



Financial Statements

Years Ended June 30, 2021 and 2020



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Independent Auditors' Report

Board of Directors
Mercy Medical Angels
Virginia Beach, VA

Report on the Financial Statements

We have audited the accompanying financial statements of Mercy Medical Angels (a nonprofit Organization), which comprise the statement of financial position as of June 30, 2021, and 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 misstatements, whether due to fraud or error.

Auditors' 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatements 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Medical Angels as of June 30, 2021, and the changes in its 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 Mercy Medical Angels' 2020 financial statements, and our report dated September 5, 2020, expressed an unmodified opinion on those financial statements. 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.

Dixon Hughes Goodman LLP

**Norfolk, VA
August 20, 2021**

Mercy Medical Angels
Statements of Financial Position
June 30, 2021 with Comparative Totals for 2020

	2021	2020
ASSETS		
Current assets:		
Cash	\$ 1,280,677	\$ 744,823
Promises to give, net	63,164	88,160
Accounts receivable	-	1,139
Prepaid expenses	2,344	3,236
Total current assets	1,346,185	837,358
Long-lived assets held for sale	-	571,200
Property and equipment, net	8,625	-
Total assets	<u>\$ 1,354,810</u>	<u>\$ 1,408,558</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 76,303	\$ 63,985
Deposits	-	3,150
Deferred revenue	-	1,850
Notes payable, current portion	-	14,503
Total current liabilities	76,303	83,488
Refundable advance	-	116,500
Long-term notes payable, less current portion	-	245,411
Total liabilities	76,303	445,399
Net assets:		
Without donor restrictions	952,113	463,325
With donor restrictions	326,394	499,834
Total net assets	1,278,507	963,159
Total liabilities and net assets	<u>\$ 1,354,810</u>	<u>\$ 1,408,558</u>

See accompanying notes.

Mercy Medical Angels
Statements of Activities
Year Ended June 30, 2021 with Comparative Totals for 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Contributions and revenue:				
In-kind donations, services	\$ 2,621,685	\$ -	\$ 2,621,685	\$ 2,430,606
Donations and grants	847,997	233,732	1,081,729	1,259,352
Payroll Protection Program grants	236,660	-	236,660	-
MOU partnership income	31,850	-	31,850	83,060
Airline booking fees	10,938	-	10,938	25,731
Total contributions	<u>3,749,130</u>	<u>233,732</u>	<u>3,982,862</u>	<u>3,798,749</u>
Other revenue:				
Rental income	9,690	-	9,690	45,023
Other income	6,562	-	6,562	10,271
Interest income	204	-	204	121
Total other revenue	<u>16,456</u>	<u>-</u>	<u>16,456</u>	<u>55,415</u>
Net assets released from restrictions	<u>407,172</u>	<u>(407,172)</u>	<u>-</u>	<u>-</u>
Total contributions and revenues	<u>4,172,758</u>	<u>(173,440)</u>	<u>3,999,318</u>	<u>3,854,164</u>
Expenses				
Program:				
Airline patient travel	539,195	-	539,195	1,222,147
Volunteer pilot patient travel	2,383,540	-	2,383,540	1,257,654
Ground patient travel	356,271	-	356,271	591,753
Total program services	<u>3,279,006</u>	<u>-</u>	<u>3,279,006</u>	<u>3,071,554</u>
Supporting services:				
General and administrative	146,458	-	146,458	205,811
Fundraising	254,839	-	254,839	275,266
Total supporting services	<u>401,297</u>	<u>-</u>	<u>401,297</u>	<u>481,077</u>
Loss on uncollectible promises to give	-	-	-	54,950
Loss on disposal of long-lived assets held for sale	3,667	-	3,667	-
Impairment loss	-	-	-	111,934
Total expenses and losses	<u>3,683,970</u>	<u>-</u>	<u>3,683,970</u>	<u>3,719,515</u>
Change in net assets	<u>488,788</u>	<u>(173,440)</u>	<u>315,348</u>	<u>134,649</u>
Net assets, beginning of year	<u>463,325</u>	<u>499,834</u>	<u>963,159</u>	<u>828,510</u>
Net assets, end of year	<u>\$ 952,113</u>	<u>\$ 326,394</u>	<u>\$ 1,278,507</u>	<u>\$ 963,159</u>

See accompanying notes.

Mercy Medical Angels
Statements of Functional Expenses
Year Ended June 30, 2021 with Comparative Totals for 2020

	Airline Patient Travel	Volunteer Pilot Patient Travel	Ground Patient Travel	Total Programs Services	Management and General	Fundraising	Total Support Services	Total 2021	Total 2020
In-kind service expense	\$ 370,404	\$ 2,221,021	\$ -	\$ 2,591,425	\$ 17,135	\$ -	\$ 17,135	\$ 2,608,560	\$ 2,412,606
Salaries	122,815	94,805	218,372	435,992	85,459	161,622	247,081	683,073	634,253
Patient travel	980	31,320	60,946	93,246	-	-	-	93,246	80,256
Payroll taxes	8,653	6,680	15,386	30,719	6,021	11,387	17,408	48,127	44,671
Internet expense	6,346	4,898	11,283	22,527	4,416	8,351	12,767	35,294	70,444
Special events	-	-	-	-	-	34,012	34,012	34,012	40,061
Consulting	5,316	4,103	9,452	18,871	3,699	6,995	10,694	29,565	35,240
Accounting	4,535	3,501	8,064	16,100	3,156	5,969	9,125	25,225	27,760
Licenses and fees	3,572	2,757	6,351	12,680	2,485	4,700	7,185	19,865	17,292
Benefits	2,982	2,302	5,302	10,586	2,075	3,924	5,999	16,585	26,995
Insurance expense	2,931	2,263	5,212	10,406	2,040	3,857	5,897	16,303	16,785
In-kind legal services	-	-	-	-	13,125	-	13,125	13,125	18,000
Communications	1,908	1,473	3,392	6,773	1,328	2,511	3,839	10,612	11,304
Office supplies	1,574	1,215	2,799	5,588	1,095	2,072	3,167	8,755	11,393
Promotional materials	2,351	3,116	2,351	7,818	186	186	372	8,190	7,547
Office utilities	1,016	784	1,806	3,606	707	1,337	2,044	5,650	14,743
Advertising and outreach	-	-	-	-	-	4,430	4,430	4,430	200
Interest expense	616	476	1,096	2,188	429	811	1,240	3,428	12,908
Postage and delivery	1,070	1,070	1,070	3,210	84	84	168	3,378	3,004
Conferences and training	698	653	851	2,202	314	712	1,026	3,228	11,830
Miscellaneous expense	512	396	911	1,819	357	674	1,031	2,850	9,067
Printing and reproduction	505	390	897	1,792	351	664	1,015	2,807	4,190
Rent expense	-	-	-	-	1,710	-	1,710	1,710	5,285
Repairs and maintenance	239	184	424	847	166	314	480	1,327	18,127
Depreciation	172	133	306	611	120	227	347	958	16,307
Legal fees	-	-	-	-	-	-	-	-	2,283
Travel	-	-	-	-	-	-	-	-	80
Total expenses	\$ 539,195	\$ 2,383,540	\$ 356,271	\$ 3,279,006	\$ 146,458	\$ 254,839	\$ 401,297	\$ 3,680,303	\$ 3,552,631

See accompanying notes.

Mercy Medical Angels
Statements of Cash Flows
Year Ended June 30, 2021 with Comparative Totals for 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 315,348	\$ 134,649
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	958	16,307
Loss on disposal of long-lived assets held for sale	3,667	-
Impairment loss	-	111,934
Loss on uncollectible promises to give	-	54,950
Change in:		
Promises to give, net	24,996	20,772
Accounts receivable	1,139	7,286
Prepaid expenses	892	3,184
Accounts payable and accrued expenses	12,318	(10,965)
Deposits	(3,150)	1,325
Deferred revenue	(1,850)	1,850
Refundable advance	(116,500)	116,500
Net cash provided by operating activities	<u>237,818</u>	<u>457,792</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	567,533	-
Purchases of property and equipment	<u>(9,583)</u>	<u>(3,596)</u>
Net cash provided (used) by investing activities	<u>557,950</u>	<u>(3,596)</u>
Cash flows from financing activities:		
Payments of notes payable	<u>(259,914)</u>	<u>(13,580)</u>
Net cash used by financing activities	<u>(259,914)</u>	<u>(13,580)</u>
Net change in cash	535,854	440,616
Cash, beginning of year	<u>744,823</u>	<u>304,207</u>
Cash, end of year	<u><u>\$ 1,280,677</u></u>	<u><u>\$ 744,823</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u><u>\$ 3,428</u></u>	<u><u>\$ 12,908</u></u>

See accompanying notes.

Notes to Financial Statements

1. Organization and Nature of Activities

Mercy Medical Angels (“the Organization”) is an independent not-for-profit 501(c)(3) organization incorporated in 1984 in the Commonwealth of Virginia. The Organization provides a wide range of services related to the field of charitable medical transportation in the United States.

The major programs of the Organization are as follows:

Airline Patient Travel Program – When patient travel exceeds 750 miles or there are reasons a patient cannot fly on light aircraft, the Organization coordinates travel with a major airline. The Organization has partnerships with select major airlines in the United States.

Volunteer Pilot Patient Travel Program – Volunteer pilots provide flights for ambulatory outpatients traveling less than 750 miles departing from District of Columbia, Delaware, Kentucky, Maryland, Michigan, North Carolina, Ohio, Pennsylvania, Virginia, Tennessee and West Virginia.

Ground Patient Travel Program – This program provides non-emergency, long distance ground transportation to financially stressed ambulatory patients who are traveling for treatment. A typical trip does not exceed 300 miles (one way).

2. Summary of Significant Accounting Policies

Comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for 2020, from which the summarized information was derived.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The classes of net assets are described as follows:

Net assets without donor restrictions result from receiving unrestricted contributions, rental income, interest income, and income from in-kind donations and services. Net assets without donor restrictions are available for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions result from contributions and other inflows of assets whose use is limited by stipulations imposed by donors and grantors. Such restrictions either expire by the passage of time or are met by actions of the Organization pursuant to those stipulations.

Recognition of donor-restricted contributions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and cash equivalents

The Organization considers all highly liquid investments available for current use with an original maturity of three months or less when purchased to be cash and cash equivalents.

Grants receivable and promises to give, net

Grants receivable and promises to give are stated at the amount management expects to collect from balances outstanding at year-end. Grants receivable represent amounts due from various affiliated partner charities and other grantors. Promises to give represent amounts due from the Combined Federal Campaign (CFC). Based on management's assessment of the collection history with the CFC, management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the end of the CFC annual campaign are written off through a charge to the valuation allowance and a credit to promises to give. For the years ended June 30, 2021 and 2020, management has established an allowance for uncollectible accounts of \$15,635 and \$21,295, respectively. See Note 5 for more information.

Concentration of credit risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist of interest-bearing transaction accounts, promises to give, and grants receivable. The Organization places its interest-bearing transaction accounts with high credit quality financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). On June 30, 2021 and 2020, the Organization has not experienced any losses due to amounts held in excess of FDIC limits. These accounts may at times exceed the federally insured limits. Credit risks related to grants receivable, promises to give and grant revenue are concentrated as most of the grants receivable are due from affiliated organizations.

Property and equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at their fair market value on the date of the gift. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. The Organization's policy is to capitalize property and equipment purchased with a cost of \$1,000 or greater. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which ranges

from five to twelve years for all except buildings and building improvements. The building and building improvements are amortized over thirty years.

Public support and revenue

Contributions are generally available to use without donor restrictions unless specifically restricted by the donor. Unconditional promises to give are recorded as received. An allowance for uncollectible promises to give is recorded based on management's evaluation of potential uncollectible promises.

Grants and other contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions that are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions, unless the support expires in the same period as received. Contributions received with donor-imposed conditions that are met in the same reporting period are reported as revenue without restrictions in the same period as received.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributed services

The Organization receives significant contributions of transportation services from various airlines and subsidized airline ticket programs from foundations working with the Organization to provide patient and patient caregiver airline tickets. Contributed transportation services are recorded as the difference between what the client had to pay (sometimes zero) and the actual retail airline costs per quotes from the appropriate airline websites. The Organization also receives donated pilot services, professional program management services and IT systems development and operations services. All service costs are valued on going commercial rates.

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Advertising costs

The Organization expenses advertising costs as they are incurred. Advertising expense was \$4,430 and \$200 for 2021 and 2020, respectively.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, internet, payroll taxes, consulting, accounting, benefits, licenses and fees, and depreciation expenses are allocated based upon estimates of employee time.

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.

Subsequent events

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through August 20, 2021, the date on which the financial statements were available to be issued.

3. Liquidity and Availability

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$300,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Short Term Assets

The Organization has \$1,343,841 of short-term financial assets available within one year of the financial position date to meet cash needs for general expenditure consisting of cash of \$1,280,677 and promises to give due in less than one year, net of allowances, of \$63,164. \$263,230 of the Organization's short-term assets are subject to various donor restrictions which are expected to be satisfied within one year.

Investment Fund

Also, after year-end, the Organization opened an investment fund with Vanguard in July 2021 as part of its liquidity management strategy. The Organization's Board of Directors has approved \$300,000 for the establishment of this investment fund. The Board of Directors has not placed any self-imposed limits on the investment fund. Future decisions regarding this investment fund are left to the discretion of the CEO and COO.

4. Revenue from Exchange Transactions

The Organization has memorandums of understanding (MOUs) with partners whereby the Organization is reimbursed a portion of the fees associated with patient transport on an individual basis. The reimbursement is received after the fees have been incurred and paid by the Organization. MOU partnership income is recognized at a point in time when the patient transportation to the MOU partner is complete.

Rental income is recognized over time on a monthly basis in accordance with the terms of each tenant's lease.

Exchange transactions by type are as follows:

	<u>2021</u>	<u>2020</u>
MOU partnership income recognized at a point in time	\$ 31,850	\$ 83,060
Rental income recognized over time	<u>9,690</u>	<u>45,023</u>
	<u>\$ 41,540</u>	<u>\$ 128,083</u>

5. Promises to Give

Promises to give are as follows:

	<u>2021</u>	<u>2020</u>
CFC due in less than one year	\$ 47,819	\$ 53,784
Pledges receivable due in less than one year	30,980	31,301
Pledges receivable due in one to five years	-	25,000
Allowance for promises to give	<u>(15,635)</u>	<u>(21,925)</u>
	<u>\$ 63,164</u>	<u>\$ 88,160</u>

6. Conditional Contributions

The organization received conditional grant agreements with airlines to be used for transportation purposes as follows during 2021:

Southwest Airlines: Donated 700 e-passes with a value of \$200 per e-pass. All e-passes must be used by December 31, 2021. As of June 30, 2021, the Organization had used 62 e-passes.

American Airlines: Donated 10,000,000 AAdvantage miles with a carry over of 7,151,794 miles from previous years. The Organization used 6,009,900 miles the year ended June 30, 2021, with a remaining balance of 11,141,894 miles that can be used by December 31, 2021 or may be carried over into 2022. The value of the remaining miles cannot be determined, as the value based on the cost of flights at the time of booking the flight.

7. Property and Equipment

Major classes of property and equipment consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ -	\$ 331,058
Buildings and improvements	-	473,842
Furniture and equipment	43,633	34,050
Information system	<u>1,188,496</u>	<u>1,188,496</u>
	<u>1,232,129</u>	<u>2,027,446</u>
Accumulated depreciation	<u>(1,223,504)</u>	<u>(1,456,246)</u>
Long-term assets held for sale	<u>-</u>	<u>(571,200)</u>
Property and equipment, net	<u>\$ 8,625</u>	<u>\$ -</u>

During 2020, the Organization accepted an offer to sell the corporate office in Virginia Beach, VA and closed on the sale in September 2020. The third-party offer of \$595,000 plus closing costs of \$27,467 was determined to be less than the carrying value of the assets and resulted in an impairment write-down of \$111,934 in 2020 and a loss on disposal of \$3,667 in 2021.

8. Notes Payable

The Organization secured a note payable in the amount of \$375,000 through TowneBank, bearing an interest rate of 4.75% and is collateralized by real property. The note is payable in consecutive monthly payments of \$2,207 including principal and interest. Interest paid on this note was \$3,428 and \$12,908 for the years ended June 30, 2021 and 2020, respectively. The balance at June 30, 2020 was \$259,914. The Organization paid the note in full in September 2020.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions of the Organization consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Promises to give, net, time restricted	\$ 63,164	\$ 88,160
Program and time restricted	-	75,500
Program services	<u>263,230</u>	<u>336,174</u>
	<u><u>\$ 326,394</u></u>	<u><u>\$ 499,834</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2021</u>	<u>2020</u>
Transferred to unrestricted with permission of original donor	\$ 100,000	\$ -
Promises to give, net, time restricted	31,720	25,000
Program services	<u>275,452</u>	<u>139,353</u>
	<u><u>\$ 407,172</u></u>	<u><u>\$ 164,353</u></u>

10. Donated Services

During the years ended June 30, 2021 and 2020 the following types of professionals donated their services:

	<u>2021</u>	<u>2020</u>
Flights and donated airfare inventory	\$ 2,572,725	\$ 2,379,051
Legal services	13,125	18,000
Fee waivers	18,700	15,250
Donated rent	8,000	-
Other professional services	4,635	-
Software and technology services	<u>4,500</u>	<u>18,305</u>
Total donated services	<u><u>\$ 2,621,685</u></u>	<u><u>\$ 2,430,606</u></u>

11. Related Parties

As a member of Air Charity Network, Mercy Medical Angels works cooperatively with the other members to provide charitable transportation to medical care across the United States. Mercy Medical Angels maintains the corporate records and financial records for Air Charity Network. The Organization also provides additional administrative and fundraising support at no cost to the affiliated not-for-profit 501(c)(3) organizations that provide services similar to that of the Organization in accordance with an annual board-level management agreement. The members of Air Charity Network pay a fee of \$500 per organization. For the years ended June 30, 2021 and 2020, the fees from related parties for accounting services totaled \$6,000.

12. Lease Commitments

The Organization has various leases for office equipment including a copier and postage machine under non-cancelable agreements.

The total minimum required commitment at June 30, 2021 is as follows:

<u>Years Ending</u> <u>June 30,</u>	
2022	\$ 4,422
2023	<u>4,316</u>
	<u>\$ 8,738</u>

The total amount of rental expense was \$5,376 and \$5,285 for the years ended June 30, 2021 and 2020, respectively.

13. Other Commitments

The Organization entered into various memorandums of understanding with other various companies to provide transportation in exchange for a fee of \$150 per passenger processed. Substantially all of the MOUs have expired, but are continuing to operate under an automatic renewal provision. The MOUs will continue to automatically renew unless terminated by either party. These fees are included as MOU partnership income in the statement of activities.

The Organization entered into an agreement with a service provider to receive data hosting services.

The total minimum required commitment at June 30, 2021 is as follows:

<u>Years Ending</u> <u>June 30,</u>	
2022	\$ <u>22,710</u>

The total amount of data hosting service expense was \$22,026 in 2021 and is included in Internet expense in the statement of functional expenses.

14. COVID-19

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses.

The COVID-19 pandemic has disrupted the operational and financial performance of our organization and there is significant uncertainty in the nature and degree of its continued effects on our organization over time. The extent to which it will impact our organization going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on our beneficiaries, donors, grantors, partners, employees and vendors, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates and assumptions.

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act provides for the establishment of the Paycheck Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Organization received two PPP loans totaling \$116,500 and \$120,160. During the period, the Organization spent all funds received under the PPP loans for qualifying purposes. The Organization received notification from the lender and Small Business Administration during the period that the loans had been forgiven and the Organization had been relieved of its obligations for the liabilities. The Organization has concluded that the loans are in substance conditional grants and that the conditions attached to the grants have been satisfied, and has therefore accounted for the grants as contribution revenue in accordance with ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*. \$236,660 has been recorded as Payroll Protection Program grants on the statement of financial activities representing the amount of PPP funds received and forgiven.