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

Financial Report

June 30, 2023

CONTENTS

HARDING, SHYMANSKI
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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, 2023, 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, 2023, 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 audit. 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.

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.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harding, Shymanski & Company, P.S.C.

Louisville, Kentucky
January 10, 2024

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2023 with Comparative Totals for June 30, 2022

	2023	2022
ASSETS		
Current Assets		
Cash	**$ 146,914**	$ 131,035
Inventories	**340,667**	306,999
Employee retention tax credit receivable	**8,699**	0
Grant receivables	**0**	50,297
Total current assets	**496,280**	488,331
Noncurrent Assets		
Property and equipment, net	**776,251**	771,912
Total assets	**$1,272,531**	$1,260,243
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	**$ 38,611**	$ 44,428
Current maturities of long-term debt	**0**	44,696
Advance from Board member	**20,000**	0
Total current liabilities	**58,611**	89,124
Net Assets		
Without donor restrictions	**1,080,778**	1,039,707
With donor restrictions	**133,142**	131,412
Total net assets	**1,213,920**	1,171,119
Total liabilities and net assets	**$1,272,531**	$1,260,243

See notes to financial statements.

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

STATEMENTS OF ACTIVITIES
Year Ended June 30, 2023 with Comparative Totals for June 30, 2022

	2023			2022
	Without Donor Restriction	**With Donor Restriction**	**Total**	Total
Revenue and Other Support				
Grants	**$ 0**	**$ 0**	**$ 0**	$ 108,451
Contributions	**228,563**	**116,257**	**344,820**	308,280
Fundraising	**53,637**	**46,281**	**99,918**	0
Donated services	**160,302**	**0**	**160,302**	137,631
Donated goods	**1,071,390**	**0**	**1,071,390**	648,914
Retail sales	**364,654**	**0**	**364,654**	295,003
Employee retention tax credit	**8,699**	**0**	**8,699**	0
Net assets released from restrictions	**160,808**	**(160,808)**	**0**	0
Total revenue and other support	**2,048,053**	**1,730**	**2,049,783**	1,498,279
Expenses				
Program services				
Medical and Dental Clinic	**856,876**	**0**	**856,876**	593,704
Transitional Housing Program	**151,221**	**0**	**151,221**	112,782
Thrift Store and Emergency Helps Program	**887,769**	**0**	**887,769**	781,922
Total program expenses	**1,895,866**	**0**	**1,895,866**	1,488,408
Supporting services				
Fundraising	**17,635**	**0**	**17,635**	9,076
General and administrative	**93,481**	**0**	**93,481**	80,618
Total supporting services expenses	**111,116**	**0**	**111,116**	89,694
Total expenses	**2,006,982**	**0**	**2,006,982**	1,578,102
Change in Net Assets	**41,071**	**1,730**	**42,801**	(79,823)
Net assets at beginning of year	**1,039,707**	**131,412**	**1,171,119**	1,250,942
Net assets at end of year	**$ 1,080,778**	**$ 133,142**	**$ 1,213,920**	$ 1,171,119

See notes to financial statements.

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

STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023 with Comparative Totals for June 30, 2022

	2023							2022
	Program Services				Supporting Services			
	Medical and Dental Clinic	Transitional Housing Program	Thrift Store and Emergency Helps Program	Total	Fundraising Expenses	General and Administrative	Total	Total
Salaries and wages	$ 106,759	$ 72,238	$ 294,906	$ 473,903	$ 7,797	$ 32,514	$ 514,214	$ 413,624
Payroll taxes	6,846	3,842	22,294	32,982	0	7,163	40,145	33,417
Donated services	160,302	0	0	160,302	0	0	160,302	137,631
Thrift store cost of goods sold	0	0	383,350	383,350	0	0	383,350	312,978
Donated medications	518,091	0	0	518,091	0	0	518,091	293,428
Donated in-kind - clothing/household	0	0	109,140	109,140	0	0	109,140	130,735
Donated in-kind - food	0	20,978	4,421	25,399	0	0	25,399	22,723
Donated medical supplies	13,403	0	0	13,403	0	0	13,403	11,998
Laboratory cost	18,264	0	0	18,264	0	0	18,264	11,760
Direct assist	323	4,884	7,432	12,639	0	0	12,639	11,684
Fundraising expenses	0	0	0	0	8,350	0	8,350	572
Depreciation	4,547	15,937	9,306	29,790	0	10,835	40,625	32,630
Advertising	0	0	2,562	2,562	509	0	3,071	484
Occupancy	12,097	17,432	19,383	48,912	0	406	49,318	55,413
Repair and maintenance	1,710	5,806	6,118	13,634	0	3,957	17,591	40,658
Insurance	9,719	6,564	6,717	23,000	433	837	24,270	24,615
Professional fees	0	0	470	470	0	18,502	18,972	16,075
Bank fees	42	0	6,456	6,498	408	80	6,986	6,116
Interest expense	0	0	2,040	2,040	0	0	2,040	3,310
Loss of sale of property and equipment	0	0	0	0	0	9,042	9,042	0
Miscellaneous expenses	4,773	3,540	13,174	21,487	138	10,145	31,770	18,251
Total expenses by function	$ 856,876	$ 151,221	$ 887,769	$ 1,895,866	$ 17,635	$ 93,481	$ 2,006,982	$ 1,578,102

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS
Year Ended June 30, 2023 with Comparative Totals for June 30, 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	**$ 42,801**	$ (79,823)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	**40,625**	32,630
Loss on sale of property and equipment	**9,042**	0
Changes in assets and liabilities:		
Decrease (increase)		
Inventories	**(33,668)**	113,549
Employee retention tax credit receivable	**(8,699)**	0
Grant receivables	**50,297**	2,947
Increase (decrease)		
Accounts payable and accrued expenses	**(5,817)**	14,647
Net cash provided by operating activities	**94,581**	83,950
Cash Flows from Investing Activities		
Purchase of property and equipment	**(54,006)**	(99,453)
Cash Flows from Financing Activities		
Advance from Board member proceeds	**20,000**	0
Principal payments on long-term borrowings	**(44,696)**	(39,848)
Net cash used in financing activities	**(24,696)**	(39,848)
Net increase (decrease) in cash	**15,879**	(55,351)
Cash at beginning of year	**131,035**	186,386
Cash at end of year	**$ 146,914**	$ 131,035
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	**$ 2,344**	$ 2,652

See notes to financial statements.

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. Various grants, program fees, and private donations account for the majority of the Organization's funding.

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, 2022, 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.

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

Employee Retention Tax Credit

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, provided for an employee retention tax credit (ERC) that is a refundable tax credit against certain employer payroll taxes. The ERC was subsequently amended by the Taxpayer Certainty and Disaster Tax Relief Act of 2020, the Consolidated Appropriations Act of 2021, the American Rescue Plan Act of 2021, and the Infrastructure Investment and Jobs Act of 2021, all of which amended various provisions of the ERC availability and guidelines. Under the provisions of the ERC, eligible employers are able to claim a refundable tax credit against the employer share of Social Security taxes owed. For 2020, the amount of the credit is equal to 50 percent of the employer's qualified wages paid (up to $10,000 of wages per employee) after March 13, 2020, but before December 31, 2020. For 2021, the amount of the credit is equal to 70 percent of the employer's qualified wages paid (up to $10,000 of wages per employee per quarter) before October 1, 2021. An employer receives an ERC benefit by either requesting a refund on their quarterly payroll tax returns or by amending payroll tax returns filed for previous quarters.

The Organization was eligible and applied for ERCs in fiscal year 2023. The Organization has elected to treat the ERC as a government grant in accordance with ASC 958-605. In fiscal year 2023, the Organization recognized ERCs totaling $8,699, which are included in other support on the statements of changes in net assets. Additionally, the Organization had ERC refunds receivable totaling $8,699 at June 30 2023.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and 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. The Organization had $511 and $0 at June 30, 2023 and 2022 in direct charge-offs.

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.

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

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.

	Years
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.

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

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

Revenue Recognition (Continued)

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 $364,654 and $295,003 for the years ended June 30, 2023 and 2022, 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, fundraising, and donated goods and services is 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 or donor in exchange for the grant or donation. 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.

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

Leases

In February 2016, FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient and; therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

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

Leases (Continued)

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less and instead recognizes the lease payments in changes in net assets on a straight-line basis over the lease term. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842). The Organization elected to use this risk-free borrowing rate for all leases. For any lease in which the rate implicit in the lease is readily determinable, that rate must be used instead of the risk-free borrowing rate.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which would be initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent would be recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease, if present in the lease, are included in the lease payments only when it is probable that they will be incurred.

As of July 1, 2022, all leases were insignificant and short-term in nature; therefore, the Organization did not recognize ROU assets and lease liabilities for leases in accordance with the accounting policy election available under ASC 842.

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.

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

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.

Recently Adopted Accounting Standards

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 statements of activities. 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. As previously disclosed in Note 1, the new standard provides a number of practical expedients. The election of any practical expedients is disclosed there The Organization adopted ASU 2016-02 effective for their fiscal year ended June 30, 2023, which did not have a material effect on the Organization's financial statements.

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

Recently Adopted Accounting Standards (Continued)

Disclosures by Business Entities about Government Assistance

In November 2021, FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, which is intended to increase transparency in financial reporting by requiring business entities to disclose information about certain types of government assistance they receive. ASU 2021-10 requires business entities to make certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance. In the current year, the Organization adopted ASU 2021-10, which did not have a material effect on the Organization's financial statements.

Recent Accounting Pronouncements

Financial Instruments – Credit Losses

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statements of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

Reclassification

Certain items in the June 30, 2022 financial statements have been reclassified to conform to the June 30, 2023 classifications.

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 \$364,654 and \$295,003 for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023 the Organization had total cash of \$146,914 and ERC receivable of \$8,699, of which \$133,142 is donor restricted, leaving a current assets balance available to meet cash needs for general expenditures within one year of \$22,471. As of June 30, 2022, the Organization had total cash of \$131,035, of which \$81,115 was donor restricted, leaving a current assets balance available to meet cash needs for general expenditures within one year of \$49,920. Receivables as of June 30, 2023 and 2022, of \$0 and \$50,297, 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, 2023 and 2022 consisted of the following:

	2023	2022
Thrift Store	\$ 60,199	\$ 43,586
Food Pantry	11,470	9,750
Medications	268,998	253,663
	\$340,667	\$306,999

Note 4 – Property and Equipment

Property and equipment at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Buildings and land	$1,167,307	$1,130,048
Equipment	142,122	146,892
Vehicles	16,252	16,252
	1,325,681	1,293,192
Accumulated depreciation	(549,430)	(521,280)
	$ 776,251	$ 771,912

Depreciation expense for the years ended June 30, 2023 and 2022 was $40,625 and $32,630, respectively.

Note 5 – Long-Term Debt

Long-term debt at June 30, 2023 and 2022 consisted of the following:

		2023	2022
Note payable to bank, 4.99%, $2,549 monthly, secured by building	(A)	$ 0	$ 44,696
Less current maturities		0	(44,696)
		$ 0	$ 0

(A) On July 5, 2022, the Organization refinanced the mortgage debt through a different lending institution with a maturity date of July 5, 2025, interest at 4.99%, and monthly payments due of $1,350. The Organization paid off the mortgage debt during the current fiscal year 2023.

Total interest expense for the years ended June 30, 2023 and 2022 was $2,344 and $3,310, respectively.

Note 6 – Advance from Board Member

At June 30, 2023, the Organization had an advance from a Board member in the amount of $20,000. The advance has an interest rate of eight percent, is unsecured, and due on demand.

Note 7 – Commitments and Contingencies

Paycheck Protection Program Loan

During the year ended June 30, 2020, the Organization received a Paycheck Protection Plan (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 Small Business Association (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.

Note 8 – Net Assets with Donor Restrictions

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

	2023	2022
Purpose restrictions		
Women's shelter	$ 0	$ 19,951
Medical clinic	9,931	65,027
Life enrichment center	18,981	18,981
Community Christmas	10,062	6,718
Transitional housing	82,015	12,705
Food pantry	12,153	8,030
	$133,142	$131,412

Note 8 – Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions		
Women's shelter	$ 5,402	$ 63,478
Medical clinic	85,167	7,077
Community Christmas	7,254	307
Transitional housing	35,892	71,007
Food pantry	27,093	8,703
	$160,808	$150,572

Note 9 – Donated Goods and Services

Donated goods and services recognized as revenues for the years ended June 30, 2023 and 2022, included in the financial statements, were as follows:

	2023	2022
Clothing/household goods	$ 531,764	$ 472,281
Medical services	160,302	137,631
Medications	533,426	170,316
Medical supplies	6,200	6,317
	$1,231,692	$ 786,545

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.

Note 9 – Donated Goods and Services (Continued)

Donated Medications and Medical Supplies: During the years ended June 30, 2023 and 2022, the Organization provided $531,494 and $305,426, 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, 2023 and 2022, respectively.

Donated Clothing and Household Goods: During the years ended June 30, 2023 and 2022, the Organization had cost of goods sold of $383,350 and $312,978 related to donated clothing and household goods to thrift store customers and donated $109,140 and $130,735 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, 2023 and 2022, respectively.

Note 10 – Subsequent Events

The Company has evaluated subsequent events through January 10, 2024, the date on which the financial statements were available to be issued.