Cool Effect, Inc.

Combined
Financial Statements

For the years ended
June 30, 2020 and 2019
With Independent Auditors' Report Thereon

(A Delaware Not-for-Profit Corporation)

Contents

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cool Effect, Inc.

We have audited the accompanying combined financial statements of Cool Effect, Inc. (a California nonprofit organization) which comprise the combined statement of financial position as of June 30, 2020 and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined financial Statements
Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Cool Effect, Inc. as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
We have previously audited Cool Effect's June 30, 2019 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated August 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Regalia & Associates

Danville, California
January 28, 2021

Combined Statements of Financial Position
June 30, 2020 and 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	$ 1,275,696	$ 1,083,429
Investments	1,354,710	1,571,465
Accounts receivable	316	730
Inventory	842,111	202,741
Total current assets	3,472,833	2,858,365
Property and equipment, net	18,582	15,192
Intangible assets, net	1,204,826	2,305,961
	$ 4,696,241	$ 5,179,518

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities:		
Accounts payable and accrued liabilities	$ 847,005	$ 669,250
Total current liabilities	847,005	669,250
Net assets:		
Net assets without donor restrictions	3,849,236	4,510,268
Total net assets	3,849,236	4,510,268
	$ 4,696,241	$ 5,179,518

Combined Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

Changes in unrestricted net assets:	2020	2019
Revenue and support:		
Contributed income	$ 2,550,000	$ 3,227,475
In-kind contributions	52,945	15,600
Program revenues	6,756,074	2,585,759
Investment income	131,878	19,068
Unrealized gains (losses) from investments	137,127	(67,392)
Other income	1,129	-
Total revenue and support	9,629,153	5,780,510
Expenses:		
Programs:		
Carbon reduction project support	6,162,834	2,354,409
Other program expenses	3,919,357	5,577,652
Fundraising	-	64,064
General and administrative	207,994	100,577
Total expenses	10,290,185	8,096,702
Decrease in net assets	(661,032)	(2,316,192)
Net assets at beginning of year	4,510,268	6,826,460
Net assets at end of year	$ 3,849,236	$ 4,510,268

Combined Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Operating activities:		
Decrease in net assets	$ (661,032)	$ (2,316,192)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	10,231	7,402
Amortization	1,568,976	2,061,055
Unrealized (gains) losses on investments	(137,127)	67,392
Stock donations	-	(3,227,476)
Reinvested interest and gains from sale of investments	(131,878)	(19,068)
Changes in:		
Accounts receivable	414	(270)
Inventory	(639,370)	(192,685)
Other assets	-	316
Accounts payable and accrued liabilities	177,755	27,129
Cash provided by (used for) operating activities	187,969	(3,592,397)
Investing activities:		
Acquisition of investments	(512,132)	19,068
Disposition of investments	997,892	4,762,199
Acquisition of property and equipment	(481,462)	(1,182,190)
Cash provided by investing activities	4,298	3,599,077
Net increase in cash and cash equivalents	192,267	6,680
Cash and cash equivalents at beginning of year	1,083,429	1,076,749
Cash and cash equivalents at end of year	$ 1,275,696	$ 1,083,429
Additional cash flow information:		
State registration taxes paid	$ 150	$ 150
Interest and finance charges paid	$ -	$ -

Combined Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Results For the Year Ended June 30, 2019)

	Program Services	Fund-raising	General & Admin-istrative	Total 2020	Total 2019
Advertising and promotion	$ 1,476,864	$ -	$ -	$ 1,476,864	$ 2,816,304
Bank charges and fees	168	-	29,469	29,637	16,011
Carbon reduction project support	6,162,834	-	-	6,162,834	2,354,409
Depreciation and amortization	1,579,207	-	-	1,579,207	2,068,457
Insurance	-	-	1,073	1,073	1,956
Information technologies	139,815	-	-	139,815	95,033
Legal and accounting	172	-	27,192	27,364	13,572
Miscellaneous	2,875	-	12,000	14,875	7,188
Occupancy	-	-	56,070	56,070	15,600
Office and supplies	631	-	32,638	33,269	22,538
Outside consulting services	68,665	-	44,913	113,578	97,533
Salaries, wages and payroll taxes	646,285	-	-	646,285	562,444
Travel and meetings	4,675	-	4,639	9,314	25,657
Totals	$ 10,082,191	$ -	$ 207,994	$ 10,290,185	$ 8,096,702

1. Organization

Cool Effect is a non-profit organization incorporated in Delaware with its operations headquartered in Kentfield, California. Cool Effect was founded in 2015 with this mission: To help cool the earth by supporting verified carbon reducing projects across the globe through crowd funding.

Cool effect's mission is to reduce carbon emissions by supporting projects across the globe that reduce CO2. Cool effect educates the public on the effects of climate change and solicits donations to support carbon reduction projects, empowering individuals and businesses to take action in the fight against climate change. Cool effect performs a deep analysis on both the science and the business structure of projects that claim to remove carbon from the atmosphere. All projects under consideration must first be approved by third-party standard-keeping organizations such as the gold standard, verified carbon standard, and climate action reserve, among others.

Cool effect then undertakes an extensive review process using its team of scientists to ensure the project meets very tough standards. At that same time, cool effect also reviews project management to assess whether donations are going where they should and that the project will operate well into the future.

2. Summary of Significant Accounting Policies

Basis of accounting – The combined financial statements of Cool Effect have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP"). The combined financial statements include the accounts of Cool Effect and Global Offset Research, LLC (a subsidiary created and controlled by Cool Effect). All significant balances and transactions between the two organizations have been eliminated.

Basis of presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification *(ASC) 958.205, Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, Cool Effect is required to report information regarding its combined financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Measure of operations – The combined statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Cool Effect's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate returns from interest-bearing deposits, investments, and from other activities considered to be of a more unusual or nonrecurring nature.

Cash and cash equivalents – Cash and cash equivalents include savings, cash deposits and money market accounts with maturity dates of three months or less. Cool Effect may occasionally be the recipient of donated securities. Investments or securities received by gift are recorded at market value at the date of contribution in accordance with *ASC 958.320, Investments*. Cool Effect converts such securities to liquid assets, and any realized gains or losses are separately stated on the combined statements of activities and changes in net assets. Cool Effect maintains its cash balances in highly capitalized financial institutions, which at times may exceed federally insured limits.

(continued)

2. Summary of Significant Accounting Policies (*continued*)

Concentrations of credit risk – Financial instruments that potentially subject Cool Effect to concentrations of credit risk consist principally of cash and cash equivalents and deposits. Cool Effect maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Cool Effect manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, Cool Effect has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of Cool Effect's mission.

Inventories **-** Inventories are carried at lower of cost or market and consist of carbon credits (also known as carbon offsets) and are accounted for in accordance with *ASC 330.10.30, Inventory*. Cool Effect purchases carbon offsets according to rigorous international standards subject to review and verification.

Investments – Cool Effect follows the provisions of *ASC 958.320, Investments – Debt and Equity Securities of Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that Cool Effect could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2020 and 2019. Although management is not aware of any factors that would significantly affect the estimated fair value amounts at such dates, current estimates of fair value may differ significantly from the statements presented, especially in light of the impact on financial markets as a result of COVID-19.

Investments include Treasury Trust funds, and equity securities. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the combined statements of activities and changes in net assets. In accordance with ASC 958.320, the recorded amounts of all investments are adjusted annually to reflect current market values.

Fair value measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Cool Effect categorizes assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

(continued)

2. Summary of Significant Accounting Policies (*continued*)

Level 1
Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2
Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3
Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Grants and contributions receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Property and Equipment - Property and equipment purchased by Cool Effect are stated at cost. Property and equipment donated to Cool Effect are recorded at estimated fair value as of the date of the gift. The costs of additions and major improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated over the estimated useful lives of the assets (between three and five years) utilizing the straight-line method.

Comparative Financial Information - The accompanying combined financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited combined financial statements for the year ended June 30, 2019, from which the summarized information was derived.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

In-Kind Contributions - In-kind contributions are reflected at the fair value of the contribution received in accordance with *ASC 958.605.30-11*. The contributions of services, equipment, and other materials are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries and wages, rent and utilities, insurance, and other overhead) have been allocated based on time and effort using Cool Effect's payroll allocations. Other expenses (such as professional services and other direct costs) have been allocated in accordance with the specific services received from vendors.

Estimates - The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

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

Net Assets Without Donor Restrictions
Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, but it has not opted to do so as of June 30, 2020 and 2019.

Net Assets With Donor Restrictions
Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying combined financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Revenue and Revenue Recognition - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Cool Effect has adopted *Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Income Taxes – Cool Effect is exempt from income tax 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. Cool Effect 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. Cool Effect has determined that there are no material uncertain tax positions that require recognition or disclosure in the combined financial statements.

Cool Effect Fund has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Cool Effect has adjusted the presentation of these statements accordingly.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by *ASU No. 2018-01*, *ASU No. 2018-10*, and *ASU No. 2018-11*. This new pronouncement is effective for fiscal years beginning after December 15, 2020.

(continued)

2. Summary of Significant Accounting Policies (*continued*)

ASU 2016-02 establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the combined statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the combined statements of activities and changes in net assets.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the combined financial statements are issued (or within one year after the date that the combined financial statements are available to be issued, when applicable). As of January 28, 2021 (the date of the Independent Auditors' Report), management has made this evaluation and has determined that Cool Effect has the ability to continue as a going concern.

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in banks (checking, savings, and certificates of deposit) at the time of purchase that have a maturity date of 90 days or less. The components of cash and cash equivalents are as follows at June 30:

	2020	2019
Checking accounts	**$ 128,005**	$ 448,147
Treasury Bills	**1,147,691**	635,282
Total cash and cash equivalents	**$ 1,275,696**	$ 1,083,429

Cool Effect attempts to limit its credit risk associated with cash equivalents by utilizing highly rated financial institutions. At June 30, 2020, cash balances in mutual funds and treasury bills bear interest at variable rates ranging from 0.05% to 0.58% per annum.

4. Investments

Investments of $1,354,710 and $1,571,465 at June 30, 2020 and 2019, respectively, consist of funds on deposit with U.S. Trust (Bank of America Private Wealth Management). Such funds consist of investments in various equity securities and are summarized as follows:

	2020	2019
Large Caps	**$ 1,161,705**	$ 1,427,113
Mid Caps	**45,540**	-
Emerging Markets	**147,465**	144,352
	$ 1,354,710	$ 1,571,465

(*continued*)

4. Investments *(continued)*

During the years ended June 30, 2020 and 2019, earnings on investments were reinvested. Investment income consists of interest and dividends and amounted to $131,878 and $19,068 for the years ended June 30, 2020 and 2019, respectively. Unrealized gains (losses) amounted to $137,127 and ($67,392) for the years ended June 30, 2020 and 2019, respectively. Realized gains amounted to $116,325 and $2,015 for the years ended June 30, 2020 and 2019, respectively, and are included with investment income.

5. Fair Value Measurements

Composition of assets utilizing fair value measurements at June 30, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Treasury Trust Fund	$ 1,147,691	$ 1,147,691	$ -	$ -
Equity securities	1,354,710	1,354,710	-	-
Accounts receivable	316	-	316	-
Totals	$ 2,502,717	$ 2,502,401	$ 316	$ -

Composition of assets utilizing fair value measurements at June 30, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Treasury Trust Fund	$ 434,839	$ 434,839	$ -	$ -
Treasury Bills	199,740	199,740		
Equity securities	1,571,465	1,571,465	-	-
Accounts receivable	730	-	730	-
Totals	$ 2,206,774	$ 2,206,044	$ 730	$ -

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on “unobservable inputs," such as a company’s own estimates and pricing models. There were no assets classified as Level 3 at June 30, 2020 and 2019.

6. Accounts Receivable

Accounts receivable of $316 and $730 at June 30, 2020 and 2019, respectively, represent amounts principally due from individuals. Cool Effect uses the direct write-off method with regards to receivables deemed uncollectible. There were no bad debts recognized during the years ended June 30, 2020 and 2019. Management has evaluated the receivables as of June 30, 2020 and determined that no allowance for uncollectible amounts is necessary based on the financial strength of the individuals involved.

7. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Furniture	**$ 3,052**	$ 1,278
Computer equipment	**39,337**	39,337
Leasehold improvements	**11,847**	-
Less: accumulated amortization	**(35,654)**	(25,423)
	$ 18,582	$ 15,192

Depreciation expense amounted to $10,231 and $7,402 for the years ended June 30, 2020 and 2019, respectively.

8. Intangible Assets

Intangible assets consist of the following at June 30:

	2020	2019
Website development	**$ 7,789,107**	$ 7,321,266
Less: accumulated amortization	**(6,584,281)**	(5,015,305)
	$ 1,204,826	$ 2,305,961

Amortization expense amounted to $1,568,976 and $2,061,055 for the years ended June 30, 2020 and 2019, respectively.

9. Related Party Transactions

During the years ended June 30, 2020 and 2019, Cool Effect received $2,500,000 and $3,227,476, respectively, in contributions from the founders.

10. In-Kind Contributions

Cool Effect occupies office space under a pro-bono arrangement. Management estimated the value of the in-kind occupancy to be $55,045 and $15,600 for the years ended June 30, 2020 and 2019, respectively, and are included with occupancy expense on the combined statement of functional expenses.

The values of these contributions met the criteria for recognition under *ASC 958.605.30-11 Revenue Recognition of Not-For-Profit Entities* and are reflected in the combined financial statements on the combined statements of activities and changes in net assets.

11. Liquidity

Cool Effect regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Cool Effect has various sources of liquidity at its disposal, including cash and equivalents, receivables, and other sources (including the future collection of grants and contributions receivable.)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Cool Effect considers all expenditures related to its ongoing activities in support of community initiatives to be general expenditures.

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

	2020	2019
Cash and cash equivalents	**$ 1,275,696**	$ 1,083,429
Investments	**1,354,710**	1,571,465
Accounts receivable	**316**	730
Total financial assets	**2,630,722**	2,655,624
Less: amounts not available to be used within one year	**-**	-
Financial assets available to meet general expenditures over the next year	**$ 2,630,722**	$ 2,655,624

As part of Cool Effect's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Cool Effect's goal is generally to maintain financial assets to meet 90 days of operating expenses.

12. Net Assets

Net Assets Without Donor Restrictions
Net assets without donor restrictions of $3,849,236 and $4,510,268 at June 30, 2020 and 2019, respectively, represent the cumulative combined retained surpluses derived from Cool Effect's operating activities since the inception of the organization.

Net Assets With Donor Restrictions
Cool Effect had no net assets with donor restrictions as of June 30, 2020 and 2019.

13. COVID-19

In late 2019, the outbreak of COVID-19 has spread throughout the world, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The novel coronavirus threat has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which Cool Effect conducts business.

Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. These combined financial statements do not contain any adjustments related to economic losses which may or may not be realized by Cool Effect as a result of these events.

14. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future funding agreements, which are not reflected in the combined financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate Cool Effect to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond Cool Effect's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, including executive officers of the organization, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Certain of the grants and contracts (including current and prior costs) are subject to adjustment upon review and final acceptance by the granting agency. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the combined financial statements.

15. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Cool Effect has evaluated subsequent events through January 28, 2021, the date the combined financial statements were available to be issued and, in the opinion of management, there are no subsequent events which are required to be disclosed.