Cash Equivalents	119,259
Cash And Cash Equivalents, Beginning	472,636
Cash And Cash Equivalents, Ending	<u>\$ 591,895</u>

The accompanying notes are an integral part of these financial statements.

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Incorporation

Lions Clinic of Texas, Inc. dba Primary Care Clinic of North Texas (“the Organization”) was founded in 2003, pursuant to the incorporation laws of the State of Texas to establish and operate a corporation as a non-profit organization under section 501(c)(3) of the Internal Revenue Code.

Principal Activity

The mission of Primary Care Clinic of North Texas is to provide quality medical care at an affordable cost to uninsured adults without regard to income, residency, or background. Primary Care Clinic of North Texas seeks to be a solution by providing quality medical care and building connections with patients, expanding its service model to address the growing needs of the working poor and underinsured, for whom high deductibles and copayments present access barriers to basic healthcare.

A) Form of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles the (U.S. GAAP). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support, and expenses during the reporting periods. Significant estimates made in preparing the financial statements include allocation of functional expenses. Accordingly, actual results may vary from management's estimates.

Revenues and gains are recognized when earned, and expenditures and losses are recognized when incurred.

B) Classification and Reporting of Net Assets

Net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

i. Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. Net assets received and expended within the reporting period are reported in the Statement of Activities as unrestricted support and revenue.

ii. Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, 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. Net assets with donor restrictions whose restrictions are satisfied in the same year of receipt are treated as net assets without donor restrictions.

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C) Contributions, Gains and Other Support

Contributions are recognized when received from the donor. Contributions not restricted by donors are reported as increases in net assets not restricted by donors in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets restricted by donors depending on the nature of the restrictions. When a restriction expires, donor restricted assets are reclassified to net assets without donor restriction. Unconditional promises to give by donors are recorded as pledges receivable and contribution revenue when promises are made, or donated items are received and are immediately available for use without restriction unless specifically restricted by the donor. Unconditional promises expected to be collected within one year are recorded at net realizable value. Unconditional promises expected to be collected in future years are recorded at their fair values.

Conditional promises to give are recognized when the conditions on which such promises depend are substantially met.

The Organization records interest and dividends on its marketable securities when earned. Gains or losses are recorded when realized. Unrealized gains or losses are recorded based upon changes in the fair value of investments held.

D) Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include highly liquid assets with an original maturity of three months or less. Cash and Cash Equivalents consist of cash on hand, checking, savings, and money market accounts.

E) Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in these financial statements. Accordingly, certain costs have been allocated between program services, management, and general.

F) Concentrations of Credit Risk

The Organization maintains its cash balances at various local financial Institutions. Accounts at these Organizations are insured by the Federal Deposit Insurance Corporation up to the legal limits of \$250,000 per financial Organization.

G) Inventory

Organization has a policy of expending all supply items.

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H) Property and Equipment

Property and Equipment are stated at cost, net of accumulated depreciation. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation and amortization are computed on the straight-line method over the estimated useful asset lives.

I) Advertising Costs

Advertising costs, except for direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are to be received. There were no direct-response advertising costs for the current fiscal year.

J) Use of 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

K) Concentration of Economic Dependency

The Organization derives a portion of its revenue from corporate grants and individual donors.

L) Uncertain Tax Positions

Under US GAAP, an organization must recognize the tax benefit associated with the tax position taken for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. For the year ended June 30, 2020, there were no interest or penalties recorded or included in the statement of activities. The Organization is subject to routine audits by a taxing authority, but as of June 30, 2020, there were no examinations in progress.

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: NATURE OF BUSINESS & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M) Fair Value Measurement

The Organization reports its qualified assets and liabilities in accordance with the Fair Value Measurements and Disclosure Standards and accounting principles generally accepted in the United States. These standards define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. This policy establishes a Fair Value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value hierarchy and a description of the valuation techniques used for instruments measured at fair value are as follows:

- Level 1- Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2- Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.
- Level 3- Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed techniques that result in management's best estimate of fair value.

A qualifying asset or liabilities level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The Organization's qualifying assets or liabilities are recorded at fair value using Level 1 inputs.

N) Subsequent Events

The Organization evaluates subsequent events through May 14, 2021, the date of this report.

O) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2: CONTRIBUTIONS RECEIVABLE

The Organization maintains receivables due from various contributors. The organization has established an allowance for doubtful accounts through a provision for bad debts, charged to expense, and represents management's best estimate of possible losses that may occur within the pledge receivable portfolio. There were no estimated losses charged to bad debt expense during the years ended June 30, 2020, and no allowance for doubtful accounts was required as of June 30, 2020 . As of June 30, 2020 , the contributions receivable was \$0.

NOTE 3: PROPERTY AND EQUIPMENT

Physical property and equipment are stated on the statement of financial position at cost at date of acquisition or, in the case of gifts, fair market value at date of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Disposal/ Retirement

Upon retirement or sale, the cost of assets disposed of, and the related accumulated depreciation, are removed from the accounts and any resulting gain or loss is recorded as other income.

Classification

The major classification of property and equipment as of June 30, 2020 is as follows:

	<u>Estimated Useful Life</u>	<u>2020</u>
Office equipment	5-7 Years	\$ 17,642
Furniture & Equipment		5,425
Medical Equipment		<u>18,092</u>
Gross Property & Equipment		41,159
Less: Accumulated Depreciation & Amortization		<u>(34,306)</u>
Property & Equipment, Net		<u>6,853</u>
Depreciation & Amortization		\$ 2,158

Capitalization

Expenditures for maintenance and repairs are charged to expenses, whereas major betterments are capitalized. The Organization capitalizes property and equipment with useful life of greater than one year for costs in excess of \$1,000.

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses balances as of June 30, 2020 comprised of credit card fees and payroll liabilities payable:

	2020
Vendor Payable	\$ 10,536
Credit Card Liabilities	9,454
Payroll Liabilities	3,745
	<u>\$ 23,735</u>

NOTE 5: NET ASSETS

Organization's net assets as of June 30, 2020, was as follows:

	<u>Net Assets as of June 30, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, Beginning	478,611		478,611
Revenues, gains and other support	1,179,336	-	1,179,336
Functional Expenses	(1,119,576)	-	(1,119,576)
Released during the year	-	-	-
Net Assets, Ending	538,371	-	538,371

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6: NOTES PAYABLE

The Institution had the following notes payable outstanding as of June 30, 2020 as detailed below:

Description	2020		
	Short Term	Long Term	Total
Paycheck Protection Program (PPP) received from Wells Fargo SBA on May 02, 2020 bearing an interest rate of 1% per year. Maturity date is May 2, 2022. Payments shall be due monthly of \$3,384.90 beginning October 31, 2020 continuing on Day 02 each month thereafter. Loan is eligible for forgiveness and is only available for principal that is used for the limited purposes that qualify for forgiveness under SBA requirements. The organization has applied for forgiveness with SBA	29,968	50,431	80,399
	29,968	50,431	80,399

Future maturities of notes payable as of June 30, 2020 are as follows:

Fiscal Year Ending	Short Term	Long Term	Total
June 30			
2021	\$29,968		\$29,968
2022		50,431	50,431
Total	\$29,968	50,431	\$80,399

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7: OPERATING LEASE

The Organization leases its office facilities under an agreement as listed below:

Landlord	Location	Period	Security Deposit
JBA Portfolio, LLC	4001 McEwen Rd, Dallas TX 75244	07-01-2018 to 06-30-2024	\$3,424
Wells Asset Management (AMC)	3900 American Dr., Suite 201, Plano Texas 75075	02-01-2016 to 03-31-2021	\$4,600
Franklin D Perry, MD and Linda M. Perry dba MS Mgmt.	570 Edmonds Lane-Suite#111, Lewisville, TX 75067	06-01-2018 to 03-31-2021	\$2,000
560 Main, LTD	2016 Justin Rd, Suite#300, Lewisville TX 75057	08-01-2020 to 08-01-2027	\$25,000
Total			\$35,024

Occupancy expenses during the fiscal year ended June 30, 2020 was as detailed below.

	<u>2020</u>
Rent	\$ 130,500
Utilities	7,206
Repair & Maintenance	6,452
Total	\$ <u>144,158</u>

Future minimum lease payments as of June 30, 2020 was as details below:

Fiscal Year Ending June 30,	Amount
2021	\$ 150,745
2022	134,520
2023	153,543
2024	156,643
Total	\$ <u>595,451</u>

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8: REVENUE CONCENTRATION

The organization received substantial revenue during the fiscal year ended June 30, 2020 from laboratory and other services provided. For the fiscal year ended June 30, 2020, this accounts for 86.9% of total revenue. Should these services be reduced or eliminated in future, this would adversely affect the organization's financial position.

NOTE 9: INCOME TAXES

Lions Clinic of Texas, Inc. is a non-profit entity formed for charitable purposes and is exempt from income tax under Federal and State Income Taxes under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Lions Clinic of Texas, Inc. has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Lions Clinic of Texas, Inc. has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Donors may deduct contributions made to the Organization within Internal Revenue Code Regulations.

NOTE 10: RELATED PARTY TRANSACTIONS

The Organization had no related party transactions during the fiscal year ended June 30, 2020 .

NOTE 11: IN-KIND CONTRIBUTIONS

The Organization receives in-kind donations (principally of services), which are reflected in the statement of activities at their estimated values at the date of receipt. The values of these donations are based on the fair market value for similar items. The values of these items have been reflected in the financial statements as they do meet the criteria for recognition under ASC 605-10 Accounting for Contributions Received and Contributions made.

The organization received in-kind contributions of \$1,062 during the fiscal year ended June 30, 2020.

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has adopted the ASU 2016-14 standards for identifying the Liquidity required to meet the expected expenses within the next twelve months, after the date of these reports. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2020
<u>Financial Assets at year end</u>	
Cash and Cash Equivalents	\$ 591,895
Contributions Receivable	-
	591,895
<u>Less:</u>	
Those unavailable for general expenditures within one year, due to:	
Purpose and time restrictions	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 591,895

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13: NET ASSETS, ACID TEST RATIO, TANGIBLE NET ASSETS

Profitability

The Organization's profitability for the current and previous year was as follows:

Description	2020
Gross Income	\$ 1,179,336
Total Expenses (excluding Taxes)	(1,119,576)
Profit before Tax	59,760
Tax Expenses	-
Net Profit After Taxes	<u>\$ 59,760</u>

Acid Test Ratio

As of June 30, 2020 the Organization's acid test ratio was as follows

Description	2020
Quick Assets*	\$ 600,628
Current Liabilities	53,703
Acid Test Ratio	<u>11.18:1</u>

** Includes cash and cash equivalents, and accounts receivables*

Tangible Net worth

The Tangible net worth of the Organization as of June 30, 2020 are detailed as below:

Description	2020
Total Assets	\$ 642,505
Less: Total Liabilities	(104,134)
Equity	538,371
Less: Unsecured Related Party Receivables	-
Tangible Net Worth	<u>\$ 538,371</u>

This information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 14: SUBSEQUENT EVENTS

The Organization evaluates subsequent events through May 14, 2021, the date of this report.

COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. There has been no immediate impact to the Organization's operations. Future potential impacts may include continued disruptions or restrictions on employees' ability to work and impairment of its ability to obtain contributions and volunteers. The future effects of these issues are unknown.

Evaluation

The Organization's operations are dependent on private and public donations from individuals, foundations, and corporations. Additionally, access to contracts from local governments may decrease and may not be available depending on appropriations. The outbreak may have continued material adverse impact on economic and market conditions, triggering a period of regional economic slowdown. This situation is expected to depress donations from individuals, foundations, corporations, and local governmental entities to the Organization during fiscal year 2021. As such, this may hinder the Organization's ability to advance its mission. As such, the Organization's financial condition and liquidity may be negatively impacted for the fiscal year 2021.

Paycheck Protection Program

On May 7, 2020, the Organization received loan proceeds in the amount of approximately \$80,399 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The loans and accrued interest are forgivable after eight weeks/twenty-four weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, and the repayments of monthly payable of \$3,384.90 shall commence on October 31, 2020 and continue on Day 02 of each month thereafter until maturity. The Organization intends to use the proceeds for purposes consistent with the PPP. The Organization has been determined eligible for the full forgiveness of the outstanding loan during the period of audit.

LIONS CLINIC OF TEXAS, INC.
DBA PRIMARY CARE CLINIC OF NORTH TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE:15 NEW ACCOUNTING PRONOUNCEMENTS

Leases

On February 25, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. This ASU codifies FASB Accounting Standards Codification (ASC) 842, Leases, and makes conforming amendments to other FASB ASC topics. Under the new provisions, all lessees will report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less. ASU No. 2016-02, as amended by ASU No. 2020-05, is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Management is currently evaluating this standard and plans to implement an effective fiscal year ending June 30, 2022.

Revenue Recognition

On May 28, 2014, the FASB completed its Revenue Recognition project by issuing Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The entity applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.