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

Consolidated Financial Report

May 31, 2023

Contents

plante moran

Plante & Moran, PLLC
Suite 600
8181 E. Tufts Avenue
Denver, CO 80237
Tel: 303.740.9400
Fax: 303.740.9009
plantemoran.com

Independent Auditor's Report

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

Opinion

We have audited the 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, 2023 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of May 31, 2023 and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 3 to the consolidated financial statements, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*, and FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as of June 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 1, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Plante & Moran, PLLC

November 20, 2023

Consolidated Statement of Financial Position

May 31, 2023
(with comparative totals for 2022)

	2023	2022
Assets		
Cash	$ 1,638,056	$ 12,102,515
Investments - Certificates of deposit	11,002,757	425,450
Accounts receivable	369,528	87,431
Inventory	93,033,227	111,350,690
Leased assets - Operating lease right-of-use assets - Net	2,337,182	-
Prepaid expenses and deposits	167,905	158,527
Property and equipment - Net	6,258,066	6,352,515
Total assets	**$ 114,806,721**	**$ 130,477,128**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 665,573	$ 845,112
Accrued expenses	280,553	145,550
Lease liabilities - Operating	2,378,012	-
Long-term debt - Net of unamortized debt issuance costs	3,781,411	4,206,458
Total liabilities	7,105,549	5,197,120
Net Assets		
Without donor restrictions	101,482,645	117,931,134
With donor restrictions	6,218,527	7,348,874
Total net assets	107,701,172	125,280,008
Total liabilities and net assets	**$ 114,806,721**	**$ 130,477,128**

Consolidated Statement of Activities and Changes in Net Assets

Year Ended May 31, 2023 (with comparative totals for 2022)

	2023	2022
Changes in Net Assets without Donor Restrictions		
Revenue, gains, and other support:		
Contributions of nonfinancial assets	$ 54,980,862	$ 45,055,601
Contributions of cash and other financial assets	8,059,268	9,659,295
Federal government revenue	415,354	733
Special events revenue - Net of expenses of $292,019 (2023) and $237,987 (2022)	516,438	376,334
Rental income - Net of expenses of $172,484 (2023) and $192,421 (2022)	265,572	183,115
Investment income - Net	132,637	8,285
Net assets released from restrictions	2,563,888	968,371
Total revenue, gains, and other support	66,934,019	56,251,734
Expenses:		
Program services:		
Containers and medical services - Nonfinancial	73,298,325	64,031,322
Containers and medical services - Other	7,455,046	6,411,596
Total program services	80,753,371	70,442,918
Support services:		
Management and general	507,975	407,419
Fundraising	2,121,162	1,764,406
Total support services	2,629,137	2,171,825
Total expenses	83,382,508	72,614,743
Change in Net Assets without Donor Restrictions	(16,448,489)	(16,363,009)
Changes in Net Assets with Donor Restrictions		
Contributions of cash and other financial assets	1,433,541	7,084,157
Net assets released from restrictions	(2,563,888)	(968,371)
Change in Net Assets with Donor Restrictions	(1,130,347)	6,115,786
Change in Net Assets	(17,578,836)	(10,247,223)
Net Assets - Beginning of year	125,280,008	135,527,231
Net Assets - End of year	**$ 107,701,172**	**$ 125,280,008**

Consolidated Statement of Functional Expenses

Year Ended May 31, 2023
(with comparative totals for 2022)

	Program Services	Support Services		Total	
	Containers and Medical Services	Management and General	Fundraising	2023	2022
Donated medical equipment and supplies	$ 72,826,392	$ -	$ -	$ 72,826,392	$ 60,019,559
Write-off of donated medical equipment and supplies	-	-	-	-	2,861,240
Compensation and other costs	1,731,622	139,695	1,509,031	3,380,348	2,879,203
Shipping	1,896,402	-	-	1,896,402	1,686,948
Occupancy - Rent, utilities, and other costs	1,454,895	16,262	-	1,471,157	1,306,114
Other donated costs of operations	471,933	-	-	471,933	1,150,523
Purchased medical equipment and supplies	1,142,475	-	-	1,142,475	872,608
Donor development	-	-	331,304	331,304	334,288
Depreciation and amortization	264,694	31,245	1,625	297,564	289,366
Accounting and audit	-	203,664	-	203,664	187,718
Occupancy – Interest and other financing costs	117,885	17,856	-	135,741	149,973
Dues and professional expenses	68,055	21,529	90,588	180,172	131,792
Vehicles	121,254	2,448	5,821	129,523	125,481
Travel	91,026	9,678	67,202	167,906	103,482
Consultants	20,266	8,106	45,829	74,201	92,252
Office, computers and software, and postage and delivery	110,315	6,897	58,924	176,136	88,989
Needs assessments	125,517	-	-	125,517	75,443
Insurance	52,763	16,401	-	69,164	51,300
Service programs	92,298	-	-	92,298	41,106
Communications	31,758	3,864	7,728	43,350	37,741
Operating supplies	71,717	9,281	-	80,998	33,819
Volunteer support	38,604	638	-	39,242	30,019
Miscellaneous	-	8,732	-	8,732	9,849
Website	23,500	11,679	3,110	38,289	55,930
	80,753,371	507,975	2,121,162	83,382,508	72,614,743
Rental expenses	-	172,484	-	172,484	192,421
Special event expenses	-	-	292,019	292,019	237,987
Total expenses netted against revenue	-	172,484	292,019	464,503	430,408
Total functional expenses	$ 80,753,371	$ 680,459	$ 2,413,181	$ 83,847,011	$ 73,045,151

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended May 31, 2023
(with comparative totals for 2022)

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ (17,578,836)	$ (10,247,223)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	336,394	328,196
Noncash change in inventory	18,317,463	18,975,721
Amortization of deferred debt issuance costs	490	490
Noncash operating lease expense	55,737	-
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(282,097)	644,200
Prepaid expenses and other assets	(9,378)	12,525
Accounts payable	(179,539)	398,364
Accrued expenses	120,096	25,854
Net cash provided by operating activities	780,330	10,138,127
Cash Flows from Investing Activities		
Purchases of property and equipment	(241,945)	(106,823)
Purchases of certificates of deposits	(27,957,903)	(425,450)
Proceeds from redemption of certificates of deposit	17,380,596	-
Net cash used in investing activities	(10,819,252)	(532,273)
Cash Flows from Financing Activities		
Payments on note payable	(425,537)	(411,347)
Payments on capital lease obligation	-	(21,667)
Net cash used in financing activities	(425,537)	(433,014)
Net (Decrease) Increase in Cash	(10,464,459)	9,172,840
Cash - Beginning of year	12,102,515	2,929,675
Cash - End of year	**$ 1,638,056**	**$ 12,102,515**
Supplemental Cash Flow Information - Cash paid for interest	$ 135,989	$ 150,933
Significant Noncash Transactions - Addition of operating lease right-of-use asset	$ 506,806	$ -

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, 2023, 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, 2022 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, 2022, from which the summarized information was derived.

Cash

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 includes $250,000 of cash assigned as a reserve under the Organization's note payable agreement described in Note 8.

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, 2023 and at various points throughout the year, the Organization had deposits in excess of federally insured limits.

Investments

The Organization reports investments in certificates of deposit at cost. Accrued interest income is included in accounts receivable when significant. Interest income is included in investment income on 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, 2023 and 2022.

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.

Leases

As described in Note 3, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*, as of June 1, 2022 using a modified retrospective approach. Accordingly, the Organization recognizes right-of-use assets and lease liabilities for operating leases. The Organization did not have any finance leases during the year ended May 31, 2023. Lease liabilities are measured based on the net present value (NPV) of future lease payments using the discount rate described in Note 6. The Organization recognizes expense for operating leases on a straight-line basis over the lease term.

The Organization elected to use the risk-free rate as the discount rate for calculating right-of-use assets and lease liabilities in place of the incremental borrowing rate for the associated leases.

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, 2023 and 2022 totaled $1,143 and $653, respectively. Amortization expense for the years ended May 31, 2023 and 2022 was $490.

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.

Note 2 - Significant Accounting Policies (Continued)

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.

Contributions of Nonfinancial Assets: Donated Materials, Properties, and Services

Donated Materials: Donated materials, which consist of medical equipment and supplies for use in the Organization's operations, are recorded as contribution revenue and as inventory on the date received. Donated materials include C.U.R.E. Kits, which are composed of personal hygiene and basic "medicine cabinet" items that are solicited by the Organization. In the period the donated materials are distributed for use in the Organization's programs, the value of materials is relieved from inventory and recorded as a program service expense.

Donated materials are recognized in circumstances in which the Organization has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with GAAP. Accordingly, the recognition of revenue related to donated materials is limited to circumstances in which the Organization takes constructive possession of the donated materials and the Organization is the recipient of the gift rather than an agent or intermediary (as defined by GAAP).

Medical equipment and supplies are primarily received for use in developing countries or areas where disasters have occurred. Management has concluded that these geographical areas do not represent its principal market and, therefore, considers the United States region its principal market for determining the fair value of these donated materials. The principal market is the market in which the Organization would sell the asset with the greatest volume and level of activity for the asset. The fair value of donated medical equipment and supplies are recorded at estimated fair market value based upon appropriate price guides or other online pricing sources, as applicable. The Organization does not accept donations of pharmaceuticals or other drugs.

Donated Leased Space: Donated leased space consists of warehouse, distribution, and office space provided to the Organization without charge. The fair value of donated leased space is estimated using comparable market rates times the square footage of space being provided to the Organization without charge. Donated leased space is recorded as contribution revenue and program service expense in the period the space is used.

Donated Services: Donated services are recognized as revenue at estimated fair value on the date of performance of the service if the service (a) creates or enhances nonfinancial assets or (b) requires specialized skills, is performed by people with those skills, and would otherwise be purchased by the Organization. When donated services meet these criteria, they are reported as contribution revenue without donor restrictions and program service expense in the period the service is performed. Such services are valued using estimated hourly rates of compensation for similar services or by obtaining an estimate of the cost that would be charged by the service provider to another customer for similar services.

The Organization receives significant support from individuals who volunteer their time and perform a variety of tasks that assist the Organization with program services. Consistent with GAAP, these volunteer services are generally not performed by individuals who possess specialized skills related to their efforts and, therefore, are not recognized as contribution revenue and expenses.

Donated Property: 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.

Note 2 - Significant Accounting Policies (Continued)

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.

Federal Government Revenue

The majority of 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, 2023 and 2022.

The Organization occasionally enters into subcontracts under federal award agreements to provide services for the prime contractor or grantor with the federal government. These services are considered to be exchange transactions recognized at the point in time the services are provided and the performance obligations are satisfied. There was no significant revenue recognized under these contracts during the years ended May 31, 2023 and 2022.

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.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. 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 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.

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).

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets by requiring the Organization to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The new guidance will be effective for the Organization's year ending May 31, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method as an adjustment to opening net assets in the period of initial application.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including November 20, 2023, which is the date the financial statements were available to be issued.

Note 3 - Adoption of New Accounting Pronouncements

As of June 1, 2022, the Organization adopted FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 provided 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 are reported by category within the consolidated financial statements, and there are 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 a description of the fair value techniques used to arrive at a fair value measurement. The ASU was implemented on a retrospective basis for the year ended May 31, 2022. The ASU did not require a restatement of May 31, 2022 amounts.

As of June 1, 2022, the Organization adopted FASB ASU No. 2016-02, *Leases*. The ASU requires lessees to recognize a right-of-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. The Organization elected to adopt the ASU using the modified retrospective method as of June 1, 2022 and applied the following practical expedients:

- The Organization did not reassess if expired or existing contracts are or contain a lease.
- The Organization did not reassess the lease classification for expired or existing leases.
- The Organization did not reassess initial direct costs for any existing leases.

As a result of the adoption of the ASU, the Organization recorded operating lease right-of-use assets and lease liabilities of $2,703,072 and $2,688,165, respectively, as of June 1, 2022. There was no impact on beginning net assets as a result of adopting ASU No. 2016-02.

Note 4 - Liquidity and Availability of Resources

The Organization has $12,760,341 and $12,365,396 of financial assets available within one year of May 31, 2023 and 2022 to meet cash needs for general expenditure consisting of cash of $1,388,056 and $11,852,515, certificates of deposit of $11,002,757 and $425,450, and accounts receivable of $369,528 and $87,431, respectively. Financial assets held as of May 31, 2023 and 2022 has been reduced by $250,000 of cash assigned as a reserve under the Organization's note payable agreement described in Note 8. 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.

Note 4 - Liquidity and Availability of Resources (Continued)

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 5 - Inventory

Inventory at May 31, 2023 and 2022 consists of the following:

	2023	2022
Medical supplies and equipment	$ 87,372,035	$ 94,769,058
COVID-19 emergency relief beds and mattresses	5,661,192	16,581,632
Total	$ 93,033,227	$ 111,350,690

Note 6 - 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, 2023 and 2022 was $471,933 and $812,433.

The Organization is obligated under noncancelable operating leases for certain warehouse and distribution space, expiring at various dates through October 2027. There are no optional lease extensions available to the Organization under the terms of the leases. The right-of-use asset and related lease liability have been calculated using a weighted-average risk-free discount rate of 2.78 percent. The weighted-average remaining lease term for leases was 3.40 years as of May 31, 2023. Total operating lease expense under these leases was $926,096 for the year ended May 31, 2023. Certain leases require the Organization to pay taxes, insurance, utilities, and maintenance costs, which were $220,933 for the year ended May 31, 2023.

Total rent expense under leases during the year ended May 31, 2022, prior to the adoption of ASU No. 2016-02, was $894,685.

Future minimum rent on noncancelable leases as of May 31, 2023 for each of the next five years are as follows:

Years Ending May 31	Amount
2024	$ 883,874
2025	656,894
2026	529,069
2027	305,759
2028	128,963
Total	2,504,559
Less amount representing interest	126,547
Long-term obligations under leases	$ 2,378,012

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2023	2022
Buildings and improvements	$ 7,244,322	$ 7,244,322
Land	1,178,000	1,178,000
Vehicles	639,192	624,062
Equipment, software, and furnishings	556,086	432,147
Leasehold improvements	404,041	404,041
Total cost	10,021,641	9,882,572
Accumulated depreciation	3,763,575	3,530,057
Property and equipment - Net	$ 6,258,066	$ 6,352,515

Depreciation and amortization expense for the years ended May 31, 2023 and 2022 was $336,394 and $328,196, respectively. Depreciation and amortization expense for the years ended May 31, 2023 and 2022 of $38,830 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

The Organization's notes payable consist of the following:

	2023	2022
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	$ 3,785,168	$ 4,210,705
Unamortized debt issuance costs	(3,757)	(4,247)
Note payable - Net of unamortized debt issuance costs	$ 3,781,411	$ 4,206,458

The balance of the above note payable matures as follows:

Years Ending	Amount
2024	$ 440,634
2025	455,625
2026	471,124
2027	487,152
2028	503,724
Thereafter	1,423,152
Total	$ 3,781,411

Interest expense related to the above notes payable was $135,251 and $149,484 for the years ended May 31, 2023 and 2022, respectively.

As part of the note payable agreement outstanding at May 31, 2023, the Organization is subject to certain financial and nonfinancial covenants.

Note 9 - Net Assets

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

	2023	2022
Donor contributions for shipments of shipping containers to specific locations	$ 1,662,185	$ 1,563,632
Donor contributions restricted for Ukraine support	4,525,842	5,754,742
Miscellaneous program restrictions	30,500	30,500
Total	$ 6,218,527	$ 7,348,874

Note 10 - Contributions of Nonfinancial Assets

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

	2023	2022
Donated materials - Medical equipment and supplies	$ 54,022,929	$ 43,377,078
Donated materials - C.U.R.E. kits	486,000	528,000
Donated leased space (Note 6)	471,933	812,433
Donated services - Transportation and other	-	338,090
Total	$ 54,980,862	$ 45,055,601

During the year ended May 31, 2023 and 2022, shipments of goods exceeded noncash goods contributed by $18,317,463 and $18,975,721, resulting in a decreased inventory supply.

Note 11 - 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, 2023 and 2022.