PROJECT MEND

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

PROJECT MEND

FINANCIAL STATEMENTS

Year Ended September 30, 2021

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SAGEBIEL RAVENBURG & SCHUH, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Project MEND
San Antonio, Texas

Opinion

We have audited the accompanying financial statements of Project MEND (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, the related statements of activities and functional expenses for the year ended September 30, 2021, the statements of cash flows for the years ended September 30, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project MEND as of September 30, 2021 and 2020, and the changes in net assets for the year ended September 30, 2021, and its cash flows for the years ended September 30, 2021 and 2020 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Project MEND and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Project MEND's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Project MEND's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Project MEND's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Project MEND's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sagebiel, Ravenburg & Schuh, P.C.

San Antonio, Texas
April 12, 2022

PROJECT MEND

STATEMENT OF FINANCIAL POSITION

September 30, 2021 and 2020

ASSETS	2021	2020
Current assets:		
Cash and cash equivalents	$ 1,374,924	$ 2,184,379
Grants receivable - programs	125,955	168,350
Grants receivable - capital purchases	598,440	-
Accounts receivable from employees	-	2,800
Pledges receivable	-	11,400
Medical equipment inventory	46,255	62,784
Prepaid expenses	20,743	16,487
Total current assets	2,166,317	2,446,200
Property and equipment:		
Fixed assets	3,005,796	1,062,924
Less accumulated depreciation	(118,457)	(101,584)
Total property and equipment, net	2,887,339	961,340
Other assets:		
Right-of-use asset	24,199	65,681
Security deposits	-	1,500
Total other assets	24,199	67,181
Total assets	$ 5,077,855	$ 3,474,721
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 23,976	$ 27,630
Accrued liabilities	2,022	2,370
Deferred revenues	-	15,000
Total current liabilities	25,998	45,000
Net assets:		
Without donor restrictions:		
Undesignated	1,389,611	1,233,376
Fixed assets	2,887,339	961,340
Total net assets without donor restrictions	4,276,950	2,194,716
With donor restrictions	774,907	1,235,005
Total net assets	5,051,857	3,429,721
Total liabilities and net assets	$ 5,077,855	$ 3,474,721

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

PROJECT MEND

STATEMENT OF ACTIVITIES

Year Ended September 30, 2021

(With Comparative Totals For Year Ended September 30, 2020)

	Without Donor Restrictions			Total	
		Fixed	With Donor		
	Undesignated	Assets	Restrictions	2021	2020
Public support and revenue:					
Special events:					
Gross revenue	$ 18,843	$ -	$ -	$ 18,843	$ -
Less direct expenses	(2,354)	-	-	(2,354)	-
Net special events support	16,489	-	-	16,489	-
Local government grants	83,298	-	750,000	833,298	115,690
State government grants	431,875	-	-	431,875	443,479
Contributions and other grants	716,571	-	826,000	1,542,571	1,210,837
Paycheck Protection Program grant	-	-	-	-	62,141
Program income	40,903	-	-	40,903	39,896
Gains (losses) on disposal of property and equipment	750	-	-	750	(40,651)
In-kind donations - medical equipment	332,170	-	-	332,170	417,647
In-kind donations - other	5,000	-	-	5,000	1,500
Other income	11,209	-	-	11,209	37,176
Total public support	1,638,265	-	1,576,000	3,214,265	2,287,715
Net assets released from restrictions:					
Restrictions satisfied by payments	2,036,098	-	(2,036,098)	-	-
Total public support and revenue	3,674,363	-	(460,098)	3,214,265	2,287,715
Expenses:					
Program services	1,357,786	745	-	1,358,531	1,430,179
Management and general	119,111	4,615	-	123,726	149,208
Fundraising	71,332	38,540	-	109,872	131,152
Total expenses	1,548,229	43,900	-	1,592,129	1,710,539
Change in net assets	2,126,134	(43,900)	(460,098)	1,622,136	577,176
Net assets at beginning of year	1,233,376	961,340	1,235,005	3,429,721	2,852,545
Net interfund transfers	(1,969,899)	1,969,899	-	-	-
Net assets at end of year	$ 1,389,611	$ 2,887,339	$ 774,907	$ 5,051,857	$ 3,429,721

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

PROJECT MEND

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2021

(With Comparative Totals For Year Ended September 30, 2020)

		Supporting Services		Totals	
	Program Services	Management and General	Fundraising	2021	2020
Salaries and wages	$ 560,610	$ 42,505	$ 31,468	$ 634,583	$ 597,124
Employee benefits	53,850	18,782	-	72,632	72,676
Payroll taxes	46,582	3,532	2,615	52,729	50,366
Total salaries and related expenses	661,042	64,819	34,083	759,944	720,166
Advertising	16,323	-	7,049	23,372	21,667
Assistive technology	88,914	-	-	88,914	106,854
Bad debt expense	16,153	-	-	16,153	-
Capital campaign	-	-	21,917	21,917	66,001
Computer services	18,243	3,871	1,325	23,439	28,214
Conferences and meetings	1,438	-	-	1,438	2,914
Dues and subscriptions	16,544	369	207	17,120	16,328
Fees and fines	1,598	4,840	-	6,438	1,589
In-kind medical equipment	350,048	-	-	350,048	386,008
Interest expense	-	41	-	41	-
Insurance	10,592	28,791	4,125	43,508	42,800
Miscellaneous	4,758	180	-	4,938	1,622
Office supplies	7,548	-	429	7,977	14,561
Other expenses	2,002	-	-	2,002	3,699
Postage and freight	2,111	-	-	2,111	2,847
Printing and reproductions	8,561	-	825	9,386	7,814
Professional fees	17,627	13,250	-	30,877	41,271
Purchased inventory	17,382	-	-	17,382	51,478
Repairs and maintenance	1,022	-	-	1,022	8,521
Rent and occupancy expense	43,654	-	-	43,654	70,230
Staff training	1,717	-	-	1,717	1,051
Telephone and internet	28,231	370	319	28,920	25,451
Travel	9,922	1,519	1,053	12,494	19,717
Uniforms	4,724	-	-	4,724	3,468
Utilities	11,507	1,061	-	12,568	14,150
Vehicle expenses	9,981	-	-	9,981	6,655
Warehouse supplies	6,144	-	-	6,144	9,891
Total expenses before depreciation	1,357,786	119,111	71,332	1,548,229	1,674,967
Depreciation	745	4,615	38,540	43,900	35,572
Total expenses	$ 1,358,531	$ 123,726	$ 109,872	$ 1,592,129	$ 1,710,539

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

PROJECT MEND

STATEMENT OF CASH FLOWS

Years Ended September 30, 2021 and 2020

	2021	2020
Cash flow from operating activities:		
Change in net assets	$ 1,622,136	$ 577,176
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Depreciation expense	43,900	35,572
Amortization expense	41,482	41,482
(Gains) losses on sale of property and equipment	(750)	40,652
Non-cash contributions of property and equipment	(5,000)	-
Contributions and grants restricted for purchase of property and equipment	(1,525,000)	(75,500)
Change in:		
Grants receivable - programs	42,395	(64,736)
Accounts receivable from employees	2,800	(2,800)
Pledges receivable, other than capital campaign	-	34,067
Prepaid expenses	(4,256)	(4,278)
Medical equipment inventory	16,529	(30,219)
Security deposit	1,500	-
Accounts payable	(3,654)	19,483
Accrued liabilities	(348)	2,326
Deferred revenue	(15,000)	15,000
Net cash provided by operating activities	216,734	588,225
Cash flows from investing activities:		
Proceeds from sale of property and equipment	750	-
Purchase of property and equipment	(1,964,899)	(338,216)
Net cash used by investing activities	(1,964,149)	(338,216)
Cash flows from financing activities:		
Proceeds from issuance of debt	12,574	-
Payments on debt	(12,574)	-
Proceeds from contributions and grants restricted for		
purchase of property and equipment	937,960	314,100
Net cash provided by financing activities	937,960	314,100
Net increase (decrease) in cash	(809,455)	564,109
Cash and cash equivalents at beginning of year	2,184,379	1,620,270
Cash and cash equivalents at end of year	$ 1,374,924	$ 2,184,379
Supplemental schedule of cash flow information:		
Noncash investing and financing transactions:		
Contribution of property and equipment	$ 5,000	$ -

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

NOTES TO FINANCIAL STATEMENTS

1 NATURE OF ORGANIZATION

Project MEND (the Organization) is a non-profit agency dedicated to helping low-income people with disabilities obtain medical equipment and financial support for the purchase of specialized, fitted devices, prosthetic and orthotic devices, and diabetic shoes. The Organization accepts previously owned medical equipment from individuals, nursing homes, medical equipment companies, etc., and refurbishes, repairs, and sanitizes these items. Once the equipment has been processed, it is distributed to qualified low-income persons with disabilities.

The Organization operates from one location in San Antonio, Texas. The administrative and warehouse building is located at 1111 Austin Street, where recipients meet with case management staff, support staff operates, and warehouse staff refurbishes and distributes medical equipment to qualifying recipients. The Organization is in the process of completing a new facility at 5015 Wurzbach Road, and moved from the Austin Street location to the Wurzbach Road location subsequent to year end.

The Organization's mission is: *Believing that mobility and independence are basic human rights, we enable people with disabilities to become active members of their communities through the reuse of medical equipment.*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The financial statements accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board for the format of financial statements of not-for-profit organizations. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Comparative Financial Information

The financial information for the year ended September 30, 2020, presented for comparative purposes, is not intended to be a complete financial statement presentation. It is included to provide a basis for comparison with the year ended September 30, 2021.

Allocated Expenses

Expenses are charged to program services based on costs that can be directly identified as those costs associated with the program of the Organization. Any expenses not directly chargeable are allocated to programs and supporting service classifications on the basis of management estimates.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization other than a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors under Section 170(b)(1)(A).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes all monies on hand, in banks, and highly liquid investments with initial maturity periods of three months or less.

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory – Medical Equipment

Inventories are stated at the lower of cost or net realizable value. For purchased inventory items, cost is determined by the weighted-average cost method.

The Organization receives donated medical equipment, which is refurbished and then distributed back to qualified individuals. Upon receipt and refurbishment of donated medical equipment, the Organization recognizes inventory and in-kind revenue. When the refurbished equipment is distributed to a qualified individual, the Organization recognizes in-kind expense. Donated medical equipment has been valued at 50% of retail value, which is an approximation of net realizable value.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of $500. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Depreciation is computed using the straight-line method.

Right-of-Use Asset

The Organization has capitalized an asset to reflect the value of a three-year license agreement that permits the Organization to continue to use the Austin Street warehouse following the sale of that property. This asset is amortized using the straight-line method over the term of the license agreement.

Compensated Absences

The Organization provides regular, full-time employees with paid time off (PTO) to be used for absences due to illness, injury, disability, or personal activities, including vacation time. Employees' PTO balances are not paid out or carried forward to subsequent years, and are forfeited upon termination for any reason. As such, the Organization is not liable for PTO expenses until PTO is actually taken by the employee, and no accrual for PTO expenses has been made.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees, sales fees, and payments under cost-reimbursable contracts and grants received in advance are deferred to the applicable period in which the related services are performed, goods are provided, or expenditures are incurred, respectively. Contributions are recognized when cash, 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 or the donor has explicitly released the restriction.

Support and Revenue With and Without Donor Restrictions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service. 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.

(Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

The Organization receives donated medical equipment, services, and materials. The Organization distributed donated medical equipment (see note "Inventory – Medical Equipment") with an estimated fair market value of $350,048 and $386,008 to qualified individuals for the years ended September 30, 2021 and 2020, respectively. The Organization also receives contributed services from a variety of unpaid volunteers assisting with answering phones, cleaning and repairing donated medical equipment and various other program related services. No amounts have been recognized in the accompanying statements of activities and changes in net assets because the criteria for recognition of such volunteer effort under GAAP have not been satisfied.

Accounting Pronouncements Issued but Not Yet Adopted

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded.

The ASU is effective for the Organization's fiscal years beginning after December 15, 2021 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements. This may affect the Organization in fiscal year 2023.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization's management has evaluated subsequent events through April 12, 2022, the date which the financial statements were available for issue.

3 CONCENTRATION OF CREDIT RISK

The Organization maintains cash in accounts with two banking institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). At September 30, 2021, amounts in excess of the FDIC insured limits were $1,062,945.

4 GRANTS RECEIVABLE

Grants receivable - programs consists of revenue earned by reimbursable expenses incurred and is deemed fully collectible; therefore, no allowance for doubtful accounts is deemed necessary as of September 30, 2021 and 2020.

Grants receivable – capital purchases consists of grants awarded for the purchase or construction of property and equipment. Grant revenue has been recognized as the awards are not conditional and funds are expected to be received within the next fiscal year.

At September 30, 2021 and 2020, all grants receivable are scheduled to be collected within one year.

5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2021	2020
Land, buildings and improvements	$ 375,000	$ 375,000
Furniture and equipment	96,120	81,998
Vehicles	172,486	197,434
Construction in progress	2,362,190	408,492
	3,005,796	1,062,924
Less accumulated depreciation	(118,457)	(101,584)
Property and equipment, net	$ 2,887,339	$ 961,340

Depreciation expense for the years ended 2021 and 2020 was $43,900 and $35,572, respectively.

In 2021 a restrictive covenant was placed on the new Wurzbach Road facility, as a condition of grant funds received from the City of San Antonio, under a Community Development Block Grant, for the purpose of constructing the facility. This covenant, which expires on November 30, 2026, restricts the use of the property to the provision of medical equipment, supplies, and/or services that are a public benefits. Should that covenant be violated before the expiration date, the Organization or its successor will be liable for a payment to the City of San Antonio for a portion of the property's value proportional to amount of original construction costs funded by the City's grant. As the Organization intends to use the property for purposes allowed by the restrictive covenant, no liability has been accrued related to that covenant.

In 2021, the Organization also entered into lease and lease-back agreements with Bexar County for a portion of the Wurzbach Road facility, as a condition of grant funds received from the County. These agreements restrict the Organization's ability to sell or transfer the Wurzbach Road facility without the approval of the County. See Note 13.

6 RIGHT-OF-USE ASSET

The Organization has a right-of-use asset relating to a license agreement that permits the Organization to continue using the Austin Street warehouse for three years following the sale of that property. During the year ended September 30, 2020, the Organization moved into a new warehouse also provided by the licensor for the Organization's use, but no change to the right-of-use asset has been recorded as the amended terms of the license agreement remain substantially the same. The license agreement expires on April 30, 2022. The following table describes the changes to the Organization's right-of-use asset:

	2021	2020
Right-of-use asset, beginning of year	$ 65,681	$ 107,163
Amortization expense	(41,482)	(41,482)
Right-of-use asset, end of year	$ 24,199	$ 65,681

Amortization expense for this asset is recorded to rent and occupancy expense in the Statement of Activities.

7 DEBT

In April 2021, the Organization entered into a loan agreement to provide up to $750,000 in financing towards acquisition and construction costs of the new Wurzbach Road facility. The loan is secured by the new facility. At the maturity date of October 21, 2022, this loan agreement can be converted at the Organization's option to a 25-year amortized loan, with an interest rate at the Wall Street Journal prime rate plus 1.0%. As of September 30, 2021, the outstanding balance of this loan was $-0-, with an available unused balance of $750,000.

8 DEFERRED REVENUES

The change in the Organization's deferred revenue for the years ended September 30, 2021 and 2020 is comprised of the following:

	2021	2020
Balance at beginning of year	$ 15,000	$ -
Additions:		
Sponsorships and fees for events in upcoming year	-	15,000
Reductions:		
Sponsorship and fee revenue earned	(15,000)	-
Balance at end of year	$ -	$ 15,000

9 NET ASSETS WITH DONOR RESTRICTIONS

During 2021 and 2020, the Organization received contributions for various specific programs and activities. As of September 30, 2021 and 2020, net assets with donor restrictions were restricted for the following purposes or periods:

	2021	2020
Promises to give due in future years	$ -	$ 31,400
Capital campaign	774,907	1,203,605
Net assets with donor restrictions	$ 774,907	$ 1,235,005

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2021	2020
Satisfaction of purpose or time restrictions:		
DME Repair & Reuse Program	$ 45,000	$ 30,000
New Equipment Program	-	24,000
Veteran's Service Program	-	15,000
Medical Care for Children with Special Needs Program	-	6,000
Rehab of Crippled and Handicapped Children	6,000	-
Capital Campaign	1,953,698	288,629
General 2020-2021 Operations	31,400	-
General 2019-2020 Operations	-	34,067
Net assets released from restriction	$ 2,036,098	$ 397,696

10 PAYCHECK PROTECTION PROGRAM GRANT

In April 2020, the Organization received a loan in the amount of $62,141 under the Small Business Administration Paycheck Protection Program (PPP). This loan may be forgiven, in part or in full, if the Organization meets certain criteria for the purpose and timing of expenditures of the proceeds from the loan. The Organization has elected to treat this as a conditional contribution that may be recognized as a governmental grant once the conditions have been fulfilled. Management believes that all relevant conditions for forgiveness were met as of September 30, 2020, and therefore has recognized the full balance of the loan payment as revenue in the year ended September 30, 2020. Subsequent to year end, the Organization applied for and was granted forgiveness of the full balance of the loan from the Small Business Administration.

11 CONCENTRATION OF GRANT REVENUE

The Organization's support and revenues from state and local government grants was as follows for the years ended September 30:

Type of Grant	Original Source	2021 Amount	2021 Percent of Total Support and Revenue	2020 Amount	2020 Percent of Total Support and Revenue
University of Texas	State	$ 125,000	3.9%	$ 125,028	5.5%
Texas Veterans Commission	State	306,875	9.5%	318,451	13.9%
Total state government grants		$ 431,875	13.4%	$ 443,479	19.4%
Bexar County - General Fund	County	$ -	0.0%	$ 15,569	0.7%
Bexar County - capital project	County	500,000	15.6%	-	0.0%
University Health System	County	50,050	1.6%	50,050	2.2%
City of San Antonio - General Fund	City	48,848	1.5%	50,071	2.2%
City of San Antonio - CDBG	Federal	234,400	7.3%	-	0.0%
Total local government grants		$ 833,298	25.9%	$ 115,690	5.1%

These grants operate as cost reimbursement grants, where the Organization submits qualified expenses to the grantor and is reimbursed when expenses are approved. A reduction in revenue by either grantor would coincide with a similar reduction of expenses for the Organization.

12 ADVERTISING COSTS

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expenses for the years ended September 30, 2021 and 2020 were $23,372 and $21,667, respectively.

13 OPERATING LEASES

The Organization leases office space and equipment under various operating leases expiring through October 2022. Total rent payments on these leases for the years ended September 30, 2021 and 2020 were $2,172 and $28,748, respectively. The following are future minimum rental payments under these leases:

Year Ending September 30	
2022	$ 5,256
2023	438
	$ 5,694

In 2021, the Organization entered lease and lease-back agreements with Bexar County, under which the Organization leases a portion of the new Wurzbach Road facility to the County, which then leases it back to be operated by the Organization. As these leases have been classified as operating leases, no additional liabilities or assets have been recognized. Rent is set at a nominal $1 per year, and the term of the lease and lease-back is the later of 30 years, or the date at which the County extinguishes any debt used to finance the County's original grant award to the Organization.

The Organization remains liable for all utilities expenses, repairs, and insurance for the leased property, and any leasehold improvements become property of the Organization at the end of the lease. During the term of the lease, the Organization is restricted from selling or transferring the leased premises without the approval of the County.

14 CONTINGENCIES

The Organization receives a significant amount of financial assistance from various governments and government agencies. Grants and contracts normally provide for the recovery of direct and indirect costs. Entitlement to the recovery of the direct and related indirect costs is conditional upon compliance with the terms and conditions of the grants agreements and with applicable state or federal regulations, including the expenditure of the resources for eligible purposes. Certain grants and indirect cost rates may be subject to financial and compliance reviews and audits by the grantors. In management's opinion, it is highly unlikely than an adverse material outcome will result from those reviews and audits.

15 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes include amounts restricted for expenditure in the upcoming fiscal year. Accounts receivable are subject to an implied time restriction but are expected to be collected within one year, except for amounts that are due in future years.

Cash and cash equivalents	$ 1,374,924
Grants receivable	724,395
Financial assets at year end	2,099,319
Less those unavailable for general expenditure within one year, due to:	
Donor-restricted to expenditure for specific purposes	(774,907)
Financial assets available to meet cash needs for general expenditure within one year	$ 1,324,412

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At September 30, 2021, the Organization has financial assets available to meet cash needs for general expenditure within one year that were equivalent to roughly 312 days of average operating expenses.

16 SUBSEQUENT EVENTS

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases in the region. Measures taken by various governments to contain the virus, as well as changes in behavior by regular donors and event participants in response to the pandemic, have affected economic activity in our area. The Organization has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for the Organization's stakeholders.

Since April 2020, the impact on the Organization has been significant, with significant shifts in revenue streams and a general shift towards social distancing practices and working from home for many Organization employees as a result of measures intended to mitigate the pandemic. These disruptions have continued into the new fiscal year, and it is uncertain as to when the Organization will be able to resume normal, routine operations. As such, it is difficult to predict the impact the pandemic might have on the Organization's finances, other than the fact that temporary declines in certain revenues and expenses may continue into the new fiscal year. The Organization will continue to follow government and expert advice and, in parallel, the Organization will do its utmost to continue its operations in the best and safest way possible.