WESTBRIDGE VOCATIONAL, INC.

Sylva, North Carolina

Financial Statements

Years Ended June 30, 2024 and 2023

WESTBRIDGE VOCATIONAL, INC.

OFFICERS

William Brothers	Chair
Lisa Sizemore	Vice-Chair
Abigail Clayton	Secretary/Treasurer

BOARD OF DIRECTORS

William Brothers	Sue Evans
Patricial Bryson-Wink	Joe Rigdon, CEO
Jacob Buchanan	Lisa Sizemore
Abigail Clayton	Chris Slaughter

WESTBRIDGE VOCATIONAL, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities - 2024	4
Statement of Activities - 2023	5
Statement of Functional Expenses - 2024	6
Statement of Functional Expenses - 2023	7
Statements of Cash Flows	8
Notes to Financial Statements	9-19

CARTER
ACCOUNTING • TAX • ASSURANCE

301 College St. Suite 320 | Asheville NC 28801 | 828.259.9900
2101 Rexford Rd. Suite 275-E | Charlotte NC 28211 | 704.676.6335
300 North Main St. Suite 203| Greenville SC 29601 | 864.203.8781

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, 2024 and 2023, 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, 2024 and 2023, 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 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 material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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
January 2, 2025

WESTBRIDGE VOCATIONAL, INC.

Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and equivalents	$ 46,317	$ 262,362
Accounts receivable	143,269	112,592
Grants receivable	74,413	45,345
Other receivables	3,449	4,087
Prepaid expenses	207,481	115,765
Inventories	92,356	99,963
Total current assets	567,285	640,114
Property and equipment	428,572	452,985
Total assets	$ 995,857	$ 1,093,099
Liabilities and net assets		
Current liabilities:		
Lines of credit	$ 107,128	$ 528
Current maturities of notes payable	22,983	243,026
Current maturities of deferred compensation agreement	12,000	12,000
Accounts payable	63,374	35,083
Accrued expenses	45,863	43,334
Deferred revenue	272,361	430,360
Total current liabilities	523,709	764,331
Notes payable, net of current maturities	258,448	57,604
Deferred compensation agreement, net of current maturities	4,500	16,500
Total liabilities	786,657	838,435
Net assets:		
Without donor restrictions	161,400	212,614
With donor restrictions	47,800	42,050
Total net assets	209,200	254,664
Total liabilities and net assets	$ 995,857	$ 1,093,099

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

WESTBRIDGE VOCATIONAL, INC.

Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Sales	$ 1,315,913	$	$ 1,315,913
Vocational rehabilitation	430,943		430,943
Grants	167,341	35,000	202,341
Contributions	64	8,000	8,064
Other	10,196		10,196
In-kind donations	19,500		19,500
Net assets released from restrictions	37,250	(37,250)	
Total revenues and other support	1,981,207	5,750	1,986,957
Expenses			
Program services	1,478,369		1,478,369
Supporting services	554,052		554,052
Total expenses	2,032,421		2,032,421
Increase (decrease) in net assets	(51,214)	5,750	(45,464)
Net assets at beginning of year	212,614	42,050	254,664
Net assets at end of year	$ 161,400	$ 47,800	$ 209,200

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

WESTBRIDGE VOCATIONAL, INC.

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Sales	$ 1,500,936	$	$ 1,500,936
Vocational rehabilitation	186,414		186,414
Grants	223,559	35,000	258,559
Contributions	10,960	2,250	13,210
Other	41,154		41,154
In-kind donations	27,500		27,500
Net assets released from restrictions	35,000	(35,000)	
Total revenues and other support	2,025,523	2,250	2,027,773
Expenses			
Program services	1,403,311		1,403,317
Supporting services	555,518		555,512
Total expenses	1,958,829		1,958,829
Increase in net assets	66,694	2,250	68,944
Net assets at beginning of year	145,920	39,800	185,720
Net assets at end of year	$ 212,614	$ 42,050	$ 254,664

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

WESTBRIDGE VOCATIONAL, INC.

Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services			Supporting Services			
	Vocational Rehabilitation and Training	Medical Devices	Total Program Services	Fundraising Expenses	Management & General	Total Supporting Services	Total
Salaries	$ 298,061	$ 444,482	$ 742,543	$ 61,720	$ 247,052	$ 308,772	$ 1,051,315
Payroll taxes	22,072	33,281	55,353	4,036	17,456	21,492	76,845
Benefits	19,393	27,471	46,864	8,973	6,950	15,923	62,787
Total salaries and related costs	339,526	505,234	844,760	74,729	271,458	346,187	1,190,947
Cost of materials		517,131	517,131				517,131
Donations and sponsorships	1,957		1,957		666	666	2,623
Dues and subscriptions	1,025	97	1,122	285	7,562	7,847	8,969
Building lease					1,390	1,390	1,390
Equipment leases		633	633				633
Insurance	8,024	10,816	18,840	493	22,013	22,506	41,346
Mileage and travel	14,809	515	15,324	4	981	985	16,309
Postage and freight	8	1,262	1,270		875	875	2,145
Professional fees	1,223	1,470	2,693	48	64,428	64,476	67,169
Repairs and maintenance		4,291	4,291		15,528	15,528	19,819
Software licenses and support	456	381	837		3,151	3,151	3,988
Staff development and training	1,970		1,970		1,267	1,267	3,237
Supplies	10,026	21,400	31,426	3,871	19,660	23,531	54,957
Utilities	2,253	9,757	12,010	647	15,939	16,586	28,596
Vehicle expense	133		133		36	36	169
Other		2,584	2,584	114	23,644	23,758	26,342
Total expenses before interest and depreciation	381,410	1,075,571	1,456,981	80,191	448,598	528,789	1,985,770
Interest					18,671	18,671	18,671
Depreciation	1,894	19,494	21,388		6,592	6,592	27,980
Total expenses	$ 383,304	$ 1,095,065	$ 1,478,369	$ 80,191	$ 473,861	$ 554,052	$ 2,032,421

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

WESTBRIDGE VOCATIONAL, INC.

Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services			Supporting Services			
	Vocational Rehabilitation and Training	Medical Devices	Total Program Services	Fundraising Expenses	Management & General	Total Supporting Services	Total
Salaries	$ 220,768	$ 370,213	$ 590,981	$ 57,466	$ 259,201	$ 316,667	$ 907,648
Payroll taxes	13,479	27,555	41,034	4,412	22,874	27,286	68,320
Benefits	19,595	18,754	38,349	2,168	5,520	7,688	46,037
Total salaries and related costs	253,842	416,522	670,364	64,046	287,595	351,641	1,022,005
Cost of materials		607,675	607,675				607,675
Donations and sponsorships	1,681		1,681		550	550	2,231
Dues and subscriptions					4,051	4,051	4,051
Building lease		909	909				909
Equipment leases		129	129		100	100	229
Insurance	5,392	8,894	14,286	374	14,500	14,874	29,160
Mileage and travel	14,594	639	15,233	83	1,416	1,499	16,732
Postage and freight		1,160	1,160		1,003	1,003	2,163
Professional fees	1,807		1,807		84,346	84,346	86,153
Repairs and maintenance		488	488	61	8,426	8,487	8,975
Software licenses and support				450	2,306	2,756	2,756
Staff development and training	72	22	94		2,293	2,293	2,387
Supplies	24,451	28,059	52,510	2,281	10,403	12,684	65,194
Utilities	1,265	9,481	10,746		14,443	14,443	25,189
Vehicle expense	133		133		339	339	472
Other	2,358	2,225	4,583	2,096	25,732	27,828	32,411
Total expenses before interest, depreciation, and amortization	305,595	1,076,203	1,381,798	69,391	457,503	526,894	1,908,692
Interest					21,565	21,565	21,565
Depreciation	2,099	19,414	21,513		4,893	4,893	26,406
Amortization					2,166	2,166	2,166
Total expenses	$ 307,694	$ 1,095,617	$ 1,403,311	$ 69,391	$ 486,127	$ 555,518	$ 1,958,829

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

WESTBRIDGE VOCATIONAL, INC.

Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Increase (decrease) in net assets	$ (45,464)	$ 68,944
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	27,981	26,406
Amortization		2,167
Provision for credit losses		2,358
Changes in working capital - sources (uses):		
Accounts receivable	(30,677)	12,330
Grants receivable	(29,068)	5,093
Other receivables	638	(2,441)
Prepaid expenses	(91,716)	(66,860)
Inventories	7,607	43,043
Accounts payable	28,291	(19,484)
Accrued expenses	2,529	(23,577)
Deferred revenue	(157,999)	397,250
Net cash provided (used) by operating activities	(287,878)	445,229
Cash flows from investing activities		
Purchase of property and equipment	(3,568)	(32,353)
Cash flows from financing activities		
Proceeds from lines of credit	198,826	27,102
Proceeds from notes payable		1,000
Repayment of lines of credit	(92,226)	(151,539)
Repayment of notes payable	(19,199)	(24,005)
Payment of deferred compensation	(12,000)	(12,000)
Net cash provided (used) by financing activities	75,401	(159,442)
Increase (decrease) in cash and equivalents	(216,045)	253,434
Cash and equivalents at beginning of year	262,362	8,928
Cash and cash equivalents at end of year	$ 46,317	$ 262,362
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 18,671	$ 21,565

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

WESTBRIDGE VOCATIONAL, INC.

Notes to Financial Statements
June 30, 2024 and 2023

Note 1 - Nature of Organization and 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. The Organization produces and sells medical drapes as part of its ongoing support and to provide a facility for vocational training for its clients. Training occurs both in the community and the Organization's facility and may include production of medical drapes at the Organization's facility or job sampling at unrelated local businesses. The Organization endeavors to locate employment opportunities for clients in the client's community and supports them with continuing training or coaching during that employment. 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 -Nature of Organization and 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 - Nature of Organization and 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. Grants, and other receivables are considered by management to be fully collectible and therefore no allowance has been recorded.

Allowance for Credit Losses

The allowance for credit losses represents an estimate made by management of the lifetime expected credit losses inherent in accounts receivable. In reviewing aged receivables, management considers their knowledge of customers, historical losses, and current economic conditions in establishing the allowance for credit losses. The Organization writes-off accounts receivables when they become uncollectable, and payments subsequently received on such receivables are credited back to the allowance account in the period the payment is received.

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 - Nature of Organization and 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. During the years ended June 30, 2024 and 2023, the Organization received in-kind professional services, without donor restrictions, of $19,500 and $27,500, respectively, for engineering services related to a review of existing processes and to a new gluing process and utilized as program services. The fair value was determined by the donor provided standard billing rates for the underlying services provided.

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, markdowns, chargebacks, and returns.

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, 2024 and 2023, was $0 and $391, 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 - Nature of Organization and 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 Pronouncements

During the year ended June 30, 2024, the Organization adopted the requirements of Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The FASB also subsequently issued the following additional ASUs, which amend and clarify the ASU: ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*; ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses; and ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments*; ASU 2020-03, *Codification Improvements to Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. Additional note disclosures have been added to Note 1, Accounts, Grants, and Other Receivables and Credit Losses as a result of the implementation of ASU 2016-13.

Note 2 - Net Assets

Net assets are described as follows:

At June 30	2024	2023
Net assets without donor restrictions	$ 161,400	$ 212,614
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
New lab coats and decals		2,250
Workforce development	8,000	
Net assets with donor restrictions	47,800	42,050
Total net assets	$ 209,200	$ 254,664

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	2024	2023
Financial assets:		
Cash and equivalents	$ 46,317	$ 262,362
Accounts receivable	143,269	112,592
Grants receivable	74,413	45,345
Other receivables	3,449	4,087
Total financial assets available	267,448	424,386
Amounts not available for general expenditure:		
Total net assets with donor restrictions	(47,800)	(42,050)
Add back: operating grant receivable	35,000	35,000
Net financial assets available to meet cash needs for general expenditures within one year	$ 254,648	$ 417,336

The Organization also maintains lines of credit 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	2024	2023	2022
Accounts and grants receivable:			
Accounts receivable	$ 143,269	$ 112,592	$ 124,922
Grants receivable	74,413	45,345	52,796
Total contract assets	$ 217,682	$ 157,937	$ 177,718

Note 4 - Contract Assets and Liabilities (continued)

Contract liabilities consist of cash advances from contracts in which milestones have not been met. However, the full criteria for revenue recognition have not been met and is management's estimate of amounts that could be refundable to the grantor.

The following table provides information about contract liabilities:

At June 30	2024	2023
Unearned revenue, beginning of year	$ 430,360	$ 33,110
Revenue recognized	(236,940)	(33,110)
Increase in unearned revenue due to cash received	78,941	430,360
Unearned revenue, end of year	$ 272,361	$ 430,360

Note 5 - Inventories

Inventories consist of the following:

At June 30	2024	2023
Raw materials	$ 73,230	$ 89,341
Work in process	14,880	6,256
Finished goods	4,246	4,366
Inventories	$ 92,356	$ 99,963

Note 6 - Property and Equipment

A description of property and equipment is as follows:

At June 30	2024	2023
Land and land improvements	$ 84,378	$ 84,378
Buildings and improvements	970,924	970,924
Production equipment	221,414	220,499
Transportation equipment	20,400	20,400
Furniture and fixtures	13,397	13,397
Computers and computer equipment	75,761	73,108
	1,386,274	1,382,706
Less, accumulated depreciation	(957,702)	(929,721)
Property and equipment	$ 428,572	$ 452,985

Depreciation expense for the years ended June 30, 2024 and 2023, was $27,981 and $26,406, respectively.

Note 6 - Property and Equipment (continued)

The Organization has paid a deposit of $93,000 for a new drape machine which is included in prepaid expenses on the statements of financial position at June 30, 2024 and 2023.

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, 2024 and 2023, was $0 and $2,167, respectively. The asset was fully amortized during the year ended June 30, 2023.

Note 8 - Lines of Credit

The Organization maintains a line of credit with maximum borrowings of $250,000. The interest rate is prime plus 0.5%, currently 9% with a floor 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, 2024 and 2023 was $106,328, and $528, respectively.

The Organization also maintains $10,000 lines of credit on each of 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 fixed at 17.9%. As of June 30, 2024 and 2023, the outstanding balances was $800 and $0, respectively.

Note 9 - Notes Payable

Notes payable are described as follows:

At June 30	2024	2023
Installment note due in 119 monthly payments of $777, including interest at 6.35%, due February 2033; secured by buildings.	$ 61,773	$ 66,923
Installment note due in 59 monthly payments of $2,591, including interest at 6.35%, and balloon payment of the remaining balance due January 2029. Secured by essentially all assets.	219,658	233,707
Total notes payable	281,431	300,630
Less, current maturities	(22,983)	(243,026)
Notes payable, less current maturities	$ 258,448	$ 57,604

Note 9 - Notes Payable (continued)

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

Years Ending June 30	
2025	$ 22,983
2026	21,827
2027	20,595
2028	19,308
2029	181,540
Thereafter	15,178
Total principal repayments	$ 281,431

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, 2024 and 2023, was $16,500 and $28,500, 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	
2025	$ 12,000
2026	4,500
2027	
2028	
2029	
Total deferred compensation payments	$ 16,500

Note 11 - Concentrations of Credit Risk

Major Customer

Major customers exist when sales to a single customer equals 10% or more of the Organization's total revenue. Sales to two such customers totaled $1,143,662 or 87% of total production revenue for the year ended June 30, 2024. Accounts receivable from these customers was $124,750 or 87% of total accounts receivable as of June 30, 2024. Sales from one such customer was $1,252,193 or 83% of total production revenue for the year ended June 30, 2023. Accounts receivable from this customer was $76,244 or 68% of total accounts receivable as of June 30, 2023.

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, 2024 and 2023, the Organization paid MARC $99,028 and $84,340, 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, 2023, 2022, and 2021, 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 - Subsequent Events

Subsequent events were evaluated through January 2, 2025, which is the date the financial statements were available to be issued.

In September 2024, Hurricane Helene caused disruption and destruction in the Western North Carolina region. The Organization did not experience any significant damage from the storm and experienced only temporary interruptions in transportation of goods and availability of employees.

During December 2024, the Organization closed on a new term loan in the amount of $345,000, maturing in November 2031.