WESTBRIDGE VOCATIONAL, INC.

Sylva, North Carolina

Financial Statements

Years Ended June 30, 2021 and 2020

WESTBRIDGE VOCATIONAL, INC.

OFFICERS

Tom McClure	Chair
Clifford Faull	Vice-Chair
William Brothers	Secretary/Treasurer

BOARD OF DIRECTORS

William Brothers	Tommy Fouts
Jacob Buchanan	Tom McClure
Sue Evans	Joe Rigdon, CEO
Clifford Faull	Lisa Sizemore

WESTBRIDGE VOCATIONAL, INC.

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CARTER
ACCOUNTING • TAX • ASSURANCE

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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, 2021 and 2020, 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, 2021 and 2020, 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
October 7, 2021

WESTBRIDGE VOCATIONAL, INC.

Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and equivalents	$ 95,089	$ 144,930
Accounts receivable	131,080	110,863
Grants receivable	99,996	333,517
Other receivables	1,813	2,434
Prepaid expenses	11,012	21,272
Inventories	91,092	64,574
Total current assets	430,082	677,590
Property and equipment	473,201	498,272
Intangible assets	4,333	6,500
Total assets	$ 907,616	$ 1,182,362
Liabilities and net assets		
Current liabilities:		
Current maturities of lines of credit	$	$ 45,570
Current portion of obligation under capital lease		3,108
Current maturities of notes payable	22,989	123,109
Current maturities of deferred compensation agreement	12,000	12,000
Account payable	78,526	67,239
Accrued expenses	67,898	83,995
Total current liabilities	181,413	335,021
Lines of credit, net of current maturities	45,703	66,853
Notes payable, net of current maturities	323,622	476,577
Deferred compensation agreement, net of current maturities	40,500	52,500
Total liabilities	591,238	930,951
Net assets:		
Without donor restrictions	276,578	211,611
With donor restrictions	39,800	39,800
Total net assets	316,378	251,411
Total liabilities and net assets	$ 907,616	$ 1,182,362

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

WESTBRIDGE VOCATIONAL, INC.

Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Sales	$ 1,408,561	$	$ 1,408,561
Vocational rehabilitation	205,530		205,530
Grants	264,254	35,000	299,254
Contributions	7,995		7,995
Other	100		100
Net assets released from restrictions	35,000	(35,000)	
Total revenues and other support	1,921,440		1,921,440
Expenses			
Program services	1,407,066		1,407,066
Supporting services	449,407		449,407
Total expenses	1,856,473		1,856,473
Increase in net assets	64,967		64,967
Net assets at beginning of year	211,611	39,800	251,411
Net assets at end of year	$ 276,578	$ 39,800	$ 316,378

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		1568,627
Supporting services	486,838		486,838
Total expenses	2,055,465		2,055,465
Increase 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 Functional Expenses
Year Ended June 30, 2021

	Program Services			Supporting Services			
	Vocational Rehabilitation and Training	Cost of Materials and Production	Total Program Services	Fundraising Expenses	Management & General	Total Supporting Services	Total
Salaries	$ 268,750	$ 386,268	$ 655,018	$ 60,599	$ 203,884	$ 264,483	$ 919,501
Payroll taxes	17,398	27,959	45,357	4,608	19,633	24,241	69,598
Benefits	31,336	36,702	68,038	1,538	8,934	10,472	78,510
Total salaries and related costs	317,484	450,929	768,413	66,745	232,451	299,196	1,067,609
Cost of materials		571,876	571,876				571,876
Donations and sponsorships	1,227		1,227		227	227	1,454
Dues and subscriptions		250	250		3,165	3,165	3,415
Building lease		930	930				930
Equipment leases	22	38	60				60
Insurance	3,578	6,583	10,161	681	17,126	17,807	27,968
Mileage and travel	820		820		71	71	891
Postage and freight		2,134	2,134		807	807	2,941
Professional fees	748		748		22,679	22,679	23,427
Repairs and maintenance		3,527	3,527		7,778	7,778	11,305
Software licenses and support	22		22		8,837	8,837	8,859
Staff development and training					2,082	2,082	2,082
Supplies	2,910	11,913	14,823		14,198	14,198	29,021
Utilities	1,253	7,639	8,892		13,366	13,366	22,258
Vehicle expense		22	22		599	599	621
Other		865	865		19,882	19,822	20,747
Total expenses before interest, depreciation, and amortization	328,064	1,056,706	1,384,770	67,426	343,268	410,694	1,795,464
Interest					24,605	24,605	24,605
Depreciation	3,732	18,564	22,296		11,941	11,941	34,237
Amortization					2,167	2,167	2,167
Total expenses	$ 331,796	$ 1,075,270	$ 1,407,066	$ 67,426	$ 381,981	$ 449,407	$ 1,856,473

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

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

WESTBRIDGE VOCATIONAL, INC.

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Increase in net assets	$ 64,967	$ 20,372
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	34,237	34,798
Amortization	2,167	
Paycheck Protection Program loan forgiveness	(231,100)	
Changes in working capital - sources (uses):		
Accounts receivable	(20,217)	3,333
Grants receivable	233,521	(173,589)
Other receivables	621	9,736
Prepaid expenses	10,260	(5,365)
Inventories	(26,518)	(5,408)
Accounts payable	11,287	9,258
Accrued expenses	(16,097)	42,897
Net cash provided (used) by operating activities	63,128	(63,968)
Cash flows from investing activities		
Purchase of property and equipment	(9,166)	(48,237)
Purchase of intangible assets		(6,500)
Net cash used by investing activities	(9,166)	(54,737)
Cash flows from financing activities		
Proceeds from lines of credit	120,790	79,768
Proceeds from notes payable	50,000	231,100
Repayment of lines of credit	(187,510)	(32,476)
Repayment of obligation under capital lease	(3,108)	(2,968)
Repayment of notes payable	(71,975)	(47,974)
Payment of deferred compensation	(12,000)	(12,000)
Net cash provided (used) by financing activities	(103,803)	215,450
Increase (decrease) in cash and equivalents	(49,841)	96,745
Cash and equivalents at beginning of year	144,930	48,185
Cash and cash equivalents at end of year	$ 95,089	$ 144,930
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 24,605	$ 22,600

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 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.

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 fair value of deferred compensation agreement is discussed in Note 10.

Cash and Equivalents

For purposes 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Accounts, Grants, and Other Receivables

Accounts receivable consists of uncollateralized customer obligations for the sale of inventory. Receipts of payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice, if specified, or are applied to the earliest unpaid invoices. The Organization has not experienced significant difficulties in collecting accounts receivable and therefore does not assess finance charges.

Grants receivable are funds due from federal, state, or local governmental agencies and nonprofit organizations at fiscal year-end.

Other receivables consist primarily of sales tax receivables.

All accounts, grants, and other receivables are considered by management to be fully collectible and therefore no allowance for uncollectible accounts has been recorded. Receivables are considered impaired if full payment is not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

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 moving average cost method.

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 policy 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Revenue Recognition

The Organization generates revenue from the sale of inventories to customers. These sales predominately contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks, and rewards transfer to the customer. Sales revenue is presented net of discounts.

Contributions and grants are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met. A portion of the Organization's revenue is also derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Advertising

Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020, was $392 and $1,994, 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 supporting services. 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)

Reclassification

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

New Accounting Pronouncements

During the year ended June 30, 2021, the Organization adopted the requirements the following standards set by the Financial Accounting Standards Board (FASB). The implementation of these standards was retroactively applied to prior years and did not materially impact the Organization's financial statements.

- Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). This Update amended the previous accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additional disclosures have been added as a result of ASU 2014-09, which are included in Note 1, Revenue Recognition and Note 4, Contract Assets.

- Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.* (ASU 2018-13). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures.

- Accounting Standards Update No. 2020-03, *Codification Improvements to Financial Instruments.* (ASU 2020-03). ASU 2020-03 made additional clarifications to disclosure requirements of financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standard, lessees will recognize a right-of-use asset and lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The lease liability will be equal to the present value of lease payments. For statement of activities purposes, leases continue to be classified as either operating or finance. Operating leases will result in straight-line expense, while finance leases will result in accelerated expense recognition, comparable to current capital leases. Classification will be based on criteria similar to those applied to current lease accounting. Additional disclosures will be required to provide details of revenue and expense recognized and expected to be recognized from existing agreements. The new standard will be effective beginning July 1, 2022. The Organization is currently evaluating the effect this ASU will have on its financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard will be effective beginning July 1, 2021. The Organization is currently evaluating the effect this ASU will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 puts in place additional requirements regarding the presentation and disclosure of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received. The new standard will be effective beginning July 1, 2022. The Organization is currently evaluating the effect this ASU will have on its financial statements.

Note 2 - Net Assets

Net assets are described as follows:

At June 30	2021	2020
Net assets without donor restrictions	$ 276,578	$ 211,611
Net assets with donor restrictions:		
Subject to expenditure for a specified purpose or time period:		
Small loan fund for employees	809	809
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	39,800
Total net assets	$ 316,378	$ 251,411

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.

Note 3 - Liquidity and Availability of Financial Assets (continued)

The Organization maintains two lines of credit, with maximum borrowings of $200,000 to meet short-term working capital needs.

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

At June 30	2021	2020
Financial assets:		
Cash and equivalents	$ 95,089	$ 144,930
Accounts receivable	131,080	110,863
Grants receivable	99,996	333,517
Other receivables	1,813	2,434
Inventories	91,092	64,574
Total financial assets available	419,070	656,318
Amounts not available for general expenditure:		
Total net assets with donor restrictions	(39,800)	(39,800)
Add back: operating grant receivable	35,000	35,000
Net financial assets available to meet cash needs for general expenditures within one year	$ 414,270	$ 651,518

Note 4 - Contract Assets

Accounts and grants receivable represent the Organization’s contract assets with an unconditional right to receive consideration from customers or grantors. Accounts and grants receivable are recorded at invoiced amounts or amounts expected to be receivable based on contractual terms without conditions.

The following table provides information about contract assets:

At June 30	2021	2020	2019
Accounts and grants receivable:			
Accounts receivable	$ 131,080	$ 110,863	$ 114,196
Grants receivable	99,996	333,517	159,928
Total contract assets	$ 231,076	$ 444,380	$ 274,124

Note 5 - Inventories

Inventories consist of the following:

At June 30	2021	2020
Raw materials	$ 79,539	$ 54,602
Work in process	3,997	4,786
Finished goods	7,556	5,186
Inventories	$ 91,092	$ 64,574

Note 6 - Property and Equipment

A description of property and equipment is as follows:

At June 30	2021	2020
Land	$ 84,378	$ 84,378
Buildings and improvements	847,887	845,218
Production equipment	132,389	130,407
Transportation equipment	22,496	22,496
Furniture and fixtures	3,900	3,900
Computers and computer equipment	67,662	63,147
Assets not held for use in operations	194,142	194,142
	1,352,854	1,343,688
Less, accumulated depreciation	879,653	845,416
Property and equipment	$ 473,201	$ 498,272

Depreciation expense for the years ended June 30, 2021 and 2020, was $34,237 and $34,978, respectively.

Note 7 - 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 of three years. Amortization expense for the years ending June 30, 2021 and 2020 was $2,167 and $0, respectively .

Future amortization expense is as follows:

Years Ending June 30	Amortization
2022	$ 2,167
2023	2,166
Total future amortization expense	$ 4,333

Note 8 - Lines of Credit

The Organization maintains a $100,000 line of credit through a local bank which carries an interest rate of prime rate plus 0.5%, currently 3.75%. 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, 2021 and 2020, the outstanding balance was $45,703 and $66,853, respectively.

The Organization has a second $100,000 line of credit through the same local bank, secured by possessory collateral, which is backed by a grantor. The line bears interest at the Wall Street Journal prime rate plus 1%, currently 4.25%, and matures in November 2021. As of June 30, 2021 and 2020, the outstanding balance was $0 and $45,570, respectively.

Note 9 - Notes Payable

Notes payable are described as follows:

At June 30	2021	2020
Installment note due in 59 monthly payments of $782, including interest at 4%, and balloon payment of the remaining balance due February 2023; secured by buildings.	$ 78,778	$ 84,833
Installment note due in 59 monthly payments of $2,396, including interest at 4.55%, and balloon payment of the remaining balance due October 2023; secured by essentially all assets.	267,833	283,753
Paycheck Protection Program (PPP) note payable obtained November 2020, forgiven in full in January 2021.		231,100
Total notes payable	346,611	599,686
Less, current maturities	22,989	123,109
Notes payable, less current maturities	$ 323,622	$ 476,577

During the year ended June 30, 2020, the Organization received $231,100 in funds under the Coronavirus Aid, Relief, and Economic Security (CARES) Act Paycheck Protection Program (PPP) through the U.S. Small Business Administration (SBA). The PPP funds were used for allowable expenses, predominantly salaries and related costs, and the SBA approved loan forgiveness in the amount of $231,100. The loan forgiveness has been included in grant revenue in the accompanying statement of activities for the year ended June 30, 2021.

Note 9 - Notes Payable (continued)

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

Years Ending June 30		
2022	$	22,989
2023		89,941
2024		233,681
2025		
2026		
Total principal repayments	$	346,611

Note 10 - Deferred Compensation Agreement

On June 30, 2016, the long-time Chief Executive Officer retired from the Organization. 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 arrangement is payable in installments of $1,000 per month until paid in its entirety. The balance of the deferred compensation liability at June 30, 2021 and 2020, was $52,500 and $64,500, 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		
2022	$	12,000
2023		12,000
2024		12,000
2025		12,000
2026		4,500
Total deferred compensation payments	$	52,500

Note 11 - Concentrations of Credit Risk

Major Customer

During the years ended June 30, 2021 and 2020, the Organization made sales totaling $1,114,806 and $1,137,385, to one customer, which comprised approximately 80% of total sales, each year. Trade accounts receivable at June 30, 2021 and 2020 from the same customer totaled $109,246 and $84,691, which comprised approximately 85% and 80% of total accounts receivable, respectively.

Note 11 - Concentrations of Credit Risk (continued)

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

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, 2021 and 2020, the Organization paid MARC $120,701 and $122,361, 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, 2020, 2019, and 2018, 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 remained relatively stable. Some programs offered by the Organization were temporarily suspended or operated at limited capacity for a period of time.

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 October 7, 2021, which is the date the financial statements were available to be issued