Benevolent Healthcare Foundation
dba Project C.U.R.E.

Consolidated Financial Report

May 31, 2021

Contents

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Independent Auditor's Report

To the Board of Directors
Benevolent Healthcare Foundation
dba Project C.U.R.E.

We have audited the accompanying consolidated financial statements of Benevolent Healthcare Foundation dba Project C.U.R.E. (the "Organization"), which comprise the consolidated statement of financial position as of May 31, 2021 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Benevolent Healthcare Foundation dba Project C.U.R.E. as of May 31, 2021 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Benevolent Healthcare Foundation
dba Project C.U.R.E.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Plante & Moran, PLLC

November 9, 2021

Consolidated Statement of Financial Position

May 31, 2021
(with comparative totals for 2020)

	2021	2020
Assets		
Cash and cash equivalents	$ 2,929,675	$ 4,022,824
Investments	-	95,605
Accounts receivable	731,631	73,027
Inventory	130,326,411	73,610,687
Prepaid expenses and deposits	171,052	141,702
Property and equipment - Net	6,573,888	6,353,793
Total assets	**$ 140,732,657**	**$ 84,297,638**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 446,748	$ 261,350
Note payable - PPP loan	-	467,000
Accrued expenses	119,696	160,026
Capital lease obligation	21,667	45,139
Long-term debt - Net of unamortized debt issuance costs	4,617,315	4,976,655
Total liabilities	5,205,426	5,910,170
Net Assets		
Without donor restrictions	134,294,143	76,831,773
With donor restrictions	1,233,088	1,555,695
Total net assets	135,527,231	78,387,468
Total liabilities and net assets	**$ 140,732,657**	**$ 84,297,638**

Consolidated Statement of Activities and Changes in Net Assets

Year Ended May 31, 2021 (with comparative totals for 2020)

	2021	2020
Changes in Net Assets without Donor Restrictions		
Revenue, gains, and other support:		
Contributions - In kind	$ 121,076,535	$ 49,746,923
Contributions - Other	5,957,231	7,571,957
Federal government grants	298,131	191,721
Special events revenue - Net of expenses of $121,686 (2021) and $294,803 (2020)	323,028	393,160
Rental income - Net of expenses of $134,780 (2021) and $102,983 (2020)	124,980	151,737
Forgiveness of debt	467,000	-
Employee Retention Credit	358,654	-
(Loss) gain from disposal of property and equipment	(5,250)	23,122
Investment income - Net	9,611	1,731
Net assets released from restrictions	857,416	564,867
Total revenue, gains, and other support	129,467,336	58,645,218
Expenses:		
Program services:		
Containers and medical services - In kind	64,360,811	50,895,791
Containers and medical services - Other	5,700,758	5,549,814
Total program services	70,061,569	56,445,605
Support services:		
Management and general	358,466	323,635
Fundraising	1,584,931	1,679,403
Total support services	1,943,397	2,003,038
Total expenses	72,004,966	58,448,643
Change in Net Assets without Donor Restrictions	57,462,370	196,575
Changes in Net Assets with Donor Restrictions		
Contributions	534,809	951,000
Net assets released from restrictions	(857,416)	(564,867)
Change in Net Assets with Donor Restrictions	(322,607)	386,133
Change in Net Assets	57,139,763	582,708
Net Assets - Beginning of year	78,387,468	77,804,760
Net Assets - End of year	**$ 135,527,231**	**$ 78,387,468**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended May 31, 2021
(with comparative totals for 2020)

	Program Services	Support Services		Total	
	Containers and Medical Services	Management and General	Fundraising	2021	2020
Donated medical equipment and supplies	$ 63,579,111	$ -	$ -	$ 63,579,111	$ 50,577,824
Compensation and other costs	1,452,720	92,264	1,144,915	2,689,899	2,698,142
Shipping	1,838,848	-	-	1,838,848	1,286,072
Occupancy - Rent, utilities, and other costs	1,222,192	1,441	3,879	1,227,512	968,544
Other donated costs of operations	781,700	-	-	781,700	317,967
Donor development	-	-	302,263	302,263	274,919
Occupancy – Interest and other financing costs	270,506	12,660	12,660	295,826	257,394
Purchased medical equipment and supplies	274,735	-	-	274,735	614,064
Depreciation and amortization	237,091	8,578	15,806	261,475	237,054
Accounting and audit	-	188,172	-	188,172	180,371
Vehicles	98,820	1,118	4,418	104,356	100,686
Dues and professional expenses	26,824	11,469	31,537	69,830	136,755
Website	39,422	20,681	37,305	97,408	39,248
Office supplies, computers, and printing	47,349	5,892	14,483	67,724	61,553
Operating supplies	46,046	1,466	2,932	50,444	64,548
Insurance	38,186	6,933	-	45,119	46,598
Communications	25,916	2,541	6,529	34,986	32,748
Consultants	34,372	-	-	34,372	61,423
Volunteer support	27,557	327	-	27,884	31,822
Travel	14,149	199	7,401	21,749	106,998
Miscellaneous	804	4,725	803	6,332	4,401
Service programs	4,968	-	-	4,968	211,028
Needs assessments	253	-	-	253	138,484
	70,061,569	358,466	1,584,931	72,004,966	58,448,643
Rental expenses	-	134,780	-	134,780	102,983
Special event expenses	-	-	121,686	121,686	294,803
Total expenses netted against revenue	-	134,780	121,686	256,466	397,786
Total functional expenses	$ 70,061,569	$ 493,246	$ 1,706,617	$ 72,261,432	$ 58,846,429

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended May 31, 2021
(with comparative totals for 2020)

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ 57,139,763	$ 582,708
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	300,305	279,984
Loss (gain) from disposal of property and equipment	5,250	(23,122)
Noncash change in inventory	(56,715,724)	1,166,440
Amortization of deferred debt issuance costs	23,325	5,102
Forgiveness of debt	(467,000)	-
Donation of investments	(107,975)	(101,603)
Net realized and unrealized (gain) loss on investments	(9,868)	6,159
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(658,604)	100,356
Prepaid expenses and other assets	(29,350)	62,493
Accounts payable	185,398	47,564
Accrued expenses	(40,330)	(2,441)
Net cash and cash equivalents (used in) provided by operating activities	(374,810)	2,123,640
Cash Flows from Investing Activities		
Purchases of property and equipment	(525,650)	(42,761)
Sales of investments	213,448	-
Purchases of investments	-	(161)
Net cash and cash equivalents used in investing activities	(312,202)	(42,922)
Cash Flows from Financing Activities		
Proceeds from note payable - PPP loan	-	467,000
Net proceeds from note payable	56,055	-
Payments on notes payable	(433,820)	(236,496)
Payment of debt issuance costs	(4,900)	-
Payments on capital lease obligation	(23,472)	(19,861)
Net cash and cash equivalents (used in) provided by financing activities	(406,137)	210,643
Net (Decrease) Increase in Cash and Cash Equivalents	(1,093,149)	2,291,361
Cash and Cash Equivalents - Beginning of year	4,022,824	1,731,463
Cash and Cash Equivalents - End of year	**$ 2,929,675**	**$ 4,022,824**
Supplemental Cash Flow Information - Cash paid for interest	$ 216,199	$ 258,934
Significant Noncash Transactions		
Issuance of note payable for purchase of property and equipment	$ -	$ 49,031
Financing of software through capital lease	-	65,000

See notes to consolidated financial statements.

Note 1 - Nature of Organization

Benevolent Healthcare Foundation dba Project C.U.R.E. (Project C.U.R.E.), located in Centennial, Colorado, was formed and organized as a nonprofit organization in Colorado during 2000. Project C.U.R.E. was formed in 1987 and operated under the Benevolent Brotherhood Foundation until June 2001. At that time, the assets of Project C.U.R.E. were transferred into the Benevolent Healthcare Foundation. Project C.U.R.E. is the sole member of two Colorado limited liability companies, Benevolent Healthcare Foundation of Denver, LLC (BHFD) and Benevolent Healthcare Foundation of Nashville, LLC (BHFN).

Project C.U.R.E. currently provides medical equipment and supplies to over 120 countries throughout the world. At May 31, 2021, Project C.U.R.E. operated distribution centers in seven locations: Arizona, Colorado, Illinois, Missouri, Pennsylvania, Tennessee, and Texas. Additionally, Project C.U.R.E. utilized donated or paid collection center space in Colorado, Florida, Kansas, Michigan, and Pennsylvania.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Project C.U.R.E. and its wholly owned subsidiaries, BHFD and BHFN (collectively, the "Organization"). All material interorganizational accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Summarized Comparative Information

The financial information presented for comparative purposes for the year ended May 31, 2021 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended May 31, 2020, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all investments with an original maturity of three months or less when purchased to be cash equivalents unless they are held for reinvestment as part of the investment portfolio or otherwise encumbered.

The balance of cash and cash equivalents includes $250,000 of cash assigned as a reserve under the Organization's note payable agreement described in Note 10.

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of cash accounts that may, during the year, exceed the federally insured limit set by the FDIC. At May 31, 2021, and at various points throughout the year, the Organization had deposits in excess of federally insured limits. The Organization reduces credit risk by placing its cash and temporary investments with creditworthy, high-quality financial institutions.

Investments

The Organization reports investments in equity securities and mutual funds with readily determinable fair values at their fair values, with unrealized gains and losses included in the consolidated statement of activities and changes in net assets.

Note 2 - Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable primarily consist of amounts due under various government grants and contracts and are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management considers all accounts receivable collectible, and, therefore, an allowance for doubtful accounts has not been recorded at May 31, 2021 and 2020.

Inventory

Inventory substantially consists of donated medical supplies that will no longer be used, nor sold, for medical purposes in the United States of America and retired medical equipment. The inventory has been valued at wholesale prices obtained from various internet retailer sources that specialize in reselling used medical supplies and equipment. All of the inventory on hand is held exclusively for shipment to developing countries at no charge to them.

Property and Equipment

The Organization capitalizes all property and equipment with a cost or contributed fair value of $2,500 or greater. The straight-line method is used for computing depreciation expense. Assets are depreciated over their estimated useful lives ranging from 3 to 10 years for equipment, furnishings, and vehicles and 30 years for buildings. The cost of leasehold improvements is depreciated (amortized) over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Debt Issuance Costs

Debt issuance costs were incurred by the Organization in connection with obtaining certain notes payable. Fees incurred for debt financing are amortized over the term of the related debt instrument. Debt issuance costs are included in notes payable on the consolidated statement of financial position. Amortization of deferred loan costs is included in interest expense in the accompanying consolidated statement of functional expenses. Accumulated amortization as of May 31, 2021 and 2020 totaled $163 and $27,838, respectively. Amortization expense for the years ended May 31, 2021 and 2020 was $23,325 and $5,102, respectively.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. The Organization's donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Donated Services and Materials

Certain donated services and materials, consisting of medical equipment and supplies, are recorded as in-kind contributions on the date received and program services expenses on the date delivered in the consolidated statement of activities and changes in net assets. The value of these services is determined based on estimated fair value.

Note 2 - Significant Accounting Policies (Continued)

Amounts are recognized in the consolidated financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs. The value of these services was determined based on their estimated fair value. Other volunteer services are not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America.

Federal Government Grant Revenue

Federal government grant revenue received by the Organization is considered to be a nonexchange transaction and is recognized as the conditions of the grants are met. Amounts that have been awarded but not yet recognized as revenue are treated as conditional contributions and are not reflected in the accompanying consolidated financial statements. Grant funding payments received in advance of conditions being met are recorded as deferred revenue. There was no grant funding collected in advance of services being performed as of May 31, 2021 and 2020.

Contributions and Contributions Receivable

Unconditional promises to give cash and other assets to the Organization are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions 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 the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the contributions are received are reported as contributions without donor restrictions in the accompanying financial statements.

Contributions of marketable securities are recorded at fair value as of the date of the gift. It is the Organization's practice to determine appropriate disposition of such gifts of securities at the time of receipt.

The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports the expiration of donor restrictions when the assets are placed in service.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses incurred directly for a program service are charged to such service. Allocations of salaries, payroll taxes, and other related costs are allocated to services on a pro rata basis of employees' time devoted to each service. Fringe benefits are are allocated to all services on a pro rata basis of total direct salary expenses incurred. Certain overhead costs are also allocated to services on a pro rata basis of total square footage occupied by each service. All other expenses are directly identified as relating to program or support services. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Reclassification

Certain 2020 amounts on the consolidated statement of functional expenses related to website expenses have been reclassified to conform to the 2021 presentation.

Upcoming Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the consolidated statement of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the consolidated statement of financial position. The reporting of lease-related expenses in the consolidated statements of activities and changes in net assets, functional expenses, and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending May 31, 2023 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Organization is still evaluating which method it will apply. The new lease standard is expected to have a significant effect on the Organization’s consolidated financial statements as a result of the Organization's operating leases, as disclosed in Note 13, that will be reported on the consolidated statement of financial position at adoption. Upon adoption, the Organization will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the activities of the Organization are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958)*: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the consolidated financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Organization’s year ending May 31, 2022 and will be applied using the retrospective method.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including November 9, 2021, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The Organization has $3,411,306 and $3,941,456 of financial assets available within one year of May 31, 2021 and 2020 to meet cash needs for general expenditure consisting of cash and cash equivalents of $2,679,675 and $3,772,824, investments of $0 and $95,605, and accounts receivable of $731,631 and $73,027, respectively. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date. Cash and cash equivalents have been reduced by cash held as a reserve under the Organization's note payable agreement described in Note 10.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's board of directors (the "Board") meets regularly to adjust policies regarding liquidity as needed.

The Organization also realizes there could be unanticipated liquidity needs.

Note 4 - Investments

The Organization did not hold any investments as of May 31, 2021. The details of the Organization's investments at May 31, 2020 are as follows:

Mutual fund	$ 50,710
Equity securities	44,734
Cash	161
Total	$ 95,605

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following table presents information about the Organization's assets measured at fair value on a recurring basis at May 31, 2020 and the valuation techniques used by the Organization to determine those fair values. The Organization did not hold any investments as of May 31, 2021.

Note 5 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at May 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at May 31, 2020
Mutual fund	$ 50,710	$ -	$ -	$ 50,710
Equity securities	44,734	-	-	44,734
Total	$ 95,444	$ -	$ -	$ 95,444

Cash held for reinvestment in the investment portfolio as of May 31, 2020 not subject to fair value disclosures was $161.

Note 6 - Inventory

Inventory at May 31, 2021 and 2020 consists of the following:

	2021	2020
Medical supplies and equipment	$ 88,039,211	$ 73,610,687
COVID-19 emergency relief beds and mattresses	42,287,200	-
Total	$ 130,326,411	$ 73,610,687

As described in Note 12, the Organization received a donation of 22,100 COVID-19-designed hospital beds (emergency relief beds) intended for use in large public health care spaces, such as triage centers, as well as 28,000 mattresses intended to be used with these beds. As of May 31, 2021, 12,900 emergency relief beds and 18,800 mattresses remained in inventory with a value of $42,287,200. There were no amounts held as of May 31, 2020 related to this donation.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2021	2020
Buildings and improvements	$ 7,244,322	$ 7,244,322
Land	1,178,000	1,178,000
Vehicles	586,828	481,676
Leasehold improvements	404,041	8,561
Equipment, software, and furnishings	378,825	371,551
Total cost	9,792,016	9,284,110
Accumulated depreciation	3,218,128	2,930,317
Property and equipment - Net	$ 6,573,888	$ 6,353,793

Depreciation and amortization expense for the years ended May 31, 2021 and 2020 was $300,305 and $279,984, respectively. Depreciation and amortization expense for the years ended May 31, 2021 and 2020 of $38,830 and $42,930, respectively, has been netted with rental income on the consolidated statement of activities and changes in net assets and within rental expenses on the consolidated statement of functional expenses.

Note 8 - Note Payable - Paycheck Protection Program Loan

The Paycheck Protection Program (PPP) was established by Congress as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under this relief program, the legislation authorized the Treasury to use the Small Business Administration (SBA) to fund loans to qualifying entities. The SBA will review forgiveness applications and will forgive up to the full amount of the loan issued if it deems all employee retention and salary level criteria are met and if the funds are used for eligible expenses.

During April 2020, the Organization received $467,000 in funding under the PPP. The proceeds of this loan were used to maintain workforce and fund certain other allowable expenses under the terms of the program. Prior to May 31, 2021, the Organization applied for and received notification of forgiveness of the loan from the SBA. Loan forgiveness related to the PPP loan in the amount of $467,000 has been recorded as forgiveness of debt in the consolidated statement of activities and changes in net assets.

Note 9 - Capital Lease Agreement

During 2020, the Organization entered into an agreement for a software license classified as a capital lease for purposes of the consolidated financial statements. Under the terms of the agreement, payments of $1,805 related to the license portion of the agreement are due monthly through July 2022. No imputed interest has been recorded, as the Organization has determined it is insignificant.

At May 31, 2021 and 2020, property held under this agreement has a gross cost of $65,000. Accumulated amortization on the software license was $43,333 and $19,861 at May 31, 2021 and 2020, respectively. Future minimum payments under this agreement in the amount of $21,667 are due in the year ending May 31, 2022.

Note 10 - Note Payable

The Organization's notes payable consist of the following:

	2021	2020
Mortgage payable to a bank with an original principal amount of $6,800,000, collateralized by real property, with a fixed interest rate of 4.95 percent and monthly principal and interest payments of $45,037. The note payable was paid in full as part of a refinance transaction on January 7, 2021	$ -	$ 4,950,786
Note payable for the purchase of a vehicle with an original principal amount of $49,031, collateralized by the vehicle, with a fixed interest rate of 4.99 percent and monthly principal and interest payments of $927. The note payable was repaid in full during March 2021	-	49,031
Note payable to a bank with an original principal amount of $4,759,486; 3.35 percent interest per annum; monthly payments including principal and interest of $46,835 through January 2031, with certain prepayment penalties, as described in the promissory note agreement; collateralized by certain cash accounts and real property of the Organization	4,622,052	-
Unamortized debt issuance costs	(4,737)	(23,162)
Note payable - Net of unamortized debt issuance costs	$ 4,617,315	$ 4,976,655

Note 10 - Note Payable (Continued)

The balance of the above note payable matures as follows:

Years Ending	Amount
2022	$ 411,254
2023	425,442
2024	439,795
2025	455,292
2026	470,999
Thereafter	2,419,270
Total	$ 4,622,052

Interest expense related to the above notes payable was $212,435 and $252,294 for the years ended May 31, 2021 and 2020, respectively.

As part of the note payable agreement outstanding at May 31, 2021, the Organization is subject to certain financial and nonfinancial covenants.

Note 11 - Net Assets

Net assets with donor restrictions as of May 31 are subject to expenditure for the following purposes:

	2021	2020
Donor contributions for shipments of shipping containers to specific locations	$ 1,202,588	$ 1,240,289
Kansas City, Missouri distribution center	-	250,000
Miscellaneous program restrictions	30,500	65,406
Total	$ 1,233,088	$ 1,555,695

Note 12 - Noncash Contributions

Noncash contributions consist of the following donated goods, services, and facilities:

	2021	2020
Medical supplies	$ 119,696,835	$ 48,668,706
C.U.R.E. kits	598,000	744,500
Transportation and other	41,000	37,967
Warehouse and office rental space	740,700	295,750
Total	$ 121,076,535	$ 49,746,923

During the year ended May 31, 2021, noncash goods contributed exceeded shipments of goods by $56,715,724, resulting in an increased inventory supply. During the year ended May 31, 2020, shipments of goods exceeded noncash goods contributed by $1,166,440, resulting in a decreased inventory supply.

During the year ended May 31, 2021, the Organization received a donation of 22,100 COVID-19-designed hospital beds (emergency relief beds) intended for use in large public health care spaces, such as triage centers, as well as 28,000 mattresses intended to be used with these beds. This donation represents approximately 225 cargo loads at an approximate fair value of $69,887,000 on the date of donation, which is included in contributed medical supplies above. During 2021, the Organization distributed 9,200 emergency relief beds and mattresses with an estimated value of $27,600,000. The Organization anticipates the remaining emergency relief beds and mattresses will be distributed internationally due to a lack of demand for these beds and mattresses in the United States.

Note 13 - Operating Leases

The Organization leases warehouse, distribution, and office space under verbal agreements that the monthly rent will be an in-kind donation to the Organization. In-kind lease expense for the years ended May 31, 2021 and 2020 was $740,700 and $295,750.

The Organization is obligated under operating leases primarily for warehouse and distribution space, expiring at various dates through May 15, 2024. The leases require the Organization to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was $875,819 and $840,971 for the years ended May 31, 2021 and 2020, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending May 31	Amount
2022	$ 894,685
2023	524,091
2024	268,486
Total	$ 1,687,262

Note 14 - Retirement Plan

The Organization has a tax-sheltered annuity plan under Internal Revenue Code Section 403(b) available to its employees. There were no employer contributions for the years ended May 31, 2021 and 2020.

Note 15 - Commitments and Contingencies

Grant Awards

The Organization recognizes as revenue grant moneys received as reimbursement for costs incurred in certain federal programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time.

COVID-19 Impacts

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted hundreds of millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

Due to the pandemic, the Organization has experienced a significant impact on its operations beginning during the last quarter of the 2020 fiscal year and ongoing through the date of the issuance of the consolidated financial statements. As a provider of medical supplies and equipment, the Organization experienced a significant increase in demand for its inventory stock and expertise and has responded through increased programmatic activities and operations. Although normal operations have materially resumed to a pre-pandemic nature, management continues to monitor the situation and respond in real time.

Note 15 - Commitments and Contingencies (Continued)

In response to ongoing impacts of the pandemic, the Organization has received certain payroll tax credit under the Employee Retention Tax Credit Program (ERC) established by the CARES Act. Under this relief program, the Organization received fully refundable credit against the employer portion of Social Security taxes based on the amount of qualified wages that an eligible employer has incurred. The credit received under the ERC is considered to be a contribution, which is recognized by the Organization upon becoming unconditional. As of May 31, 2021, the Organization has determined that it was entitled to $358,654 in credit under the ERC and, as such, recorded related revenue on the consolidated statement of activities and net changes in assets.

Management has assessed the impact of the pandemic on operations during the year ended May 30, 2021 and through the date of issuance of the consolidated financial statements. No impairments were recorded as of the consolidated statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization’s consolidated statements of activities and changes in net assets, cash flows, and financial position could be negatively impacted by the pandemic in the future, the extent of any potential impact cannot be reasonably estimated at this time.