

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

Financial Report

June 30, 2022

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Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT



**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

101 S. Fifth Street, Suite 1700
Louisville, KY 40202

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

www.hsccpa.com

An Independently
Owned Member,
RSM US Alliance

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Management's Responsibility 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; 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.

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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility 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 auditor's 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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment 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 the Organization'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on Summarized Comparative Information



We have previously audited the Organization's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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
January 25, 2023

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

STATEMENTS OF FINANCIAL POSITION
 June 30, 2022 with Comparative Totals for June 30, 2021

	2022	2021
ASSETS		
Current Assets		
Cash	\$ 131,035	\$ 186,386
Inventories	306,999	420,548
Grant receivables	<u>50,297</u>	<u>53,244</u>
Total current assets	488,331	660,178
Property and Equipment, Net	<u>771,912</u>	<u>705,089</u>
	<u>\$1,260,243</u>	<u>\$1,365,267</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 44,428	\$ 29,781
Current maturities of long-term debt	<u>44,696</u>	<u>84,544</u>
Total current liabilities	89,124	114,325
Net Assets		
Without donor restrictions	1,039,707	1,153,898
With donor restrictions	<u>131,412</u>	<u>97,044</u>
	<u>1,171,119</u>	<u>1,250,942</u>
	<u>\$1,260,243</u>	<u>\$1,365,267</u>

See notes to financial statements.

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

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2022 with Comparative Totals for June 30, 2021

	2022			2021
	Without Donor Restriction	With Donor Restriction	Total	Total
Revenue and Other Support				
Grants	\$ 0	\$ 108,451	\$ 108,451	\$ 60,744
Contributions	219,776	76,489	296,265	259,994
Donated services	137,631	0	137,631	125,596
Donated goods	648,914	0	648,914	757,249
Retail sales	312,978	0	312,978	252,826
Rental income	12,015	0	12,015	12,015
Gain on extinguishment of PPP loan	0	0	0	66,000
Net assets released from restrictions	150,572	(150,572)	0	0
Total revenue and other support	<u>1,481,886</u>	<u>34,368</u>	<u>1,516,254</u>	<u>1,534,424</u>
Expenses				
Program services				
Medical and Dental Clinic	593,704	0	593,704	649,911
Transitional Housing Program	112,782	0	112,782	103,809
Thrift Store and Emergency Helps Program	799,897	0	799,897	528,554
Total program expenses	<u>1,506,383</u>	<u>0</u>	<u>1,506,383</u>	<u>1,282,274</u>
Supporting services				
Fundraising	9,076	0	9,076	8,389
General and administrative	80,618	0	80,618	67,373
Total supporting services expenses	<u>89,694</u>	<u>0</u>	<u>89,694</u>	<u>75,762</u>
Total expenses	<u>1,596,077</u>	<u>0</u>	<u>1,596,077</u>	<u>1,358,036</u>
Change in Net Assets	(114,191)	34,368	(79,823)	176,388
Net assets at beginning of year	<u>1,153,898</u>	<u>97,044</u>	<u>1,250,942</u>	<u>1,074,554</u>
Net assets at end of year	<u>\$ 1,039,707</u>	<u>\$ 131,412</u>	<u>\$ 1,171,119</u>	<u>\$ 1,250,942</u>

See notes to financial statements.

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

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022 with Comparative Totals for June 30, 2021

	2022							2021
	Program Services			Total	Supporting Services			Total
	Medical and Dental Clinic	Transitional Housing Program	Thrift Store and Emergency Helps Program		Fundraising Expenses	General and Administrative	Total	
Salaries and wages	\$ 99,022	\$ 57,267	\$ 222,520	\$ 378,809	\$ 7,728	\$ 27,087	\$ 413,624	\$ 333,192
Payroll taxes	6,516	2,780	17,100	26,396	0	7,021	33,417	26,389
Donated services	137,631	0	0	137,631	0	0	137,631	114,178
Thrift store cost of goods sold	0	0	312,978	312,978	0	0	312,978	252,826
Donated medications	293,428	0	0	293,428	0	0	293,428	346,481
Donated in-kind - clothing/household	0	0	130,735	130,735	0	0	130,735	24,709
Donated in-kind - food	0	0	22,723	22,723	0	0	22,723	10,967
Donated medical supplies	11,998	0	0	11,998	0	0	11,998	48,061
Laboratory cost	11,760	0	0	11,760	0	0	11,760	17,901
Direct assist	30	4,430	7,224	11,684	0	0	11,684	5,076
Fundraising expenses	0	0	0	0	572	0	572	337
Depreciation	4,993	17,426	5,831	28,250	0	4,380	32,630	29,670
Advertising	0	0	269	269	0	215	484	160
Occupancy	10,871	14,569	19,091	44,531	70	10,812	55,413	43,318
Repair and maintenance	4,301	4,272	22,307	30,880	0	9,778	40,658	15,847
Insurance	8,259	7,538	8,818	24,615	0	0	24,615	26,239
Professional fees	0	0	0	0	0	16,075	16,075	15,785
Bank fees	0	0	5,458	5,458	408	250	6,116	4,257
Sales tax	0	0	17,975	17,975	0	0	17,975	14,067
Interest expense	0	0	3,310	3,310	0	0	3,310	5,361
Miscellaneous expenses	4,895	4,500	3,558	12,953	298	5,000	18,251	23,215
Total expenses by function	\$ 593,704	\$ 112,782	\$ 799,897	\$ 1,506,383	\$ 9,076	\$ 80,618	\$ 1,596,077	\$ 1,358,036

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2022 with Comparative Totals for June 30, 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (79,823)	\$ 176,388
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	32,630	29,670
Gain on extinguishment of PPP loan	0	(66,000)
Changes in assets and liabilities:		
Decrease (increase)		
Inventories	113,549	(86,413)
Grant receivables	2,947	0
Increase (decrease)		
Accounts payable and accrued expenses	14,647	(3,841)
Net cash provided by operating activities	83,950	49,804
Cash Flows from Investing Activities		
Purchase of property and equipment	(99,453)	(2,962)
Cash Flows from Financing Activities		
Principal payments on long-term borrowings	(39,848)	(38,233)
Net increase (decrease) in cash	(55,351)	8,609
Cash at beginning of year	186,386	177,777
Cash at end of year	\$ 131,035	\$ 186,386
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 2,652	\$ 4,408
Supplemental Schedule of Noncash Investing and Financing Activities		
Forgiveness of PPP loan (see Note 1)	\$ 0	\$ 66,000

See notes to financial statements.

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 with Comparative Totals for June 30, 2021

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 may continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, management 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 applied for and received forgiveness, with respect to these eligible expenses, and was notified by the SBA and its lender that they were 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, 2022 with Comparative Totals for June 30, 2021

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, 2021, 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, 2022 and 2021. As of June 30, 2022 and 2021, 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, 2022 with Comparative Totals for June 30, 2021

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.

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.

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 with Comparative Totals for June 30, 2021

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

Revenue Recognition (Continued)

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 \$312,978 and \$252,826 for the years ended June 30, 2022 and 2021, 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 the 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.

See Note 8 for further information on policies for donated medical services, donated medications and supplies, and donated goods.

Contributions and Grants

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 restriction 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.

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 noncancellable 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.

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 with Comparative Totals for June 30, 2021

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

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.

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.

Recent Adopted Pronouncements

Contributions of Nonfinancial Assets Received by Not-for-Profits

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021, and for interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. In the current year, the Organization adopted ASU 2020-07 which did not have a material effect on the Organization's financial statements.

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 with Comparative Totals for June 30, 2021

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

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. 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. The Organization will adopt ASU 2016-02 effective for their fiscal year ending June 30, 2023. The Organization is currently evaluating the impact the adoption of this guidance will have on the 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 \$313,000 and \$253,000 for the years ended June 30, 2022 and 2021, respectively.

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 with Comparative Totals for June 30, 2021

Note 2 – Liquidity and Availability (Continued)

As of June 30, 2022 and 2021, the Organization had total cash of \$131,035 and \$186,386, of which \$81,115 and \$43,800 is donor restricted for use in 2022 and 2021, leaving \$49,920 and \$142,586 of financial assets available to meet cash needs for general expenditures within one year, respectively. Grant receivables as of June 30, 2022 and 2021, of \$50,297 and \$53,244, respectively, are donor restricted. In addition, as noted above, the Organization expects to convert Thrift Store inventories into cash throughout the year to fund general expenditures.

Note 3 – Inventories

Inventories at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Thrift Store	\$ 43,586	\$ 34,667
Food Pantry	9,750	9,105
Medications	<u>253,663</u>	<u>376,776</u>
	<u>\$306,999</u>	<u>\$420,548</u>

Note 4 – Property and Equipment

Property and equipment at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Buildings and land	\$1,130,048	\$1,045,395
Equipment	146,892	146,892
Vehicles	<u>16,252</u>	<u>1,452</u>
	1,293,192	1,193,739
Accumulated depreciation	<u>(521,280)</u>	<u>(488,650)</u>
	<u>\$ 771,912</u>	<u>\$ 705,089</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$32,630 and \$29,670, respectively.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2022 with Comparative Totals for June 30, 2021

Note 5 – Long-Term Debt

Long-term debt at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Note payable to bank, 4.99%, \$2,549 monthly, due April 2022, secured by building	(A) <u>\$ 44,696</u>	<u>\$ 84,544</u>
Less current maturities	<u>(44,696)</u>	<u>(84,544)</u>
	<u>\$ 0</u>	<u>\$ 0</u>

(A) On July 5, 2022, the Organization refinanced the mortgage debt through a different lending institution. The refinanced mortgage of \$45,000 has an interest rate of 4.99 percent, has annual fiscal year debt obligations of \$13,062 for 2023, \$14,946 for 2024, \$15,709 for 2025, and \$1,283 for 2026, and matures on July 5, 2025.

Total interest expense for the years ended June 30, 2022 and 2021 was \$3,310 and \$5,361, respectively.

Note 6 – Commitments and Contingencies

Paycheck Protection Program Loan

During the year ended June 30, 2020, the Organization received a PPP loan under the CARES Act. The Organization 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 Organization received formal forgiveness from the SBA on December 21, 2020. The Organization 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 Organization.

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

NOTES TO FINANCIAL STATEMENTS
 June 30, 2022 with Comparative Totals for June 30, 2021

Note 7 – Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Purpose restrictions		
Women's shelter	\$ 19,951	\$ 15,402
Medical clinic	65,027	44,205
Life enrichment center	18,981	19,288
Community Christmas	6,718	7,394
Transitional housing	12,705	0
Food pantry	8,030	10,755
	<u>\$131,412</u>	<u>\$ 97,044</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Women's shelter	\$ 63,478	\$ 52,289
Community Christmas	7,077	2,870
Medical clinic	0	27,876
Life enrichment center	307	307
Transitional housing	71,007	12,000
Food pantry	8,703	4,728
	<u>\$150,572</u>	<u>\$100,070</u>

OPERATION CARE, INC.

A Not-for-Profit Organization

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 with Comparative Totals for June 30, 2021

Note 8 – Donated Goods and Services

Donated goods and services recognized as revenues for the years ended June 30, 2022 and 2021, included in the financial statements, were as follows:

	<u>2022</u>	<u>2021</u>
Clothing/household goods	\$472,281	\$277,358
Medical services	137,631	125,596
Medications	170,316	443,665
Medical supplies	<u>6,317</u>	<u>36,226</u>
	<u>\$786,545</u>	<u>\$882,845</u>

Donated Medical Services: A number of individuals have volunteered their services to the Organization. Contributed services recognized include professional services from physicians, nurses, pharmacists, and various other medical professionals that have provided services for the Medical Clinic. 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. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current market rates for similar medical services.

Donated Medications and Medical Supplies: During the years ended June 30, 2022 and 2021, the Organization provided \$305,426 and \$394,542, respectively, of donated medications and medical supplies to medical clinic recipients. The medications and medical supplies were donated to the Organization by various pharmacies. It is the policy of the Organization that the donated items are recorded in the financial statements as contributions and as expense at the current fair value from various pharmaceutical websites for the years ended June 30, 2022 and 2021, respectively.

Donated Clothing and Household Goods: During the years ended June 30, 2022 and 2021, the Organization sold \$312,978 and \$252,826 of donated clothing and household goods to thrift store customers and donated \$130,735 and \$24,709 to individuals in need and other charitable organizations, respectively. These items were donated to the Organization from various donors. The items are recorded as contributions and expense based on their relative fair values for the years ended June 30, 2022 and 2021, respectively.

Note 9 – Subsequent Events

The Company has evaluated subsequent events through January 25, 2023, the date on which the financial statements were available to be issued.