

OPERATION CARE, INC.
A Not-for-Profit Organization

Financial Report

June 30, 2021

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Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

Board of Directors, Finance Committee, and Management
Operation Care, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Operation Care, Inc., a Not-for-Profit Organization (Organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditor's 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.

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Evansville, IN ■ Louisville, KY



**HARDING, SHYMANSKI
& COMPANY, P.S.C.**

Certified Public Accountants
and Consultants

21 S.E. Third Street, Suite 500
P.O. Box 3677
Evansville, IN 47735-3677

(812) 464-9161
Fax (812) 465-7811

545 S. Third Street, Suite 102
Louisville, KY 40202-1935

(502) 584-4142
Fax (502) 581-1653

www.hsccpa.com

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)



Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wardig, Szymanski & Company, P.S.C.

Louisville, Kentucky
November 30, 2021

OPERATION CARE, INC.
A Not-for-Profit Organization

STATEMENTS OF FINANCIAL POSITION
 June 30, 2021 with Comparative Totals for June 30, 2020

	2021	2020
ASSETS		
Current Assets		
Cash	\$ 186,386	\$ 177,777
Inventories	420,548	334,135
Grant receivables	53,244	53,244
Total current assets	660,178	565,156
Property and Equipment, Net	705,089	731,797
	<u>\$1,365,267</u>	<u>\$1,296,953</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 29,781	\$ 33,622
Current maturities of long-term debt	84,544	108,116
Total current liabilities	114,325	141,738
Long-Term Debt	0	80,661
Total liabilities	114,325	222,399
Net Assets		
Without donor restrictions	1,153,898	987,751
With donor restrictions	97,044	86,803
	<u>1,250,942</u>	<u>1,074,554</u>
	<u>\$1,365,267</u>	<u>\$1,296,953</u>

See notes to financial statements.

OPERATION CARE, INC.
A Not-for-Profit Organization

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2021 with Comparative Totals for June 30, 2020

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	Total
Revenue and Other Support				
Grants	\$ 0	\$ 60,744	\$ 60,744	\$ 63,244
Contributions	210,427	49,567	259,994	377,801
Donated services	125,596	0	125,596	102,401
Donated goods	757,249	0	757,249	869,314
Retail sales	252,826	0	252,826	189,856
Rental income	12,015	0	12,015	9,600
Gain on extinguishment of PPP loan	66,000	0	66,000	0
Net assets released from restrictions	100,070	(100,070)	0	0
Total revenue and other support	<u>1,524,183</u>	<u>10,241</u>	<u>1,534,424</u>	<u>1,612,216</u>
Expenses				
Program services				
Medical and Dental Clinic	649,911	0	649,911	746,004
Transitional Housing Program	103,809	0	103,809	122,706
Thrift Store and Emergency Helps Program	528,554	0	528,554	501,391
Total program expenses	<u>1,282,274</u>	<u>0</u>	<u>1,282,274</u>	<u>1,370,101</u>
Supporting services				
Fundraising	8,389	0	8,389	10,659
General and administrative	67,373	0	67,373	64,472
Total supporting services expenses	<u>75,762</u>	<u>0</u>	<u>75,762</u>	<u>75,131</u>
Total expenses	<u>1,358,036</u>	<u>0</u>	<u>1,358,036</u>	<u>1,445,232</u>
Change in Net Assets	166,147	10,241	176,388	166,984
Net assets at beginning of year	<u>987,751</u>	<u>86,803</u>	<u>1,074,554</u>	<u>907,570</u>
Net assets at end of year	<u>\$ 1,153,898</u>	<u>\$ 97,044</u>	<u>\$ 1,250,942</u>	<u>\$ 1,074,554</u>

See notes to financial statements.

OPERATION CARE, INC.
A Not-for-Profit Organization

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021 with Comparative Totals for June 30, 2020

	2021						2020	
	Program Services			Total	Supporting Services		Total	Total
	Medical and Dental Clinic	Transitional Housing Program	Thrift Store and Emergency Helps Program		Fundraising Expenses	General and Administrative		
Salaries and wages	\$ 84,488	\$ 56,293	\$ 154,882	\$ 295,663	\$ 7,192	\$ 30,337	\$ 333,192	\$ 301,240
Payroll taxes	4,480	2,874	11,947	19,301	0	7,088	26,389	24,415
Donated services	114,178	0	0	114,178	0	0	114,178	93,092
Thrift store cost of goods sold	0	0	252,826	252,826	0	0	252,826	189,857
Donated medications	346,481	0	0	346,481	0	0	346,481	504,637
Donated in-kind - clothing/household	0	0	24,709	24,709	0	0	24,709	93,732
Donated in-kind - food	0	0	10,967	10,967	0	0	10,967	9,508
Donated medical supplies	48,061	0	0	48,061	0	0	48,061	14,230
Laboratory cost	17,901	0	0	17,901	0	0	17,901	14,831
Direct assist	0	1,836	3,126	4,962	0	114	5,076	8,132
Fundraising expenses	0	0	0	0	337	0	337	624
Depreciation	2,453	11,901	9,027	23,381	0	6,289	29,670	30,518
Advertising	0	0	160	160	0	0	160	1,011
Occupancy	9,768	13,894	19,413	43,075	0	243	43,318	58,613
Repair and maintenance	2,589	7,094	6,164	15,847	0	0	15,847	26,355
Insurance	8,742	7,970	7,985	24,697	771	771	26,239	18,174
Professional fees	319	0	0	319	0	15,466	15,785	15,325
Bank fees	0	0	4,145	4,145	89	23	4,257	2,624
Sales tax	0	0	14,067	14,067	0	0	14,067	10,558
Interest expense	0	0	5,361	5,361	0	0	5,361	7,193
Miscellaneous expenses	10,451	1,947	3,775	16,173	0	7,042	23,215	20,563
Total expenses by function	\$ 649,911	\$ 103,809	\$ 528,554	\$ 1,282,274	\$ 8,389	\$ 67,373	\$ 1,358,036	\$ 1,445,232

See notes to financial statements.

OPERATION CARE, INC.
A Not-for-Profit Organization

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2021 with Comparative Totals for June 30, 2020

	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ 176,388	\$ 166,984
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	29,670	30,518
Loss on the sale of property and equipment	0	1,456
Gain on extinguishment of PPP loan	(66,000)	0
Changes in assets and liabilities:		
Decrease (increase)		
Inventories	(86,413)	(56,724)
Grant receivables	0	7,206
Increase (decrease)		
Accounts payable and accrued expenses	(3,841)	(3,916)
	<u>49,804</u>	<u>145,524</u>
Net cash provided by operating activities	49,804	145,524
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,962)	(34,928)
Cash Flows from Financing Activities		
Principal payments on long-term borrowings	(38,233)	(34,400)
Proceeds from PPP loan	0	66,000
	<u>(38,233)</u>	<u>31,600</u>
Net cash provided by (used in) financing activities	(38,233)	31,600
Net increase in cash	8,609	142,196
Cash at beginning of year	<u>177,777</u>	<u>35,581</u>
Cash at end of year	<u>\$ 186,386</u>	<u>\$ 177,777</u>
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	<u>\$ 4,408</u>	<u>\$ 8,888</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Forgiveness of PPP Loan (See Note 1)	<u>\$ 66,000</u>	<u>\$ 0</u>

See notes to financial statements.

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 with Comparative Totals for June 30, 2020

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Business

Operation Care, Inc. (Organization) promotes public awareness and identifies and provides services to families and individuals in crisis situations in the Shelby County, Kentucky area. The Organization provides a wide range of services to the public, focusing on the crisis needs of the citizens in the area it serves. Metro United Way funds, various other grants, program fees, and private donations account for the majority of the Organization's funding.

COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The impacts of COVID-19 and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. Including mandatory government shutdowns of the Encore Shop and Medical Clinic from February 2021 to May 2021. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, it cannot estimate, with any degree of certainty, the full impact of COVID-19 on future operations and financial results.

Paycheck Protection Program

On April 17, 2020, the Organization received a loan in the amount of \$66,000 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and implemented by the U.S. Small Business Administration (SBA), provided for loans to qualifying businesses for amounts up to 2.5 times those entities' average monthly payroll expenses for the qualifying time period. The loan and accrued interest are forgivable after the applicable time period in the CARES Act, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, as well as maintains its payroll levels.

The Organization has applied for and received forgiveness with respect to these eligible expenses and was notified by the SBA and its lender that they have been granted full legal release as of December 21, 2020. The Organization has elected to treat the loan as debt as of June 30, 2020, in accordance with ASC 470, and has presented the forgiveness of the loan as a gain on extinguishment of debt during the year ended June 30, 2021.

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 with Comparative Totals for June 30, 2020

Note 1 – Nature of Business and Significant Accounting Policies (Continued)

Comparative Amounts

The financial statements and notes include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Basis of Presentation

The Organization presents its financial statements in conformance with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in “Financial Statements of Not-For-Profit Organizations”, which establishes standards for external financial reporting by not-for-profit organizations. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets that are subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resource be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and grant receivables. At times, cash in banks may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Grant Receivables

Grant receivables are stated at the amount granted by the granting agency. The Organization attempts to minimize exposure to loss by monitoring the financial situation of the granting agency on a continuing basis. The direct charge-off method is used to account for losses in collection of grant receivables, which the Organization estimates to be zero at June 30, 2021 and 2020. As of June 30, 2021 and 2020, the grant receivables are expected to be collected within a year.

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 with Comparative Totals for June 30, 2020

Note 1 – Nature of Business and Significant Accounting Policies (Continued)

Inventories

Thrift store inventories, which are primarily donated, are stated at estimated resale value which approximates fair value. Medical clinic inventories of donated medication and supplies are stated at estimated fair value.

Property and Equipment

Property and equipment are stated at cost, or if donated, are recorded at fair market value at the date of donation. The Organization capitalizes expenditures in excess of \$2,500 with useful lives of one year or more. Provisions for depreciation of property and equipment have been computed on the straight-line and accelerated methods over the estimated useful life.

	<u>Years</u>
Buildings	32-39
Improvements to land and buildings	5-39
Equipment	5-15
Vehicles	3

Revenue Recognition

The Organization recognizes revenue related to thrift store retail sales in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when or as performance obligations are satisfied

The Organization's revenue under ASC 606 is primarily derived from thrift store retail sales. Retail sales are primarily with customers in the Shelby County, Kentucky area. Retail sales are subject to economic conditions and may fluctuate based on changes in financial markets, industry, and consumer disposable income levels and spending habits.

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 with Comparative Totals for June 30, 2020

Note 1 – Nature of Business and Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Organization assesses the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. Payments for retail goods are due at time of sale.

Revenue from retail sales is recognized at the point in time the customer purchases the goods from the Organization. The sale and satisfaction of the performance obligation are simultaneous. There are no refunds or exchanges of merchandise.

The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring services to the customer.

The Organization does not have significant variable consideration embedded in their pricing structures or returns or refunds. In addition, there are not significant financing components in retail sales nor are there warranties or bill and hold sales.

As previously stated, revenue from retail sales is recognized at a point in time. Total revenue related to retail sales recognized at a point in time was \$252,826 and \$189,856 for the years ended June 30, 2021 and 2020, respectively.

The Organization has elected to apply the accounting policy election to exclude sales taxes and similar taxes from the measurement of the transaction price.

Revenue from Organization's grants, contributions, donated goods and services, and rental revenues are outside the scope of ASC Topic 606, *Revenue from Contracts with Customers*. The Organization does not provide donor with benefits in return for a contribution or donation, nor does the Organization provide services to a grantor in exchange for the grant. Therefore, there is no exchange transaction and ASC 606 does not apply.

Contributions, Grants, and Donated Goods

Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions and net assets. Gifts received with a donor stipulation that limits their use are reported as revenue with donor restrictions and net assets. When a donor stipulated time restriction ends or purpose restrictions is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 with Comparative Totals for June 30, 2020

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Donated Services

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors in the medical profession. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in the financial statements and similarly increase contribution revenue by a like amount.

Donated services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service, and the service would typically need to be purchased if not donated.

Rental Revenues

Revenue from the leasing of office space is recognized in accordance with Topic 840, which is the lease accounting standard. Lease revenue is recognized on a straight-line basis over the lease term. The Organization considers the lease term as the period in which the parties to the contract have presently enforceable rights and obligations. Lessee's contracts generally are standardized and non-cancellable for the duration of the stated contract term. Payments from lessees are typically due in zero to 30 days. The lease revenues do not include variable payments.

Functional Allocation of Expenses

The Organization allocates expenses between the respective programs, fundraising, and general and administrative. Certain costs, including salaries and wages, payroll taxes, occupancy expense, repairs and maintenance, and bank fees, have been allocated based on the estimated time and effort spent on activities. Costs of items that can be specifically identified are charged directly to the respective category.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Management evaluated the Organization's uncertain tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

Advertising

Advertising costs are expensed as incurred.

OPERATION CARE, INC.
A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 with Comparative Totals for June 30, 2020

Note 1 – Nature of Business and Significant Accounting Policies (Continued)

Subsequent Events Evaluation

The Organization has evaluated subsequent events through November 30, 2021, the date on which the financial statements were available to be issued.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain items in the June 30, 2020 financial statements have been reclassified to conform to the June 30, 2021 classifications.

Recent Accounting Pronouncements

Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In June 2020, FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02, making it effective for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required. An entity may adopt the guidance, as well as certain practical expedients, either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented, or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Organization is currently evaluating the impact the adoption of this guidance will have on the financial statements.

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 with Comparative Totals for June 30, 2020

Note 1 – Nature of Business and Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. The adoption of this standard did not have a material impact on the Organization's financial statements.

Note 2 – Liquidity and Availability

The Organization regularly monitors the liquidity required to meet its general operating needs and other contractual commitments. The Organization considers general operating needs to be expenditures related to fundraising and general and administrative functions. Expenditures directly related to the ongoing activities of programs and services are reviewed separately, as programs and services are largely funded through various donor restricted grants each year.

The Organization's mission is centered on providing various support and services to community members in crisis; therefore, the majority of total expenditures are program specific and not deemed to be general in nature. The Organization manages its liquid resources by reviewing necessary spending and determining priority general expenditures. In addition to liquid assets, the Organization relies upon the Board of Directors and community for benevolence in meeting general operating needs. The Organization utilizes the Thrift Store as its primary revenue source, through the sale of donated goods, to meet liquidity needs for general expenditures and additional support for various programs. The Thrift Store had sales of approximately \$253,000 and \$190,000 for the years ended June 30, 2021 and 2020, respectively.

Historically, the Organization has liquid assets, mainly composed of cash. As of June 30, 2021 and 2020, the Organization had total cash of \$186,386 and \$177,777, of which \$43,800 and \$33,559 is donor restricted for use in 2021 and 2020, leaving \$142,586 and \$144,218 available for general expenditures within one year, respectively. In addition, as noted above, the Organization expects to convert Thrift Store inventories into cash throughout the year to fund general expenditures.

OPERATION CARE, INC.
A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 with Comparative Totals for June 30, 2020

Note 3 – Inventories

Inventories at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Thrift Store	\$ 34,667	\$ 45,218
Food Pantry	9,105	9,325
Medications	<u>376,776</u>	<u>279,592</u>
	<u>\$420,548</u>	<u>\$334,135</u>

Note 4 – Property and Equipment

Property and equipment at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Buildings and land	\$1,045,395	\$1,042,433
Equipment	146,892	146,892
Vehicles	<u>1,452</u>	<u>1,452</u>
	1,193,739	1,190,777
Accumulated depreciation	<u>(488,650)</u>	<u>(458,980)</u>
	<u>\$ 705,089</u>	<u>\$ 731,797</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$29,670 and \$30,518, respectively.

OPERATION CARE, INC.
A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS
June 30, 2021 with Comparative Totals for June 30, 2020

Note 5 – Long-Term Debt

Long-term debt at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable to bank, 4.99%, \$2,549 monthly, due April 2022, including a balloon payment of approximately \$66,703, secured by building	\$ 84,544	\$122,777
Note payable to bank, 1%, \$3,714 due monthly, remaining principal and accrued interest due at maturity, secured by SBA guaranty, forgiven December 2020	(A) <u>0</u>	<u>66,000</u>
	\$ 84,544	\$188,777
Less current maturities	<u>(84,544)</u>	<u>(108,116)</u>
	<u>\$ 0</u>	<u>\$ 80,661</u>

(A) This note relates to the PPP loan as described in Note 1. The terms of the note provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The note may be accelerated upon the occurrence of an event of default. The Organization was notified of legal release from this loan by the SBA on December 21, 2020. A gain on extinguishment of debt was recognized in earnings for the year ended June 30, 2021.

Total interest expense for the years ended June 30, 2021 and 2020 was \$5,361 and \$7,193, respectively.

Note 6 – Commitments and Contingencies

Paycheck Protection Program Loan

During the year ended June 30, 2020, the Company received a PPP loan under the CARES Act. The Company believes it met the eligibility criteria for qualification to receive the PPP loan and used the proceeds only for qualifying expenses eligible under the CARES Act. The Company received formal forgiveness from the SBA on December 21, 2020. The Company believes it has met the subsequent criteria for forgiveness of the PPP loan as set forth in the CARES Act; however, the loan is subject to review by the SBA, which could result in the partial or full repayment of the loan by the Company.

OPERATION CARE, INC.***A Not-for-Profit Organization***

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 with Comparative Totals for June 30, 2020

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Purpose restrictions		
Women's shelter	\$ 15,402	\$ 15,402
Medical clinic	44,205	37,842
Life enrichment center	19,288	19,596
Community Christmas	7,394	5,226
Food pantry	10,755	8,737
	<u>\$ 97,044</u>	<u>\$ 86,803</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Women's shelter	\$ 52,289	\$ 54,200
Community Christmas	2,870	4,343
Staff gifts	0	100
Emergency helps program	0	200
Medical clinic	27,876	39,805
Life enrichment center	307	40,405
Transitional housing	12,000	14,540
Food pantry	4,728	1,535
	<u>\$100,070</u>	<u>\$155,128</u>

Note 8 – Donated Professional Services and Materials

The Organization received donated professional services and materials of \$882,845 and \$971,715 for the years ended June 30, 2021 and 2020, respectively. Donated professional services included medical and dental professionals that donated their time. Donated materials included medications, clothing and household goods, food, and medical supplies. Donated professional services and materials are separately identified on the statements of functional expenses and classified as program services.