

Project MEND
Financial Statements
September 30, 2023



GREGORY & CRUTCHFIELD, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Project MEND
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GREGORY & CRUTCHFIELD, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of
Project MEND

We have audited the accompanying financial statements of Project MEND (a nonprofit corporation), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, cash flows for the years then ended, and 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

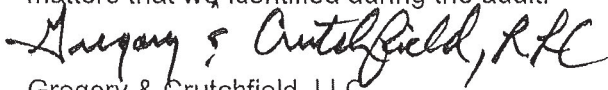
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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 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.

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.



Gregory & Crutchfield, LLC
San Antonio, Texas
February 27, 2024

Project MEND
Statements of Financial Position
September 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 428,381	\$ 663,815
Grants, contributions and fees receivable	106,994	61,650
Medical equipment inventory	131,155	61,908
Prepaid expenses	21,517	10,349
Total current assets	<u>688,047</u>	<u>797,722</u>
Property and equipment:		
Fixed assets	4,767,656	4,763,806
Less accumulated depreciation	(442,783)	(250,792)
Total fixed assets	<u>4,324,873</u>	<u>4,513,014</u>
Total assets	<u>\$ 5,012,920</u>	<u>\$ 5,310,736</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable, credits card payable	\$ 24,773	\$ 37,677
Accrued liabilities	726	840
Deferred revenues	95,850	53,100
Current portion - long-term debt	10,041	9,527
Total current liabilities	<u>131,390</u>	<u>101,144</u>
Long-term debt	<u>530,442</u>	<u>540,473</u>
Total long-term debt	530,442	540,473
Total liabilities	661,832	641,617
Net assets:		
Without donor restrictions:		
Undesignated	516,698	838,442
Undesignated in property and equipment (net of related debt)	3,784,390	3,830,677
With donor restrictions	50,000	-
Total net assets	<u>4,351,088</u>	<u>4,669,119</u>
Total liabilities and net assets	<u>\$ 5,012,920</u>	<u>\$ 5,310,736</u>

The accompanying notes are an integral part of these financial statements

Project MEND
Statements of Activities and Changes in Net Assets
For The Years Ended September 30, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Without Donor Restrictions	With Donor Restrictions	Total 2022
Public support and revenue:						
Special events:						
Gross revenue from special events	209,153	-	209,153	63,645		63,645
Less direct expenses	(43,046)	-	(43,046)	(22,543)		(22,543)
Net special events support	166,107		166,107	41,102	-	41,102
Local government grants	142,194	-	142,194	132,193	-	132,193
State grants	130,000	-	130,000	350,216		350,216
Contributions and other grants	639,321	50,000	689,321	564,150		564,150
Program income	121,153	-	121,153	80,644		80,644
In-kind donations-medical equipment	654,489	-	654,489	395,163		395,163
Other income	26,627	-	26,627	20,264		20,264
Total public support	1,879,891	50,000	1,929,891	1,583,732	-	1,583,732
Net assets released from restrictions:						
Restrictions satisfied by payments	-	-	-	774,907	(774,907)	-
Total public support and revenue	1,879,891	50,000	1,929,891	2,358,639	(774,907)	1,583,732
Expenses:						
Program services	2,020,002	-	2,020,002	1,732,870	-	1,732,870
Management and general	156,043	-	156,043	160,278	-	160,278
Fundraising	71,877	-	71,877	73,322	-	73,322
Total expenses	2,247,922	-	2,247,922	1,966,470	-	1,966,470
Change in net assets	(368,031)	50,000	(318,031)	392,169	(774,907)	(382,738)
Net assets at beginning of year	4,669,119	-	4,669,119	4,276,950	774,907	5,051,857
Net assets at end of year	<u>\$ 4,301,088</u>	<u>\$ 50,000</u>	<u>\$ 4,351,088</u>	<u>\$ 4,669,119</u>	<u>\$ -</u>	<u>\$ 4,669,119</u>

Designation of net assets without donor restrictions:

Undesignated	516,698
Designated in net fixed assets net of debt	<u>3,784,390</u>
Total net assets without donor restrictions	<u>\$ 4,301,088</u>

The accompanying notes are an integral part of these financial statements

Project MEND
Statement of Functional Expenses
For the Year Ended September 30, 2023
(With Comparative Totals for the Year Ended September 30, 2023)

	Program Services	Supporting Services		Totals	
		Management and General	Fundraising	2023	2022
Salaries and wages	\$ 693,361	\$ 52,611	\$ 39,261	\$ 785,233	\$ 680,457
Payroll taxes	63,626	4,828	3,603	72,057	61,919
Employee benefits	70,682	5,363	4,002	80,047	79,676
Total salaries, wages and benefits	827,669	62,802	46,866	937,337	822,052
Advertising and marketing	13,513	-	5,791	19,304	36,419
Assistive technology	11,839	-	-	11,839	86,807
Disallowed grant reimbursement	-	-	-	-	23,440
Capital campaign	-	-	9,051	9,051	7,037
Computer services	12,177	2,673	964	15,814	33,489
Conferences and meetings	6,447	-	-	6,447	2,977
Dues and subscriptions	14,677	304	213	15,194	20,913
Bank and credit card settlement fees	2,032	6,094	-	8,126	7,637
In-kind medical equipment	637,370	-	-	637,370	402,787
Interest expense	33,789	-	-	33,789	16,751
Insurance	12,348	33,958	5,146	51,452	44,192
Miscellaneous	4,571	190	-	4,761	9,769
Office supplies	11,683	1,375	687	13,745	15,209
Other expenses	5,738	-	-	5,738	4,644
Payroll fees	24,587	1,866	1,392	27,845	16,039
Postage and delivery	1,877	-	-	1,877	3,902
Printing and reproduction	15,012	-	1,449	16,461	19,760
Professional fees	-	34,302	-	34,302	52,652
Purchased inventory sold	61,596	-	-	61,596	48,213
Repairs and maintenance	40,571	-	-	40,571	13,621
Occupancy	3,826	-	-	3,826	29,413
Staff training	2,454	-	-	2,454	3,119
Telephone and internet	30,875	637	318	31,830	34,902
Travel	4,304	-	-	4,304	7,734
Uniforms	2,577	-	-	2,577	4,835
Utilities	25,785	2,242	-	28,027	34,062
Vehicle expenses	22,931	-	-	22,931	25,294
Warehouse supplies	7,363	-	-	7,363	6,466
Total expenses before depreciation	1,837,611	146,443	71,877	2,055,931	1,834,135
Depreciation	182,391	9,600	-	191,991	132,335
Total expenses	\$ 2,020,002	\$ 156,043	\$ 71,877	\$ 2,247,922	\$ 1,966,470

The accompanying notes are an integral part of these financial statements

Project MEND
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

Cash flows from operating activities:	2023	2022
Change in net assets	(318,031)	(382,738)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	191,991	132,335
Amortization (write off balance of right-of-use asset)	-	24,199
(Gains) losses on sale of property and equipment	-	-
Non-cash contributions of property and equipment	-	-
Contributions and grants restricted for purchase of property	-	598,440
(Increase) decrease in:		
Grants receivable	(45,344)	64,305
Accounts receivable from employees	-	-
Prepaid expenses	(11,168)	10,394
Medical equipment inventory	(69,247)	(15,653)
Security deposits	-	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,904)	13,701
Accrued liabilities	(114)	(1,182)
Deferred revenue	42,750	53,100
Net cash provided by operating activities	<u>(222,067)</u>	<u>496,901</u>
 Cash flow from investing activities:		
Proceeds from sale of property and equipment	-	-
Purchase of property, equipment and building	(3,850)	(1,758,010)
Net cash used in investing activities	<u>(3,850)</u>	<u>(1,758,010)</u>
 Cash flow from financing activities:		
Proceeds from short-term real estate loan	-	550,000
Payments short-term real estate loan	-	(550,000)
Proceeds from long-term real estate loan	-	550,000
Principal payments on long-term real estate loan	(9,517)	-
Net cash provided by (used in) financing activities	<u>(9,517)</u>	<u>550,000</u>
 Net increase (decrease) in cash	(235,434)	(711,109)
 Cash - beginning of year	663,815	1,374,924
 Cash - end of year	<u><u>428,381</u></u>	<u><u>663,815</u></u>
 Supplemental disclosure of cash flow information		
Interest expense	33,789	16,751
Noncash contribution - property and equipment	-	-

The accompanying notes are an integral part of these financial statements

Project MEND
Notes to Financial Statements
September 30, 2023

(With Comparative Amounts for the Year Ended September 30, 2022)

Note 1 - The Organization

Project MEND ("the Organization") is a nonprofit organization dedicated to helping people with disabilities and/or illness obtain refurbished medical equipment and/or financial support for the purchase of assistive technologies. Once the equipment has been processed, it is distributed to qualified persons with disabilities.

The Organization operates from one location in San Antonio, Texas where potential clients meet with case management staff to determine the need for services. Warehouse staff refurbishes and distributes medical equipment to qualifying recipients.

The Organization's mission is: *Project MEND is committed to improving the lives of individuals living with disabilities and illness through the refurbishment, reuse and distribution of medical equipment and other assistive technologies.*

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting – The Organization has prepared its financial statements using the accrual basis of accounting.

Basis of Presentation – The Organization utilizes the provisions under FASB Accounting Standards Codification 958-205, *Not-for-Profit Entities*. The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all cash in banks and highly liquid investments with initial maturities of three months or less to be cash and cash equivalents.

Comparative Financial Information – The financial information for the year ended September 30, 2022 is presented for comparative purposes. It is not intended to be a complete financial statement presentation and is included only to provide a basis for comparison with the financial statements for the year ended September 30, 2023.

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 classifications based on management estimates.

Estimates – The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual amounts could differ from these estimates.

Project MEND
Notes to Financial Statements
September 30, 2023

Note 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 it as inventory and in-kind revenue based on 50% of retail value, which is an approximation of net realizable value. When the refurbished equipment is distributed to a qualified individual, the Organization reduces its inventory and recognizes an in-kind expense.

Property and Equipment – Fixed assets represent land, building and improvements, furniture, equipment and vehicles. These are recorded at cost for purchased assets and estimated fair market value as of the date of donation for donated assets. Depreciation is computed using the straight-line method over the useful lives of the assets, which ranges from 3 to 30 years.

Adoption of ASU No. 2018-01, Leases (Topic 842) – The Organization adopted FASB's ASU No. 2018-01, *Leases (Topic 842)* in a previous year which requires a lessee to recognize on the statement of financial position the assets and liabilities for leases with lease terms of more than 12 months.

Although the Company has adopted this pronouncement, Management believes its current small equipment leases are not material to the accompanying financial statements and as such are not required to be recognized on its statement of financial position. Therefore, the right-of-use and lease liability have not been presented in the accompanying financial statements.

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 in the accompanying financial statements.

Concentrations of Credit Risk – The Organization maintains cash in accounts with two banking institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). The Organization has not incurred any losses from having balances in excess of the FDIC limits. As of September 30, 2023 and 2022 the Organization's balances in excess of the FDIC limit of \$250,000 was \$202,602 and \$422,425 respectively.

Income Tax Status – The Organization is exempt from taxation 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). No provision for federal income taxes has been made. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last 4 years remain subject to examination.

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.

**Project MEND
Notes to Financial Statements
September 30, 2023**

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition – Revenue is recognized when earned. Program service fees, sales fees, and payments under cost-reimbursement 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 restriction 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.

Donated Goods and Services – The Organization receives donated medical equipment, services and materials. The Organization distributed donated medical equipment (see “Inventory – Medical Equipment”) with an estimated fair market value of \$637,370 and \$402,787 to qualified individuals for the years ended September 30, 2023 and 2022 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 financial statements because the criteria for recognition of such volunteer effort under GAAP has not been satisfied.

Note 3 – Grant, Contributions and Fees Receivable

Grants, contributions and fees receivable represent the following:

Grants receivable primarily consist of revenue earned by reimbursable expenses incurred under grant agreements. Contributions receivable consist of gala sponsorship pledges and other small pledges as of September 30, 2023 and 2022. Fees receivable represent various types of service fees owed to the organization by qualified individuals who have received services.

Management believes the September 30, 2023 and 2022 balances for grants, contributions and fees receivable are fully collectable; therefore no allowance for credit losses (see *Note 14 Allowance for Credit Losses – New Accounting Pronouncement Adopted*) is considered necessary as of September 30, 2023 or 2022.

Project MEND
Notes to Financial Statements
September 30, 2023

Note 4 – Property and Equipment

Property and equipment consist of the following as of September 30:

	2023	2022
Land	\$ 375,000	\$ 375,000
Building and improvements	4,062,934	4,062,937
Furniture and equipment	157,236	153,383
Vehicles	172,486	172,486
Total	4,767,656	4,763,806
Less: accumulated depreciation	(442,783)	(250,792)
Property and equipment, net	\$4,324,873	\$ 4,513,014

Depreciation expense for the years ended September 30, 2023 and 2022 was \$191,991 and \$132,335 respectively.

In 2021 a restrictive covenant was placed on the new Wurzbach Road building, 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 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 the 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 this covenant.

In 2021, The Organization entered into lease and lease-back agreements with Bexar County for a portion of the Wurzbach Road building without the approval of the County. See "Operating Leases" below.

Note 6 – Debt

In April 2021, the Organization entered into a loan agreement with a bank to provide up to \$750,000 in financing towards acquisition and construction costs of the new Wurzbach Road facility. The loan was secured by the new facility. The maturity date of the loan was October 21, 2022 with an option for the Organization to convert the loan to a 5 year loan with payments based on a 25-year amortization period.

Prior to the maturity of the above loan, the Organization elected to convert the outstanding loan balance of \$550,000 to a 5-year loan with payments based on a 25-year amortization period. A note modification agreement was executed on September 21, 2022 with a maturity date of September 21, 2027. The promissory note rate is the lesser of the Maximum Rate as defined in the loan agreement or 6.11% fixed. The note is payable in monthly installments of principal and interest of \$3,611 (based on 25-year amortization) beginning on October 1, 2022. The loan is secured by a deed of trust on the Wurzbach Road property, a security agreement, a financing statement and assignment of rents.

As of September 30, 2023 and 2022, the outstanding principal on this loan was \$540,483 and \$550,000 respectively. The interest rate was 6.11% as of September 30, 2023 and 2022.

**Project MEND
Notes to Financial Statements
September 30, 2023**

Note 6 – Debt - *continued*

The loan covenants requires the Organization to provide the lender, within 120 days of each fiscal year-end commencing September 30, 2022, a compliance certificate as to whether the Organization maintained a debt service coverage ratio of not less than 1.10 to 1 at the end of each fiscal year.

The following is a summary of principal maturities of long-term debt for the next five years as of September 30, 2023:

2024	\$ 10,041
2025	10,775
2026	11,461
2027 (includes balloon)	508,206
2028	-
Total	<u>\$ 540,483</u>

Note 7 – Deferred Revenues

The change in the Organization's deferred revenue for the years ended September 30, 2023 and 2022 is comprised of the following:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$53,100	-
Additions:		
Sponsorships and fees for future events	119,529	53,100
Reductions:		
Sponsorships and fee revenue earned	-76,779	-
Balance at end of year	<u>\$95,850</u>	<u>\$53,100</u>

Note 8 – Net Assets With Donor Restrictions

As of September 30, 2023 and 2022 net assets with donor restrictions is comprised of the following:

	<u>2023</u>	<u>2022</u>
Donation for vehicle purchase	\$50,000	-

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:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose or time restrictions:		
None	-	\$774,907
Net assets released from restrictions	<u>-</u>	<u>\$774,907</u>

Project MEND
Notes to Financial Statements
September 30, 2023

Note 9 – Concentration of Grant Revenue

The Organization's support and revenues from state and local government grants (or federal grants passed through local governments) for the years ended September 30, 2023 and 2022 are as follows:

Type of Grant	2023			2022	
	Original Source	Amount	% of Total Support and Revenue	Amount	% of Total Support and Revenue
University of Texas	State	\$130,000	6.7%	\$130,000	8.2%
Texas Veterans Commission	State	-	-	220,216	13.9%
Total State Grants		130,000	6.7%	350,216	22.1%
Bexar County – general	County	15,000	.8%	-	-
University Health System	County	50,050	2.6%	50,050	3.2%
City of San Antonio – general	City	77,144	4.0%	72,073	4.5%
City of San Antonio – CDBG	Federal	-	-	10,070	.6%
Total local grants		\$142,194	7.4%	\$132,193	8.3%

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

Note 10 – Advertising Costs

The Organization uses advertising to promote its programs among the community it serves. Advertising costs are expensed as incurred and for the years ended September 30, 2023 and 2022 were \$19,304 and \$36,419 respectively.

Note 11 – Operating Leases

In 2021, the Organization entered into a 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 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 utility 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.

The Organization has an operating lease for a copy machine which requires monthly lease payments of \$400 per month. The following represents the annual lease payments over the next five years: Fiscal years ending September 30: 2024: \$4,802; 2025: \$4,802; 2026: \$801; thereafter: none.

**Project MEND
Notes to Financial Statements
September 30, 2023**

Note 12 - 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 indirect costs is conditional upon compliance with the terms and conditions of the grant agreements with the applicable federal, state or local regulations, including the expenditure of the resources for eligible purposes. Certain grants and indirect cost rates may be subject to financial compliance reviews and audits by the grantors. In management's opinion, it is highly unlikely that an adverse material outcome will result from any potential reviews and audits.

Note 13 – 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.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$428,381	\$663,815
Grants, contributions and fees receivable	<u>106,994</u>	<u>61,650</u>
Financial assets at year-end	\$535,375	\$725,465
Less: financial assets unavailable for general expenditure within one year - restricted funds	<u>50,000</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	\$485,375	\$725,465

Note 14 - Allowance for Credit Losses - New Accounting Pronouncement Adopted

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. Under the standard, disclosures are required to provide financial statement users with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were grants, contributions and fees receivable. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Note 15 – Subsequent Events

Subsequent events have been evaluated by management through the date of the report of the independent auditors.

Note 16 – Current Economic Environment

The impact of current economic events, including increasing inflation and interest rates, supply chain constraints, availability of capital and labor, and geopolitical events, remains uncertain. Any related financial impact cannot be reasonably estimated at this time.