

BAKER INDUSTRIES, INC.

DECEMBER 31, 2020 AND 2019

FINANCIAL STATEMENTS

BAKER INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Baker Industries, Inc.
184 Pennsylvania Ave.
Malvern, PA 19355

We have audited the accompanying financial statements of Baker Industries, Inc., which comprise the statement of financial position as of December 31, 2020 and 2019 and the related comparative statements of operations and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baker Industries, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Doyle & McDonnell, P.C.

Doyle & McDonnell, P.C.
Certified Public Accountants
Broomall, Pennsylvania

March 11, 2021

BAKER INDUSTRIES, INC.
COMPARATIVE STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

| ASSETS | | |
|--|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| CURRENT ASSETS | | |
| Cash | \$ 895,710 | \$ 1,295,292 |
| Marketable Securities | 1,441,411 | 839,317 |
| Accounts Receivable, Net of Allowance | 118,166 | 277,622 |
| Prepaid Expenses | 4,763 | 29,528 |
| Total Current Assets | <u>2,460,050</u> | <u>2,441,759</u> |
| PROPERTY AND EQUIPMENT | | |
| Land | 152,900 | 152,900 |
| Building and Improvements | 2,058,921 | 1,718,476 |
| Equipment | 339,228 | 322,015 |
| Vehicles | 113,221 | 153,629 |
| Total Property and Equipment | <u>2,664,270</u> | <u>2,347,020</u> |
| Accumulated Depreciation | (1,248,563) | (1,174,129) |
| Total Property and Equipment - Net | <u>1,415,707</u> | <u>1,172,891</u> |
| TOTAL ASSETS | <u>\$ 3,875,757</u> | <u>\$ 3,614,650</u> |
| LIABILITIES AND FUND BALANCE | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 5,000 | \$ - |
| Payroll and Sales Tax Payable | 25,000 | 44,161 |
| Loan Payable - PPP Loan | 118,400 | - |
| Loan Payable - Auto | - | 5,483 |
| Total Current Liabilities | <u>148,400</u> | <u>49,644</u> |
| LONG-TERM LIABILITIES | | |
| Loan Payable - Auto (net of current portion) | - | 1,225 |
| Total Long-Term Liabilities | <u>-</u> | <u>1,225</u> |
| TOTAL LIABILITIES | <u>148,400</u> | <u>50,869</u> |
| FUND BALANCE | | |
| Fund Balance without Donor Restrictions | 3,727,357 | 3,413,781 |
| Fund Balance with Donor Restrictions | - | 150,000 |
| Total Fund Balance | <u>3,727,357</u> | <u>3,563,781</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 3,875,757</u> | <u>\$ 3,614,650</u> |

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.

STATEMENT OF ACTIVITIES AND FUND BALANCE

DECEMBER 31, 2020 (with totals for the year ended December 31, 2019)

| | With out Donor Restrictions | With Donor Restrictions | 2020 | 2019 |
|--|--------------------------------|----------------------------|---------------------|---------------------|
| SUPPORT AND REVENUE | | | | |
| Support | | | | |
| Donations - Individuals | \$ 154,350 | \$ - | \$ 154,350 | \$ 119,138 |
| Donations - Foundations and Corporations | 963,917 | 62,600 | 1,026,517 | 1,025,068 |
| Fund-Raising | 147,554 | - | 147,554 | 191,135 |
| Total Support | <u>1,265,821</u> | <u>62,600</u> | <u>1,328,421</u> | <u>1,335,341</u> |
| Revenue | | | | |
| Sales of Services | 472,520 | - | 472,520 | 831,967 |
| Rental | 17,783 | - | 17,783 | 8,447 |
| Interest and Dividends | 26,088 | - | 26,088 | 38,552 |
| Total Revenue | <u>516,391</u> | <u>-</u> | <u>516,391</u> | <u>878,966</u> |
| TOTAL SUPPORT AND REVENUE | <u>1,782,212</u> | <u>62,600</u> | <u>1,844,812</u> | <u>2,214,307</u> |
| ASSETS RELEASED FROM DONOR RESTRICTIONS | <u>212,600</u> | <u>(212,600)</u> | <u>-</u> | <u>-</u> |
| TOTAL | <u>1,994,812</u> | <u>(150,000)</u> | <u>1,844,812</u> | <u>2,214,307</u> |
| EXPENSES | | | | |
| Program Services | 1,511,163 | - | 1,511,163 | 1,854,927 |
| Supporting Services | 137,570 | - | 137,570 | 179,290 |
| Fund-Raising | 157,331 | - | 157,331 | 198,581 |
| Total Expenses | <u>1,806,064</u> | <u>-</u> | <u>1,806,064</u> | <u>2,232,798</u> |
| OTHER INCOME (EXPENSE) | | | | |
| Recycling Income | - | - | - | 1,954 |
| Gain on Sale of Assets | 15,000 | - | 15,000 | - |
| Other Income | 7,567 | - | 7,567 | 507 |
| Unrealized Gain on Securities | 102,261 | - | 102,261 | 100,938 |
| Total Other Income (Expense) | <u>124,828</u> | <u>-</u> | <u>124,828</u> | <u>103,399</u> |
| NET INCREASE IN FUND BALANCE | <u>313,576</u> | <u>(150,000)</u> | <u>163,576</u> | <u>84,908</u> |
| FUND BALANCE - BEGINNING OF YEAR | <u>3,413,781</u> | <u>150,000</u> | <u>3,563,781</u> | <u>3,478,873</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 3,727,357</u> | <u>\$ -</u> | <u>\$ 3,727,357</u> | <u>\$ 3,563,781</u> |

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
DECEMBER 31, 2020

| | Program Services | Supporting Services | Fund Raising | Total 2020 Operating Expenses |
|-------------------------------------|---------------------|------------------------|-------------------|-------------------------------------|
| Salaries - Management | \$ 124,076 | \$ 102,362 | \$ 83,751 | \$ 310,189 |
| Salaries - Program | 635,742 | - | - | 635,742 |
| Payroll Taxes | 63,800 | 8,595 | 7,033 | 79,428 |
| Alumni Bonus | 25 | - | - | 25 |
| Participant/Administration Benefits | 70,921 | 7,571 | 6,500 | 84,992 |
| Participant Expense - Supplies | 13,835 | - | - | 13,835 |
| Participant Expense - Services | 6,375 | - | - | 6,375 |
| Job Services | 231 | - | - | 231 |
| Job Supplies and Shipping | 36,548 | - | - | 36,548 |
| Insurance | 52,353 | 6,470 | - | 58,823 |
| Fund-Raising Expenses | - | - | 39,047 | 39,047 |
| Auto Expense | 6,453 | - | - | 6,453 |
| Interest Expense | 608 | - | - | 608 |
| Professional Fees | 100,314 | 7,000 | 20,000 | 127,314 |
| Office and Warehouse Supplies | 17,699 | 1,000 | - | 18,699 |
| Utilities | 40,212 | 2,100 | - | 42,312 |
| Telephone | 5,376 | 1,000 | - | 6,376 |
| Depreciation | 114,842 | - | - | 114,842 |
| Equipment Rental | 14,513 | - | - | 14,513 |
| Repairs and Maintenance | 10,542 | - | - | 10,542 |
| Trash Removal | 16,344 | - | - | 16,344 |
| Other Expenses | 5,148 | 472 | - | 5,620 |
| Advertising | 4,897 | 1,000 | - | 5,897 |
| Computer Expense | 24,796 | - | - | 24,796 |
| Internet Expense | 8,909 | - | 1,000 | 9,909 |
| Bank Charges | 1,016 | - | - | 1,016 |
| Rent Expense | 118,925 | - | - | 118,925 |
| Sales Expense | 469 | - | - | 469 |
| Dues and Subscriptions | 2,110 | - | - | 2,110 |
| Bad Debts | 14,084 | - | - | 14,084 |
| Total Operating Expense | \$ 1,511,163 | \$ 137,570 | \$ 157,331 | \$ 1,806,064 |

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
DECEMBER 31, 2019

| | Program Services | Supporting Services | Fund Raising | Total 2019 Operating Expenses |
|-------------------------------------|---------------------|------------------------|-------------------|-------------------------------------|
| Salaries - Management | \$ 166,405 | \$ 141,541 | \$ 113,308 | \$ 421,254 |
| Salaries - Program | 998,534 | - | - | 998,534 |
| Payroll Taxes | 109,986 | 9,089 | 7,187 | 126,262 |
| Alumni Bonus | 700 | - | - | 700 |
| Commissions | - | - | - | - |
| Participant/Administration Benefits | 72,960 | 10,944 | 7,296 | 91,200 |
| Participant Training | 3,428 | - | - | 3,428 |
| Participant Expense - Services | 4,592 | - | - | 4,592 |
| Job Services | 674 | - | - | 674 |
| Job Supplies and Shipping | 109,301 | - | - | 109,301 |
| OT Services | - | - | - | - |
| Insurance | 72,036 | 8,450 | - | 80,486 |
| Fund-Raising Expenses | - | - | 70,790 | 70,790 |
| Capital Campaigning Expense | - | - | - | - |
| Auto Expense | (8,271) | - | - | (8,271) |
| Interest Expense | 246 | - | - | 246 |
| Professional Fees | 33,760 | 4,034 | - | 37,794 |
| Office and Warehouse Supplies | 12,141 | 1,768 | - | 13,909 |
| Utilities | 48,736 | 2,599 | - | 51,335 |
| Telephone | 5,270 | 630 | - | 5,900 |
| Depreciation | 90,702 | - | - | 90,702 |
| Equipment Rental | 21,901 | - | - | 21,901 |
| Repairs and Maintenance | 32,973 | - | - | 32,973 |
| Trash Removal | 25,378 | - | - | 25,378 |
| Other Expenses | 6,195 | 235 | - | 6,430 |
| Advertising | 1,174 | - | - | 1,174 |
| Computer Expense | 10,800 | - | - | 10,800 |
| Internet Expense | 10,169 | - | - | 10,169 |
| Bank Charges | 491 | - | - | 491 |
| Sales Expense | 9,338 | - | - | 9,338 |
| Dues and Subscriptions | 2,095 | - | - | 2,095 |
| Contributions | 100 | - | - | 100 |
| Bad Debts | 13,113 | - | - | 13,113 |
| Total Operating Expense | \$ 1,854,927 | \$ 179,290 | \$ 198,581 | \$ 2,232,798 |

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.
COMPARATIVE STATEMENT OF CASH FLOWS
DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Increase in Fund Balance | \$ 163,576 | \$ 84,908 |
| Adjustments to Reconcile Changes to Net Cash | | |
| Flows Provided by Operating Activities: | | |
| Depreciation | 114,842 | 90,702 |
| Allowance for Doubtful Accounts | (21,023) | 10,919 |
| Gain on Sale of Asset | (15,000) | - |
| Unrealized (Gain) Loss on Marketable Securities | (102,261) | (100,938) |
| (Increase) Decrease in: | | |
| Accounts Receivable | 180,479 | 6,719 |
| Prepaid Expenses | 24,765 | (7,860) |
| Increase (Decrease) in: | | |
| Accounts Payable and Accrued Expenses | 5,000 | (79,222) |
| Payroll and Sales Tax Liabilities | (19,161) | 16,266 |
| Net Cash Flows Provided by Operating Activities | <u>331,217</u> | <u>21,494</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of Property and Equipment | (357,658) | (144,281) |
| Disposition of Property and Equipment | 15,000 | - |
| (Increase) Decrease in Marketable Securities | (499,833) | (19,491) |
| Net Cash Flows Used in Investing Activities | <u>(842,491)</u> | <u>(163,772)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Loan Payable - PPP Loan | 118,400 | - |
| Repayments of Loan Payable - Auto | (6,708) | (5,424) |
| Net Cash Flows Provided by (Used in) Financing Activities | <u>111,692</u> | <u>(5,424)</u> |
| NET DECREASE IN CASH | (399,582) | (147,702) |
| CASH - BEGINNING OF YEAR | <u>1,295,292</u> | <u>1,442,994</u> |
| CASH - END OF YEAR | <u>\$ 895,710</u> | <u>\$ 1,295,292</u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash Paid During the Year for Interest | <u>\$ 608</u> | <u>\$ 246</u> |

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Organization

Baker Industries, Inc. (the Organization) is a nonprofit entity incorporated on May 8, 1989 under the laws of the Commonwealth of Pennsylvania for the purpose of organizing and operating work rehabilitation programs for handicapped and homeless people (referenced herein as “Participants”). The Organization primarily services customers with operations in Southeastern Pennsylvania and is managed by a full time administrative staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principals. Revenues are recognized when earned, and expenses are recognized when the obligations are incurred

Change in Accounting Policies

The Organization has adopted FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new standard prescribes a single model for revenue recognition. The adoption of ASC 606 did not have a significant impact on the Organization’s financial statements or disclosures for the year ended December 31, 2020 and no reclassification of prior year amounts are required.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenses

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of time period are reported as reclassifications between the applicable classes of net assets.

Donated Services

The Organization receives donated services from a variety of unpaid volunteers who assist the Organization in a number of capacities. The Organization received no services that were required to be reported under SFAS No. 116.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit and marketable securities with original maturities of less than 90 days. The carrying value of cash and cash equivalents approximate fair value because of the short maturities of those financial instruments.

Accounts Receivable

The Organization charges income with doubtful accounts when they are considered uncollectible. Accounts receivable are presented net of an allowance for doubtful accounts of \$12,334 and \$33,357 at December 31, 2020 and 2019, respectively.

Property and Equipment

Capital additions are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Maintenance, repairs and minor renewals are charged to operations as incurred. Depreciation is provided over the estimated useful lives of assets by the straight-line method. The estimated useful lives of the various classes of assets are:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

| | <u>Range in Years</u> |
|-----------------------|-----------------------|
| Building | 39 |
| Building Improvements | 5 - 39 |
| Equipment | 5 - 7 |
| Vehicles | 5 |

Income Taxes

The Organization is a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and files Form 990. The federal Exempt Organization Business Income Tax Returns for 2019, 2018 and 2017 remain subject to examination by the Internal Revenue Service.

Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through March 11, 2021, the date the financial statements were issued.

3. MARKETABLE SECURITIES

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at the fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Marketable Securities consisted of the following at December 31:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|---------------------|-------------------|
| Vanguard Total Stock Market Index | \$ 499,588 | \$ 410,996 |
| Vanguard Short-Term Bond Fund | 941,823 | 428,321 |
| Total Marketable Securities | <u>\$ 1,441,411</u> | <u>\$ 839,317</u> |

4. LOAN PAYABLE - AUTO

Loan Payable – Auto consist of an auto loan in the amount of \$30,000. The loan is payable monthly in the amount of \$472 at an interest rate of 4.14% over a period of 72 months. The outstanding balance as of December 31, 2020 and 2019 is \$0 and \$6,708, respectively.

5. LOAN PAYABLE – PPP LOAN

The Organization received a \$118,400 Paycheck Protection Program (PPP) loan from the SBA during the year ended December 31, 2020. The loan converts to a grant when the Organization has used the funds for certain expenses. The Organization expects to use all the funds for the required expenses and have the loan converted to a grant during the year ended December 31, 2021. Any portion of the loan that is not converted to a grant is due including accrued interest at a rate of 1%.

6. 457(b) PLAN

The Organization has adopted a salary reduction contribution and employer contribution retirement plan. The plan adopted by the employer is Baker Industries 457 Plan. This plan provides management and select members of the senior staff who complete three months of consecutive service eligibility into the plan. The Organization has the discretion of matching a percentage of each participants salary reduction contribution. Contributions made into the plan for the years ended December 31, 2020 and 2019 were \$14,382 and \$23,178, respectively.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are categorized based upon the following characteristics or inputs to the valuation techniques:

Level 1 – Quoted prices are available in the active markets for identical assets or liabilities as of the reported date.

Level 2 – Pricing inputs are other than quoted prices in active markets for identical assets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.

The Organization measures its investments at fair value on a recurring basis. These items were measured with the following inputs at December 31, 2020 and 2019.

| | December 31, 2019 | | | Fair Value |
|-----------------------|---------------------|-------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| Mutual Funds - Bonds | \$ 428,321 | \$ - | \$ - | \$ 428,321 |
| Mutual Funds - Stocks | 410,996 | - | - | 410,996 |
| Total | <u>\$ 839,317</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 839,317</u> |
| | December 31, 2020 | | | Fair Value |
| | Level 1 | Level 2 | Level 3 | |
| Mutual Funds - Bonds | \$ 941,823 | \$ - | \$ - | \$ 941,823 |
| Mutual Funds - Stocks | 499,588 | - | - | 499,588 |
| Total | <u>\$ 1,441,411</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,441,411</u> |

8. AVAILABILITY OF FINANCIAL ASSETS

The Organization maintains its cash in various short-term investments to meet the cash needs for general expenditures. The Organization maintains marketable securities in which various long term and short-term investments are held. The Organization considers the marketable securities available for use within one year of the statement of financial position date to meet cash needs for general expenditures if necessary.

The Organizations' financial assets available within one year of the balance sheet date for general expenditure are as follows:

| | |
|---|----------------------------|
| Cash and cash equivalents | \$ 895,710 |
| Marketable Securities | 1,441,411 |
| Accounts Receivable | <u>118,166</u> |
| Financial assets available for general expenditures within one year | <u><u>\$ 2,455,287</u></u> |

9. LEASE COMMITMENTS

The Organization leases various equipment and its Philadelphia location. Minimum lease payments over the next 5 years for the year ended December 31 is as follows:

| | |
|-------|--------------------------|
| 2021 | \$ 121,992 |
| 2022 | 124,432 |
| 2023 | 126,920 |
| 2024 | 129,459 |
| 2025 | <u>132,048</u> |
| Total | <u><u>\$ 634,851</u></u> |

10. CONTINGENCIES

In March 2020, the Covid-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of the uncertainty.

11. CONTINGENCIES - IRS

The Organization has received notices from the IRS regarding potential penalties for failure to comply with the provisions of the Affordable Care Act (ACA) for the year 2016. The Organization has appealed the notices and has requested that an IRS Revenue Officer be assigned to the case.

The Organization has engaged legal counsel for the matter and counsel has preliminarily advised that it is likely the IRS will find the Organization liable for certain penalties in 2016, and may review the Organization for non-compliance for the years 2017 to 2020.

The IRS initially proposed a penalty of approximately \$134,000 for the 2016 calendar year, which amount increases periodically due to the imposition of additional interest and penalties. The Organization reasonably believes that this initial proposed penalty amount will be reduced through discussion and negotiation with the IRS, and the final assessed penalty will be an insignificant amount of the Organization's assets and revenue. No adjustments have been made to these financial statements to reflect the IRS penalties.

12. CONCENTRATION OF CREDIT RISK

The Organization creates a credit risk by having on deposit with one financial institution funds in excess of federally insured limits (up to \$250,000). At December 31, 2020, the Organization had \$639,392 on deposit in excess of federally insured limits.