WESTBRIDGE VOCATIONAL, INC.

Sylva, North Carolina

Financial Statements

Years Ended June 30, 2020 and 2019

WESTBRIDGE VOCATIONAL, INC.

OFFICERS

Clifford Faull	Chair
Henry Dowling	Vice-Chair
Frank Lockwood	Secretary/Treasurer

BOARD OF DIRECTORS

William Brothers	Frank Lockwood
Jacob Buchanan	Tom McClure
Wendy Cagle	Joe Rigdon, CEO
Henry Dowling	Gene Robinson
Clifford Faull	

WESTBRIDGE VOCATIONAL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
WestBridge Vocational, Inc.

We have audited the accompanying financial statements of WestBridge Vocational, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WestBridge Vocational, Inc. as of June 30, 2020 and 2019, 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.

Carter, P.C.

Asheville, North Carolina
January 19, 2021

WESTBRIDGE VOCATIONAL, INC.

Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and equivalents	$ 144,930	$ 48,185
Accounts receivable	110,863	114,196
Grants receivable	333,517	159,928
Other receivables	2,434	12,170
Prepaid expenses	21,272	15,907
Inventories	64,574	59,166
Total current assets	677,590	409,552
Property and equipment	498,272	484,833
Intangible assets	6,500	
Total assets	$ 1,182,362	$ 894,385
Liabilities and net assets		
Current liabilities:		
Current maturities of lines of credit	$ 45,570	$ 15,231
Current portion of obligation under capital lease	3,108	2,725
Current maturities of notes payable	123,109	47,986
Current maturities of deferred compensation agreement	12,000	12,000
Account payable	67,239	57,981
Accrued expenses	83,995	41,098
Total current liabilities	335,021	177,021
Lines of credit, net of current maturities	66,853	49,900
Obligation under capital lease, net of current portion		3,351
Notes payable, net of current maturities	476,577	368,574
Deferred compensation agreement, net of current maturities	52,500	64,500
Total liabilities	930,951	663,346
Net assets:		
Without donor restrictions	211,611	191,321
With donor restrictions	39,800	39,718
Total net assets	251,411	231,039
Total liabilities and net assets	$ 1,182,362	$ 894,385

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

WESTBRIDGE VOCATIONAL, INC.

Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Sales	$ 1,474,448	$	$ 1,474,448
Vocational rehabilitation	403,737		403,737
Grants	158,234	35,000	193,234
Contributions	2,890		2,890
In-kind contributions	92		92
Other	1,436		1,436
Net assets released from restrictions	34,918	(34,918)	
Total revenues and other support	2,075,755	82	2,075,837
Expenses			
Program services	1,568,627		1,568,627
Supporting services	486,838		486,838
Total expenses	2,055,465		2,055,465
Increase (decrease) in net assets	20,290	82	20,372
Net assets at beginning of year	191,321	39,718	231,039
Net assets at end of year	$ 211,611	$ 39,800	$ 251,411

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

WESTBRIDGE VOCATIONAL, INC.

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Sales	$ 1,904,912	$	$ 1,904,912
Vocational rehabilitation	215,899		215,899
Grants	94,341		94,341
Contributions	2,206	35,000	37,206
In-kind contributions	271		271
Other	2,500		2,500
Net assets released from restrictions	133	(133)	
Total revenues and other support	2,220,262	34,867	2,255,129
Expenses			
Program services	1,852,345		1,852,345
Supporting services	389,536		389,536
Total expenses	2,241,881		2,241,881
Increase (decrease) in net assets before loss on disposal of sewing operations	(21,619)	34,867	13,248
Loss on disposal of sewing operations	(20,542)		(20,542)
Increase (decrease) in net assets	(42,161)	34,867	(7,294)
Net assets at beginning of year	233,482	4,851	238,333
Net assets at end of year	$ 191,321	$ 39,718	$ 231,039

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

WESTBRIDGE VOCATIONAL, INC.

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services				
	Vocational Rehabilitation and Training	Cost of Materials and Production	Total Program Services	Management and General	Total
Salaries	$ 335,839	$ 435,774	$ 771,613	$ 250,785	$ 1,022,398
Payroll taxes	27,119	32,836	59,955	18,619	78,574
Benefits	27,018	44,811	71,829	19,764	91,593
Total salaries and related costs	389,976	513,421	903,397	289,168	1,192,565
Cost of materials		584,292	584,292		584,292
Donations and sponsorships	2,601		2,601	510	3,111
Dues and subscriptions				16,621	16,621
Equipment lease				22	22
Insurance	8,335	11,251	19,586	14,418	34,004
Mileage and travel	6,696	347	7,043	565	7,608
Postage and freight	59	1,286	1,345	531	1,876
Professional fees	104		104	23,566	23,670
Repairs and maintenance		3,265	3,265	40,033	43,298
Software licenses and support				12,145	12,145
Staff development and training	2,221	879	3,100	4,852	7,952
Supplies	2,005	12,441	14,446	13,241	27,687
Utilities	1,419	9,063	10,482	16,112	26,594
Vehicle expense	60	742	802	1,284	2,086
Other	30	614	644	13,892	14,536
Total expenses before interest and depreciation	413,506	1,137,601	1,551,107	446,960	1,998,067
Interest				22,600	22,600
Depreciation	2,280	15,240	17,520	17,278	34,798
Total expenses	$ 415,786	$ 1,152,841	$ 1,568,627	$ 486,838	$ 2,055,465

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

WESTBRIDGE VOCATIONAL, INC.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services				
	Vocational Rehabilitation and Training	Cost of Materials and Production	Total Program Services	Management and General	Total
Salaries	$ 187,410	$ 743,427	$ 930,837	$ 219,769	$ 1,150,606
Payroll taxes	14,239	56,198	70,437	13,975	84,412
Benefits	14,636	75,731	90,367	7,722	98,089
Total salaries and related costs	216,285	875,356	1,091,641	241,466	1,333,107
Cost of materials		613,665	613,665		613,665
Commissions		4,827	4,827		4,827
Donations and sponsorships	1,400		1,400	530	1,930
Dues and subscriptions				15,832	15,832
Building lease		34,040	34,040		34,040
Equipment lease				22	22
Insurance	3,659	18,837	22,496	16,261	38,757
Mileage and travel	2,990	244	3,234	1,404	4,638
Postage and freight	48	2,654	2,702	665	3,367
Professional fees	300		300	23,790	24,090
Repairs and maintenance		5,045	5,045	3,364	8,409
Software licenses and support				6,585	6,585
Staff development and training	779	200	979	319	1,298
Supplies	3,267	17,731	20,998	17,079	38,077
Utilities	1,494	24,060	25,554	16,883	42,437
Vehicle expense		1,367	1,367	922	2,289
Other		(79)	(79)	10,865	10,786
Total expenses before interest and depreciation	230,222	1,597,947	1,828,169	355,987	2,184,156
Interest				21,937	21,937
Depreciation	2,146	22,030	24,176	11,612	35,788
Total expenses	$ 232,368	$ 1,619,977	$ 1,852,345	$ 389,536	$ 2,241,881

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

WESTBRIDGE VOCATIONAL, INC.

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

		2020		2019
Cash flows from operating activities				
Increase (decrease) in net assets	$	20,372	$	(7,294)
Adjustments to reconcile change in net assets to net cash used by operating activities:				
Depreciation		34,798		35,788
Loss on disposal of sewing operations				20,542
Changes in working capital - sources (uses):				
Accounts receivable		3,333		88,537
Grants receivable		(173,589)		(104,348)
Other receivables		9,736		(9,677)
Prepaid expenses		(5,365)		758
Inventories		(5,408)		12,649
Accounts payable		9,258		(29,532)
Accrued expenses		42,897		(24,933)
Net cash used by operating activities		(63,968)		(17,510)
Cash flows from investing activities				
Purchase of property and equipment		(48,237)		(7,663)
Purchase of intangible assets		(6,500)		
Proceeds from disposal of sewing operations				14,250
Net cash provided (used) by investing activities		(54,737)		6,587
Cash flows from financing activities				
Proceeds from lines of credit		79,768		41,379
Proceeds from notes payable		231,100		27,000
Repayment of lines of credit		(32,476)		(18,248)
Repayment of obligation under capital lease		(2,968)		(2,224)
Repayment of notes payable		(47,974)		(20,391)
Payment of deferred compensation		(12,000)		(12,000)
Net cash provided by financing activities		215,450		15,516
Increase in cash and equivalents		96,745		4,593
Cash and equivalents at beginning of year		48,185		43,592
Cash and cash equivalents at end of year	$	144,930	$	48,185
Supplemental disclosure of cash flow information				
Cash paid during the year for interest	$	22,600	$	21,937
Noncash investing and financing activities				
Acquisition of property and equipment through debt	$		$	8,300

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

Note 1 - Summary of Significant Accounting Policies

Organization

WestBridge Vocational, Inc. (the Organization) was formed in 1976 as a nonprofit organization for the purpose of providing a work environment to evaluate, train, educate, and provide employment for persons with disabilities. The Organization's programs are designed to enhance the development of the individual's fullest vocational potential, thereby promoting self-sufficiency. Work activities offered to clients of the facility include production of medical devices and other miscellaneous labor-intensive contracts for local industry. During the year ended June 30, 2020, the Organization changed its legal name from Webster Enterprises of Jackson County, Inc. to WestBridge Vocational, Inc.

Income Tax Status

The Organization is incorporated as a nonprofit corporation under the laws of the State of North Carolina. The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and is not a private foundation.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

- *Net assets with donor restrictions*: Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions and grants for a specified purpose. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions. The Organization has adopted a policy to classify donor restricted support as without donor restrictions to the extent that donor restrictions were met in the reporting period the support was recognized.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization’s ongoing program services. Non-operating activities are disposal of sewing operations and other activities considered to be more unusual or nonrecurring in nature.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Equivalents

For the purpose of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

The Organization has sold inventories to customers for which it has not been paid. The collectability of each account is considered on a case-by-case basis. Management writes off uncollectible trade receivables to expense when it is determined that the amounts will not be realized.

Inventories

Inventories consist primarily of medical products and materials to be used to manufacture medical devices. These items are valued at the lower of cost or net realizable value. Cost is determined using the weighted average cost method.

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. The Organization has adopted an accounting practice to capitalize all property and equipment with a cost greater than $600 and estimated useful life extending beyond one year. Depreciation is computed using the straight-line method based on the estimated useful life of each class of depreciable asset, generally three to forty years.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. No amounts are reflected in the accompanying financial statements since the recognition criteria were not met.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2020 and 2019, was $1,994 and $2,333, respectively.

Functional Allocation of Expenses

The cost of providing program and supporting services activities have been summarized on a functional basis in the statements of activities. Certain categories of expenses are attributable to programs and support. These expenses include salaries and related costs, operating and administrative, and development. These expenses are allocated based on estimates of time and effort. Expenses for costs of materials relate directly to program services.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than lines of credit, obligation under capital lease, notes payable, and deferred compensation agreement, approximates fair value due to the relatively short-term nature of the financial instruments.

Amounts recognized for lines of credit, obligation under capital lease, and notes payable approximate fair value due to market interest rates applied to outstanding balances.

The deferred compensation agreement is discussed in Note 10.

New Accounting Pronouncements

During the year ended June 30, 2020, the Organization adopted the requirements the following standards set by the Financial Accounting Standards Board (FASB). The implementation of these standards were retroactively applied to prior years and did not materially impact the Organization's financial statements.

- Accounting Standards Update No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments.

- Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, (ASU 2018-08). This ASU clarifies and improves the guidance about the distinction between contributions and exchange transactions and determining whether a contribution is conditional.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. In May 2020, the FASB voted to extend the effective date for nonpublic entities and nonprofit organizations to fiscal years ending after December 15, 2020, with early adoption permitted. The Organization did not early implement this standard and is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require lessees to recognize a lease liability and right-of-use asset for most leases, including operating leases. The standard is effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

Note 2 - Net Assets with Donor Restrictions

Net assets with donor restrictions are as follows:

At June 30	2020	2019
Subject to expenditure for a specified purpose or time period:		
Small loan fund for employees	$ 809	$ 727
Building improvements	3,941	3,941
Employee GED costs	50	50
Operating grant from Jackson County	35,000	35,000
Net assets with donor restrictions	$ 39,800	$ 39,718

Note 3 - Liquidity and Availability of Financial Assets

The Organization received significant grants restricted by donors and consider those program contributions, which are ongoing, major, and central to its operations, to be available to meet cash needs for general expenditures. The Organization manages liquidity and reserves utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Monitoring expenses closely

The Organization maintains several lines of credit, with maximum borrowings of $230,000 to meet short-term working capital needs.

The following reflects the liquidity and availability of the Organization's financial assets:

At June 30	2020	2019
Financial assets:		
Cash and equivalents	$ 144,930	$ 48,185
Accounts receivable	110,863	114,196
Grants receivable	333,517	159,928
Other receivables	2,434	12,170
Inventories	64,574	59,166
Total financial assets available	656,318	393,645
Amounts not available for general expenditure:		
Total net assets with donor restrictions	(39,800)	(39,718)
Add back: operating grant receivable	35,000	35,000
Net financial assets available to meet cash needs for general expenditures within one year	$ 651,518	$ 388,927

Note 4 - Inventories

Inventories consist of the following:

At June 30	2020	2019
Raw materials	$ 54,602	$ 28,527
Work in process	4,786	7,095
Finished goods	5,186	23,544
Inventories	$ 64,574	$ 59,166

Note 5 - Property and Equipment

A description of property and equipment is as follows:

At June 30	2020	2019
Land	$ 84,378	$ 84,378
Buildings and improvements	845,218	800,033
Production equipment	130,407	163,502
Transportation equipment	22,496	22,496
Furniture and fixtures	3,900	3,900
Computers and computer equipment	63,147	60,095
Assets not held for use in operations	194,142	194,142
	1,343,688	1,328,546
Less, accumulated depreciation	845,416	843,713
Property and equipment	$ 498,272	$ 484,833

Depreciation expense for the years ended June 30, 2020 and 2019, was $34,798 and $35,788, respectively.

Note 6 - Intangible Asset

Intangible asset consists of expenses incurred for rebranding the Organization, including logo and website development, at a cost of $6,500. The asset will be amortized over its estimated useful life. No amortization expense or accumulated amortization has been recorded at June 30, 2020 as the asset was not yet placed in service.

Note 6 - Intangible Asset (continued)

Future amortization expense is as follows:

Years Ending June 30	Amortization
2021	$ 2,167
2022	2,167
2023	2,166
2024	
2025	
Thereafter	
Total future amortization expense	$ 6,500

Note 7 - Lines of Credit

The Organization maintains three separate $10,000 lines of credit on its checking accounts. These lines of credit are secured by the balances in the checking accounts. The lines have no maturity date and the interest rate is 17.9%. As of June 30, 2020 and 2019, the outstanding balance was $0 and $15,231, respectively.

The Organization also maintained a $50,000 line of credit with a local bank secured by essentially all assets. As of June 30, 2020 and 2019, the outstanding balance was $0 and $49,900, respectively. The line renewed annually in March. The interest rate was the prime rate plus 1%, with a floor of 5%. In August 2019, the Organization refinanced this line of credit as discussed in the following paragraph.

The line of credit, as refinanced in August 2019, has maximum borrowings of $100,000, and carries an interest rate of prime rate plus 0.5%, currently 5.75%. Interest-only payments are due monthly, with principal due at the maturity date of August 2024. This line of credit is secured by real estate. As of June 30, 2020 and 2019, the outstanding balance was $66,853 and $0, respectively.

The Organization obtained a $100,000 line of credit during the year. This line of credit is secured by possessory collateral, which is backed by a grantor. The line bears interest at the Wall Street Journal prime rate, currently 5%, and matures in October 2020. As of June 30, 2020 and 2019, the outstanding balance was $45,570 and $0, respectively.

Note 8 - Obligation Under Capital Lease

A description of obligation under capital lease is as follows:

At June 30	2020	2019
Capital lease due in 36 monthly payments of $276, including interest at 12.20%, through July 2021; secured by equipment with a cost of $8,300, less accumulated depreciation of $5,533.	$ 3,108	$ 6,076
Less, current portion	3,108	2,725
Obligation under capital lease, less current portion	$	$ 3,351

Scheduled payments are $3,108 for the year ending June 30, 2021.

Note 9 - Notes Payable

Notes payable are described as follows:

At June 30	2020	2019
Short-term note due in full at maturity, including interest at 5.1%, due August 2019; secured by essentially all assets.	$	$ 27,000
Installment note due in 59 monthly payments of $782, including interest at 4%, and one balloon payment of the remaining balance due February 2023; secured by buildings.	84,833	90,639
Installment note due in 59 monthly payments of $2,396, including interest at 4.55%, and one balloon payment of the remaining balance due October 2023; secured by essentially all assets.	283,753	298,921
Paycheck Protection Program (PPP) note payable due in 18 monthly payments of $12,941, including interest at 1%, beginning November 2020, maturing April 2022, unsecured	231,100	
Total notes payable	599,686	416,560
Less, current maturities	123,109	47,986
Notes payable, less current maturities	$ 476,577	$ 368,574

Note 9 - Notes Payable (continued)

If PPP funds are used for certain expenses, predominantly salaries and related costs, all or a portion of the balance could be forgiven. Repayments for PPP loans have been deferred until an application for forgiveness has been filed and the amount forgiven known.

Scheduled principal repayments on notes payable for the next five years are as follows:

Years Ending June 30	
2021	$ 123,109
2022	152,968
2023	89,940
2024	233,669
2025	
Total principal repayments	$ 599,686

Note 10 - Deferred Compensation Agreement

On June 30, 2016, the long-time Chief Executive Officer retired from the Organization and joined the Board of Directors. In accordance with a non-qualified deferred compensation agreement originally dated February 1, 2012, and further amended, $120,000 is payable from the Organization's general assets. The deferred compensation is payable in installments of $1,000 per month until paid in its entirety. The balance of the deferred compensation liability at June 30, 2020 and 2019, was $64,500 and $76,500, respectively. A net present value adjustment has not been recorded as the amount would be immaterial.

Scheduled payments of deferred compensation are as follows:

Years Ending June 30	
2021	$ 12,000
2022	12,000
2023	12,000
2024	12,000
2025	12,000
Thereafter	4,500
Total deferred compensation payments	$ 64,500

Note 11 - Concentrations of Credit Risk

Major Customer

During the years ended June 30, 2020 and 2019, the Organization made sales totaling \$1,137,385 and \$920,128, to one customer, which comprised approximately 77% and 48% of total sales, respectively. Trade accounts receivable at June 30, 2020 and 2019 from the same customer totaled \$84,691 and \$70,112, which comprised approximately 76% and 61% of total accounts receivable, respectively.

Geographic Area

Concentrations of credit risk with respect to accounts receivable arise due to the limited geographic area in which the Organization offers its services. The majority of sales is generated in Western North Carolina.

Note 12 - Related Party Transactions

As discussed in Note 10, the Organization entered into a deferred compensation agreement with the former CEO, who is currently a Board member. Payments to the Board member under this arrangement during the years ended June 30, 2020 and 2019, totaled \$12,000 each year, and the remaining balance of the deferred compensation agreement is detailed in Note 10.

The Organization is a member of Marketing Association for Rehabilitation Centers, Inc. (MARC) to which it pays dues, commissions, and participates in a group health plan. During the years ended June 30, 2020 and 2019, the Organization paid MARC \$122,361 and \$145,697, respectively.

Note 13 - Income Taxes

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax provision taken and, as such, does not have any uncertain tax positions material to the financial statements.

Open Tax Years

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2019, 2018, and 2017, are subject to examination by the IRS, generally for three years after they were filed.

Note 14 - Summary Disclosure of Significant Contingencies

Federally Assisted Programs

The Organization has received proceeds from federal grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any year since inception.

Note 15 - Coronavirus Pandemic Impact

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused unprecedented business and economic disruption through mandated closings of certain businesses and industries.

The Organization's operations were permitted to continue as an essential business and production of medical related products increased significantly. The extent of the impact of COVID-19 will depend on certain developments, including the duration and spread of the outbreak. At this point, it is unclear the extent, if any, COVID-19 will have on the Organization's financial condition or results of operations.

Note 16 - Subsequent Events

Subsequent events were evaluated through January 19, 2021, which is the date the financial statements were available to be issued.

On January 7, 2021, the Organization was notified of full forgiveness of the PPP loan. Grant revenues of $231,100 were recorded at that time.