WestBridge Vocational

Connecting People to Opportunity

WESTBRIDGE VOCATIONAL, INC.

Sylva, North Carolina

Financial Statements

Years Ended June 30, 2022 and 2021

CARTER

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WESTBRIDGE VOCATIONAL, INC.

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Jacob Buchanan	Chair
Sue Evans	Vice-Chair
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BOARD OF DIRECTORS

William Brothers	Tommy Fouts
Jacob Buchanan	Joe Rigdon, CEO
Abigail Clayton	Lisa Sizemore
Sue Evans	

WESTBRIDGE VOCATIONAL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
WestBridge Vocational, Inc.

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WestBridge Vocational, Inc. as of June 30, 2022 and 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to to be independent of WestBridge Vocational, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 WestBridge Vocational, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 WestBridge Vocational, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about WestBridge Vocational, Inc.'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.

Carter, P.C.

Asheville, North Carolina
September 20, 2022

WESTBRIDGE VOCATIONAL, INC.

Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and equivalents	$ 8,928	$ 95,089
Accounts receivable	124,922	131,080
Grants receivable	52,796	99,996
Other receivables	1,646	1,813
Prepaid expenses	48,905	11,012
Inventories	143,006	91,092
Total current assets	380,203	430,082
Property and equipment	447,038	474,686
Intangible assets	2,167	4,333
Total assets	$ 829,408	$ 909,101
Liabilities and net assets		
Current liabilities:		
Current maturities of lines of credit	$ 18,500	$
Current maturities of notes payable	89,941	22,989
Current maturities of deferred compensation agreement	12,000	12,000
Accounts payable	54,567	78,526
Accrued expenses	66,911	67,898
Advances	33,110	
Total current liabilities	275,029	181,413
Lines of credit, net of current maturities	106,465	45,703
Notes payable, net of current maturities	233,694	323,622
Deferred compensation agreement, net of current maturities	28,500	40,500
Total liabilities	643,688	591,238
Net assets:		
Without donor restrictions	145,920	278,063
With donor restrictions	39,800	39,800
Total net assets	185,720	317,863
Total liabilities and net assets	$ 829,408	$ 909,101

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

WESTBRIDGE VOCATIONAL, INC.

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Sales	$ 1,472,238	$	$ 1,472,238
Vocational rehabilitation	102,734		102,734
Grants	61,319	35,000	96,319
Contributions	8,095		8,095
Other	24		24
In-kind donations	1,500		1,500
Net assets released from restrictions	35,000	(35,000)	
Total revenues and other support	1,680,910		1,680,910
Expenses			
Program services	1,330,839		1,330,839
Supporting services	482,215		482,215
Total expenses	1,813,053		1,813,053
Decrease in net assets	(132,143)		(132,143)
Net assets at beginning of year	278,063	39,800	317,863
Net assets at end of year	$ 145,920	$ 39,800	$ 185,720

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	447,922		447,922
Total expenses	1,854,988		1,854,988
Increase in net assets	66,452		66,452
Net assets at beginning of year	211,611	39,800	251,411
Net assets at end of year	$ 278,063	$ 39,800	$ 317,863

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

WESTBRIDGE VOCATIONAL, INC.

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services			Supporting Services			
	Vocational Rehabilitation and Training	Medical Devices	Total Program Services	Fundraising Expenses	Management & General	Total Supporting Services	Total
Salaries	$ 175,287	$ 373,220	$ 548,507	$ 56,838	$ 235,550	$ 292,388	$ 840,895
Payroll taxes	11,832	27,981	39,813	4,419	18,891	23,310	63,123
Benefits	22,309	29,160	51,469	1,391	9,725	11,116	62,585
Total salaries and related costs	209,428	430,361	639,789	62,648	264,166	326,814	966,603
Cost of materials		626,212	626,212				626,212
Donations and sponsorships	1,255		1,255		425	425	1,680
Dues and subscriptions					4,663	4,663	4,663
Building lease		1,100	1,100				1,100
Equipment leases		147	147		22	22	169
Insurance	4,402	6,474	10,876	397	20,919	21,316	32,192
Mileage and travel	3,647		3,647	12	936	948	4,595
Postage and freight	28	1,017	1,045		575	575	1,620
Professional fees	358		358		32,762	32,762	33,120
Repairs and maintenance		2,777	2,777		6,375	6,375	9,152
Software licenses and support				415	4,067	4,482	4,482
Staff development and training	164		164		868	868	1,032
Supplies	2,457	10,085	12,542	1,639	14,657	16,296	28,838
Utilities	1,046	8,611	9,657		14,062	14,062	23,719
Vehicle expense		60	60		753	753	813
Other		845	845		22,755	22,755	23,600
Total expenses before interest, depreciation, and amortization	222,786	1,087,689	1,310,475	65,111	388,005	453,116	1,763,590
Interest					19,649	19,649	19,649
Depreciation	4,367	15,997	20,364		7,284	7,284	27,648
Amortization					2,166	2,166	2,166
Total expenses	$ 227,153	$ 1,103,686	$ 1,330,839	$ 65,111	$ 417,104	$ 482,215	$ 1,813,053

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	Medical Devices	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	19,882	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		10,456	10,456	32,752
Amortization					2,167	2,167	2,167
Total expenses	$ 331,796	$ 1,075,270	$ 1,407,066	$ 67,426	$ 380,496	$ 447,922	$ 1,854,988

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

WESTBRIDGE VOCATIONAL, INC.

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Increase (decrease) in net assets	$ (132,143)	$ 66,452
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	27,648	32,752
Amortization	2,166	2,167
Expenses paid with line of credit	6,162	
Paycheck Protection Program loan forgiveness		(231,100)
Changes in working capital - sources (uses):		
Accounts receivable	6,158	(20,217)
Grants receivable	47,200	233,521
Other receivables	167	621
Prepaid expenses	(37,893)	10,260
Inventories	(51,914)	(26,518)
Accounts payable	(23,959)	11,287
Accrued expenses	(987)	(16,097)
Advances	33,110	
Net cash provided (used) by operating activities	(124,285)	63,128
Cash flows from investing activities		
Purchase of property and equipment		(9,166)
Cash flows from financing activities		
Proceeds from lines of credit	73,100	120,790
Proceeds from notes payable		50,000
Repayment of lines of credit		(187,510)
Repayment of obligation under capital lease		(3,108)
Repayment of notes payable	(22,976)	(71,975)
Payment of deferred compensation	(12,000)	(12,000)
Net cash provided (used) by financing activities	38,124	(103,803)
Decrease in cash and equivalents	(86,161)	(49,841)
Cash and equivalents at beginning of year	95,089	144,930
Cash and cash equivalents at end of year	$ 8,928	$ 95,089
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 19,649	$ 24,605

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

WESTBRIDGE VOCATIONAL, INC.

Notes to Financial Statements
June 30, 2022 and 2021

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 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 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, 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 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 average cost method.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed. 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. During the year ended June 30, 2022, the Organization received $1,500 of donated logo tee shirts without donor restrictions and relate to program services. The fair value was determined by the current sales price of the item as sold by the donating vendor.

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. Revenue is recognized based on performance or 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, 2022 and 2021, was $863 and $392, 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.

Newly Adopted Accounting Pronouncement

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 standard was adopted during the year ended June 30, 2022, and retroactively applied to the Organization's prior year. Additional note disclosures are included in Note 1, Donated Assets.

Recently Issued Accounting Pronouncement

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 2 - Net Assets

Net assets are described as follows:

At June 30	2022	2021
Net assets without donor restrictions	$ 145,920	$ 278,063
Net assets with donor restrictions:		
Subject to expenditure for a specified purpose or time period:		
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	$ 185,720	$ 317,863

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

At June 30	2022	2021
Financial assets:		
Cash and equivalents	$ 8,928	$ 95,089
Accounts receivable	124,922	131,080
Grants receivable	52,796	99,996
Other receivables	1,646	1,813
Total financial assets available	188,292	327,978
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	$ 183,492	$ 323,178

The Organization also maintains two lines of credit, with maximum borrowings of $350,000 to meet short-term working capital needs as discussed in Note 8.

Note 4 - Contract Assets and Liabilities

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	2022	2021	2020
Accounts and grants receivable:			
Accounts receivable	$ 124,922	$ 131,080	$ 110,863
Grants receivable	52,796	99,996	333,517
Total contract assets	$ 177,718	$ 231,076	$ 444,380

Note 4 - Contract Assets and Liabilities (continued)

Contract liabilities consist of cash advances from contracts in which milestones have been met however, the full criteria for revenue recognition have not been met. At June 30, 2022, advances totaled $33,110, and is management's estimate of amounts that could be refundable to the grantor. The contract term ends September 30, 2022, and according to contract provisions, the funds will either be earned and recognized as revenue or returned to the grantor. There were no contract liabilities during the years ended June 30, 2021 or 2020.

Note 5 - Inventories

Inventories consist of the following:

At June 30	2022	2021
Raw materials	$ 124,304	$ 79,539
Work in process	10,267	3,997
Finished goods	8,435	7,556
Inventories	$ 143,006	$ 91,092

Note 6 - Property and Equipment

A description of property and equipment is as follows:

At June 30	2022	2021
Land	$ 84,378	$ 84,378
Buildings and improvements	847,887	847,887
Production equipment	326,531	326,531
Transportation equipment	22,496	22,496
Furniture and fixtures	3,900	3,900
Computers and computer equipment	67,662	67,662
	1,352,854	1,352,854
Less, accumulated depreciation	(905,816)	(878,168)
Property and equipment	$ 447,038	$ 474,686

Depreciation expense for the years ended June 30, 2022 and 2021, was $27,648 and $34,237, 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 ended June 30, 2022 and 2021, was $2,166 and $2,167, respectively. Future amortization expense for year ending June 30, 2023, is $2,167.

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 4.75%. 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. The line of credit was closed in March 2022. The outstanding balance at June 30, 2021 was $45,703.

During the year ended June 30, 2022, the Organization established a new line of credit with maximum borrowings of $250,000. The interest rate is prime plus 0.5%, currently 4.5% with a minimum of 4%. Interest-only payments are due monthly, with principal due at maturity in March 2027. This line of credit is secured by real estate. The outstanding balance at June 30, 2022 was $106,465.

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 5.75%, and matures in November 2022. As of June 30, 2022 and 2021, the outstanding balance was $18,500 and $0, respectively.

Note 9 - Notes Payable

Notes payable are described as follows:

At June 30	2022	2021
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.	$ 72,472	$ 78,778
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.	251,163	267,833
Total notes payable	323,635	346,611
Less, current maturities	(89,941)	(22,989)
Notes payable, less current maturities	$ 233,694	$ 323,622

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	
2023	$ 89,941
2024	233,694
2025	
2026	
2027	
Total principal repayments	$ 323,635

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, 2022 and 2021, was $40,500 and $52,500, 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	
2023	$ 12,000
2024	12,000
2025	12,000
2026	4,500
2027	
Total deferred compensation payments	$ 40,500

Note 11 - Concentrations of Credit Risk

Major Customer

During the years ended June 30, 2022 and 2021, the Organization made sales totaling $1,281,621 and $1,114,806, to one customer, which comprised approximately 87% and 80% of total sales, each year, respectively. Trade accounts receivable at June 30, 2022 and 2021, from the same customer totaled $108,543 and $109,246, which comprised approximately 87% and 85% 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 and participates in a group health plan. During the years ended June 30, 2022 and 2021, the Organization paid MARC $96,534 and $120,701, 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, 2021, 2020, and 2019, 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 due to audits.

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 September 20, 2022, which is the date the financial statements were available to be issued

The Organization is the recipient of a grant from The Golden LEAF Foundation in the amount of $628,000 to expand its manufacturing footprint to secure and sustain a larger share of the medical supply market. This expansion will help meet the expected increase in product demands and create an additional 25 positions. The agreement was signed in May 2022. No advances or expenditures were made during the year ended June 30, 2022. As of the date of the audit report, the first advance payment of $125,600 was received.