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MANA NUTRITIVE AID
PRODUCTS INCORPORATED

Financial Statements for the Years Ended
September 30, 2020 and 2019 and
Independent Auditors' Report



GreerWalker



GreerWalker

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of MANA Nutritive Aid Products Incorporated:

We have audited the accompanying financial statements of MANA Nutritive Aid Products Incorporated (the "Organization") which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, 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 generally accepted accounting principles 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 Organization'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 MANA Nutritive Aid Products Incorporated as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.

GreerWalker LLP

Certified Public Accountants
December 9, 2020
Charlotte, NC

GreerWalker LLP | GreerWalker Wealth LLC | GreerWalker Corporate Finance LLC

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MANA NUTRITIVE AID PRODUCTS INCORPORATED

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,586,401	\$ 773,625
Accounts receivable, net	834,876	2,094,771
Inventory, net	8,035,458	5,570,889
Prepaid expenses and other assets	<u>335,462</u>	<u>329,357</u>
Total current assets	11,792,197	8,768,642
PROPERTY, NET	11,783,187	9,263,878
DEPOSITS	<u>4,600</u>	<u>5,071</u>
TOTAL	<u>\$ 23,579,984</u>	<u>\$ 18,037,591</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Current portion of notes payable	\$ 564,636	\$ 387,723
Line of credit	647,000	-
Accounts payable and accrued expenses	<u>1,891,349</u>	<u>1,610,461</u>
Total current liabilities	<u>3,102,985</u>	<u>1,998,184</u>
LONG-TERM LIABILITIES:		
Notes payable, less unamortized discount, loan costs and current portion	9,613,742	10,173,927
Interest rate swap liability	<u>154,469</u>	<u>96,913</u>
Total long-term liabilities	<u>9,768,211</u>	<u>10,270,840</u>
NET ASSETS:		
Without donor restrictions	8,498,724	4,606,471
With donor restrictions	<u>2,210,064</u>	<u>1,162,096</u>
Total net assets	<u>10,708,788</u>	<u>5,768,567</u>
TOTAL	<u>\$ 23,579,984</u>	<u>\$ 18,037,591</u>

See notes to financial statements.

MANA NUTRITIVE AID PRODUCTS INCORPORATED

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT:						
Product sales	\$ 24,000,849	\$ -	\$ 24,000,849	\$ 18,657,563	\$ -	\$ 18,657,563
Public and corporate support	145,457	4,853,786	4,999,243	1,106,801	189,080	1,295,881
Change in interest rate swap liability	(57,556)	-	(57,556)	(96,913)	-	(96,913)
Miscellaneous and other income	20,024	-	20,024	14,480	-	14,480
PPP loan forgiveness income	481,035	-	481,035	-	-	-
Released from restrictions	3,805,818	(3,805,818)	-	749,172	(749,172)	-
Total revenues and support	<u>28,395,627</u>	<u>1,047,968</u>	<u>29,443,595</u>	<u>20,431,103</u>	<u>(560,092)</u>	<u>19,871,011</u>
EXPENSES:						
Program services	23,086,804	-	23,086,804	20,628,214	-	20,628,214
Management and general	1,416,570	-	1,416,570	1,064,394	-	1,064,394
Total expenses	<u>24,503,374</u>	<u>-</u>	<u>24,503,374</u>	<u>21,692,608</u>	<u>-</u>	<u>21,692,608</u>
CHANGE IN NET ASSETS	3,892,253	1,047,968	4,940,221	(1,261,505)	(560,092)	(1,821,597)
NET ASSETS, BEGINNING OF YEAR	<u>4,606,471</u>	<u>1,162,096</u>	<u>5,768,567</u>	<u>5,867,976</u>	<u>1,722,188</u>	<u>7,590,164</u>
NET ASSETS, END OF YEAR	<u>\$ 8,498,724</u>	<u>\$ 2,210,064</u>	<u>\$ 10,708,788</u>	<u>\$ 4,606,471</u>	<u>\$ 1,162,096</u>	<u>\$ 5,768,567</u>

See notes to financial statements.

MANA NUTRITIVE AID PRODUCTS INCORPORATED

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Product expenses	\$ 19,971,696	\$ -	\$ 19,971,696	\$ 16,854,161	\$ -	\$ 16,854,161
Compensation	1,266,855	571,809	1,838,664	897,830	542,178	1,440,008
Depreciation and amortization	879,519	5,820	885,339	787,504	8,714	796,218
Professional fees	81,882	483,232	565,114	66,155	124,856	191,011
Facilities expenses	463,107	26,364	489,471	358,661	27,970	386,631
Interest expense	151,933	189,967	341,900	176,859	164,129	340,988
Insurance and fees	106,672	26,264	132,936	107,803	13,812	121,615
Office expenses	46,649	15,144	61,793	45,837	18,635	64,472
Fundraising and public relations	23,615	35,211	58,826	1,813	79,445	81,258
Travel and entertainment	11,389	34,870	46,259	4,915	52,963	57,878
Communication expenses	24,121	6,637	30,758	19,558	7,151	26,709
Loss on disposition of property	5,157	-	5,157	133,132	22,867	155,999
Other	54,209	21,252	75,461	83,091	1,674	84,765
Non-recurring write-off of inventory	-	-	-	1,090,895	-	1,090,895
Total expenses	<u>\$ 23,086,804</u>	<u>\$ 1,416,570</u>	<u>\$ 24,503,374</u>	<u>\$ 20,628,214</u>	<u>\$ 1,064,394</u>	<u>\$ 21,692,608</u>

See notes to financial statements.

MANA NUTRITIVE AID PRODUCTS INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,940,221	\$ (1,821,597)
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Depreciation and amortization	885,339	796,218
Loss on disposition of property	5,157	155,999
Change in reserves and allowances	5,020	(1,165)
Contribution of imputed interest on notes payable	(128,100)	(189,080)
Amortization of discount on notes payable	155,101	155,625
Amortization of loan costs	10,116	7,450
Change in interest rate swap liability	57,556	96,913
PPP loan forgiveness income	(481,035)	-
Changes in operating assets and liabilities:		
Accounts receivable	1,260,395	(705,340)
Pledges receivable	-	800,000
Inventory	(2,470,089)	(778,318)
Prepaid expenses and other assets	(6,105)	(42,996)
Deposits	471	-
Accounts payable and accrued expenses	<u>280,888</u>	<u>1,099,425</u>
Net cash provided by (applied to) operating activities	<u>4,514,935</u>	<u>(426,866)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(3,409,805)	(1,388,904)
Proceeds from sale of property	-	4,000
Net cash applied to investing activities	<u>(3,409,805)</u>	<u>(1,384,904)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on line of credit, net	647,000	-
Proceeds from notes payable	481,035	920,322
Payments on note payable	(420,389)	(268,441)
Loan acquisition costs	-	(4,045)
Net cash provided by financing activities	<u>707,646</u>	<u>647,836</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,812,776	(1,163,934)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>773,625</u>	<u>1,937,559</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,586,401</u>	<u>\$ 773,625</u>

See notes to financial statements.

MANA NUTRITIVE AID PRODUCTS INCORPORATED

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - MANA Nutritive Aid Products Incorporated (the "Organization") operates as a not-for-profit organization whose principal mission is to develop and provide solutions to address the root causes of malnutrition and its devastating effects. The Organization aims to prevent child deaths due to severe acute malnutrition by treating the condition through the production and distribution of fortified foods. MANA has developed and produces a ready-to-use therapeutic food ("RUTF") in the form of a fortified peanut butter paste marketed under the "MANA" brand and under certain customers' brands. RUTF's like MANA provide severely malnourished children with the calories and nutrition they need to reach a healthy weight and fend off nutrition-related diseases and death. The Organization has focused marketing its product to current and future customers and on raising funds used predominately to provide its product to other organizations that treat severe acute malnutrition that otherwise couldn't afford it.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

New Accounting Standards - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. The ASU and all subsequently issued clarifying ASUs (collectively, "ASC 606") replaced most existing revenue recognition guidance in GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization adopted the new standard effective October 1, 2019 using the modified retrospective method. Results for reporting periods beginning October 1, 2019 are presented under ASC 606 while prior period amounts continue to be reported in accordance with previous guidance. The adoption of ASC 606 did not change how the Organization accounts for revenue. Accordingly, the cumulative effect of the initial application of ASC 606 did not result in an adjustment to net assets as of October 1, 2019.

Financial Statement Presentation - The net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

Net assets with donor restrictions - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met or contain donor-imposed restrictions stipulating that the amounts be maintained by the Organization in perpetuity.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash deposits with financial institutions that, at times, may exceed federally insured limits.

Accounts Receivable - The Organization extends credit to its customers. By their nature, these receivables involve risk, including the credit risk of nonpayment by customer. Accounts receivable are considered past due based on contractual and invoice terms. The Organization negotiates payment terms with each customer. The Organization establishes allowances which management believes are adequate to absorb estimated losses to be incurred in realizing the recorded amounts of its receivables. As of September 30, 2020 and 2019, the Organization had allowances of \$0 and \$500, respectively. These allowances are determined by management through a specific identification process. Accounts deemed uncollectible are charged against the allowance for doubtful accounts.

The Organization did not incur any bad debt expense during the years ended September 30, 2020 and 2019.

Pledges Receivable - Contributions are recognized as revenue when a donor makes a promise that is, in substance, unconditional to give cash or property to the Organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if restrictions expire in the same fiscal year. All other donor-restricted net assets are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions receivable are recorded at their estimated fair value. An allowance for uncollectible pledges receivable is provided based on management's judgment, including such factors as prior collection history and the nature of fundraising activities.

Inventory - Inventory is stated at the lower of average cost or net realizable value.

Property - Property is recorded at cost, if purchased and at estimated fair market value at the date of receipt if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three years for computer equipment to thirty years for buildings. The Organization capitalizes expenditures for property and equipment over \$1,000. Donated property is reported as unrestricted support unless the donor restricts the donated asset to a specific purpose.

Debt Issuance Costs - The Organization capitalizes costs associated with obtaining debt and amortizes the costs over the term of the related debt. Total amortization expense was \$10,116 and \$7,450 for the years ended September 30, 2020 and 2019, respectively. Debt issuance costs, net of accumulated amortization, are netted against notes payable in the accompanying statements of financial position. Amortization of debt issuance costs is reported in the statements of functional expenses as interest expense.

Fair Value Measurement - GAAP provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

The inputs used for valuing the Organization's assets and liabilities are summarized in the three broad levels listed below:

- Level 1 - quoted prices in active markets for identical assets
- Level 2 - other significant observable inputs either directly or indirectly (including quoted prices for similar securities, interest rates, yield curves, credit risk, etc.)
- Level 3 - significant unobservable inputs

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The inputs or methodology used for valuing the Organization's assets and liabilities are not necessarily an indication of the risk associated with those assets and liabilities.

Revenue Recognition - The significant majority of the Organization's contracts with its customers are for product sales under standard ship and bill arrangements. The contracts are generally accounted for as having a single performance obligation for each of the products, which is considered the only distinct promise in the contract, and are short-term in nature, not exceeding one year in duration. The transaction price is agreed upon in the contract. Revenue is recognized upon satisfaction of the performance obligation which is typically at a point in time when control is transferred to the customer. Control is generally transferred upon shipment to the customer or receipt of goods by the customer.

Revenue is recognized in an amount that reflects the consideration the Organization expects to be entitled to in exchange for the goods. Consideration for product sales is primarily fixed in nature with insignificant amounts recognized for sales rebates and product returns. The Organization's estimates for sales discounts, rebates and product returns reduce revenue recognized at the time of sale.

The nature, amount, timing and uncertainty of the Organization's revenue and cash flows are impact by various factors. Substantially all of the Organization's product sales are to international distributors of relief supplies.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable. The balance of accounts receivable, net of allowances for doubtful accounts, resulting from contracts with customers was \$834,876, \$2,094,771 and \$2,189,736 as of September 30, 2020, 2019 and 2018, respectively.

Income Taxes - The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of September 30, 2020 and 2019.

Shipping and Handling Costs - The Organization includes shipping and handling costs in product expenses, as incurred.

Functional Expense Classification - The 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. All of the expenses are allocated on the basis of the cost of personnel, or square footage, related to each program or supporting function.

Donated Services - A number of volunteers, including members of the Board of Directors and its committees as well as various volunteer assistants, contribute significant amounts of time to further the Organization's programs. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected as support in the accompanying financial statements. The Organization did receive donated inventory, legal and other professional services of approximately \$145,000 and \$98,000 for the years ended September 30, 2020 and 2019, respectively, that is recorded as support and related expenditures in the accompanying financial statements.

Reclassifications - Certain amounts in the 2019 financial statements have been reclassified to conform to 2020 presentation. Such reclassifications had no effect on the previously reported change in net assets.

Subsequent Events - In preparing its financial statements, the Organization has evaluated subsequent events through December 9, 2020, which is the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

The table below represents financial assets available for general expenditures within one year at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,586,401	\$ 773,625
Accounts receivable	<u>834,876</u>	<u>2,094,771</u>
Total financial assets	<u>3,421,277</u>	<u>2,868,396</u>
Less amounts not available to be used for general expenditures within one year:		
Contributions with purpose restrictions	<u>1,385,341</u>	<u>310,372</u>
Financial assets not available to be used within one year	<u>1,385,341</u>	<u>310,372</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,035,936</u>	<u>\$ 2,558,024</u>

As part of the Organization's liquidity management, it invests excess cash in readily-available financial instruments. Additionally, the Organization has \$1,353,000 available under a line of credit agreement that can be used for operations (see Note 5).

3. INVENTORY

Inventory consisted of the following as of September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Raw materials	\$ 1,481,173	\$ 1,516,150
Finished goods	<u>6,588,335</u>	<u>4,083,269</u>
Subtotal	8,069,508	5,599,419
Less allowance for obsolescence	<u>(34,050)</u>	<u>(28,530)</u>
Total, net	<u>\$ 8,035,458</u>	<u>\$ 5,570,889</u>

4. PROPERTY

Property consisted of the following as of September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 35,739	\$ 35,739
Buildings	5,510,691	5,488,852
Equipment and fixtures	7,554,004	7,326,995
Construction in progress	<u>3,270,581</u>	<u>121,890</u>
Subtotal	16,371,015	12,973,476
Less accumulated depreciation	<u>(4,587,828)</u>	<u>(3,709,598)</u>
Total, net	<u>\$ 11,783,187</u>	<u>\$ 9,263,878</u>

5. LINE OF CREDIT

The Organization has an available line of credit of up to \$2,000,000, subject to borrowing base limitations, from a financial institution. The line of credit is secured by accounts receivable and inventory, matures in September 2021, and is subject to interest on outstanding balances at LIBOR (0.82% as of September 30, 2020) with a floor of 1%, plus 2.5%. There were borrowings of \$647,000 as of September 30, 2020. There were no borrowings outstanding under the line of credit as of September 30, 2019.

6. NOTES PAYABLE

Notes payable as of September 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Subordinated note payable to a foundation with a face amount of \$7,000,000. The note is secured by accounts receivable and equipment, bears no interest, and is payable in five equal annual installments due thirty-six months from the next January after the foundation requests payment. At September 30, 2020, the earliest repayment can begin is January 2023. The Organization has imputed interest on the note at a rate of 2.4%, which resulted in discounts of \$818,410 and \$837,180 at September 30, 2020 and 2019, respectively.	\$ 7,000,000	\$ 7,000,000

Note payable to a foundation with a face amount of \$1,000,000. One of the foundation's officers is a board member of the Organization. The note is secured by property, bears no interest, and is due in five equal annual installments, with the two remaining installments due in January 2021 and 2022. The Organization has imputed interest on the loan at a rate of 2.1%, which resulted in discounts of \$6,313 and \$14,544 at September 30, 2020 and 2019, respectively.

372,640 400,000

Construction note payable to a financial institution. The note is secured by a first position deed of trust in certain property. Beginning January 2019, the note requires equal monthly installments of \$19,878 plus interest with the balance due upon maturity of the loan in August 2028. The interest rate is equal to the LIBOR Daily Floating Rate (0.82% as of September 30, 2020) plus 2%.

3,160,567 3,399,100

Note payable to a financial institution. The note was secured by equipment, bearing interest at 8.34%, and was payable in monthly installments of principal and interest of \$471 through July 2021. The note was paid off in full during September 30, 2020.

- 9,575

Note payable to a financial institution. The note is secured by equipment, bears interest at 6.25%, and is payable in monthly installments of principal and interest of \$15,309 through January 2024.

546,982 691,903

Total	11,080,189	11,500,578
Less debt issuance costs	(77,088)	(87,204)
Less discounts on notes payable	(824,723)	(851,724)
Less current portion	<u>(564,636)</u>	<u>(387,723)</u>

Noncurrent portion \$ 9,613,742 \$ 10,173,927

Principal maturities of notes payable are as follows:

During the years ending September 30:

2021	\$ 564,636
2022	601,954
2023	412,616
2024	1,695,373
2025	1,638,533
Thereafter	<u>6,167,077</u>
Total	<u>\$ 11,080,189</u>

Imputed interest expense of \$155,101 and \$155,625 is included in the accompanying statements of activities for the years ended September 30, 2020 and 2019, respectively. The Organization recognized imputed interest contributions in the accompanying statements of activities of \$128,100 and \$189,080 during the years ended September 30, 2020 and 2019, respectively. In addition, the Organization capitalized interest of approximately \$0 and \$16,000 during the years ended September 30, 2020 and 2019, respectively.

The line of credit and certain notes payable have certain restrictive covenants. As of September 30, 2020, the Organization was in compliance with such covenants.

7. INTEREST RATE SWAP LIABILITY

During the year ended September 30, 2019, the Organization began paying a fixed interest rate under an interest rate swap agreement with a bank related to its construction loan agreement. As of September 30, 2020, the Organization's interest rate swap agreement consisted of the following:

<u>Original Notional Amount</u>	<u>Outstanding Notional</u>	<u>Fixed Payment Rate</u>	<u>Termination Date</u>	<u>Fair Value Liability</u>
<u>2020</u>				
\$ 2,250,000	\$ 1,753,056	2.59%	December 2027	\$ 154,469
<u>2019</u>				
\$ 2,250,000	\$ 1,991,589	2.59%	December 2027	\$ 96,913

The estimated fair value of the agreement is determined by broker quotations and represent the estimated amount that the Organization would pay or receive to terminate the agreement at the reporting date, taking into account current interest rates and creditworthiness of the counterparty. The estimated fair value does not necessarily reflect the potential gain or loss that would be realized on an actual settlement of the agreement.

As of September 30, 2020 and 2019, the total estimated fair value of the Organization's derivative is included in long-term liabilities in the accompanying statements of financial position. The Organization has elected not to apply hedge accounting. Accordingly, losses of \$57,556 and \$96,913 for the years ended September 30, 2020 and 2019, respectively, are included in the accompanying statement of activities.

The Organization's measurement of fair value used Level 2 inputs, as defined in Note 1.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for future periods or purposes as of September 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Contributions with purpose restrictions	\$ 1,385,341	\$ 310,372
Imputed interest on notes payable	<u>824,723</u>	<u>851,724</u>
Total	<u>\$ 2,210,064</u>	<u>\$ 1,162,096</u>

Net assets released from donor restrictions during the years ended September 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Contributions with purpose restrictions	\$ 3,650,717	\$ 593,547
Imputed interest on notes payable	<u>155,101</u>	<u>155,625</u>
Total assets released from restrictions	<u>\$ 3,805,818</u>	<u>\$ 749,172</u>

9. OPERATING LEASES

The Organization leases warehouse space and office space under operating lease agreements. Lease expense for the years ended September 30, 2020 and 2019 was approximately \$23,100 and \$22,000, respectively. Future minimum payments due under the operating lease agreements is approximately \$6,000 for the year ending September 30, 2020.

10. CONCENTRATIONS

During the year ended September 30, 2020, sales to one customer accounted for approximately 95% of total product sales. During the year ended September 30, 2019, sales to two customers accounted for approximately 96% of total product sales.

Accounts receivables due from one customer represented 99% of the accounts receivable balance as of September 30, 2020.

The Organization's support comes from a limited number of donors.

11. CONTINGENCIES

The Organization is involved in various claims or actions arising in the normal course of business. It is management's opinion that the resolution of these matters will not materially affect the Organization's financial position or the results of its operations.

On March 10, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") to be a pandemic. The outbreak is causing widespread economic disruption across a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on its customers, employees and vendors, all of which are uncertain and cannot be predicted. Therefore, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

12. RETIREMENT PLAN

The Organization has a defined contribution plan for all eligible employees. This retirement plan requires the Organization to match participants' contributions of up to 4% of participants' compensation. The retirement contributions by the Organization were approximately \$77,000 and \$68,000 for the years ended September 30, 2020 and 2019, respectively, and are included in compensation in the accompanying statements of functional expense.

13. SUPPLEMENTAL CASH FLOW

Supplemental cash flow information for the years ended September 30, 2020 and 2019 is approximately as follows:

	<u>2020</u>	<u>2019</u>
Cash paid for interest	\$ 177,463	\$ 177,071
