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MANA NUTRITIVE AID
PRODUCTS INCORPORATED

Financial Statements for the Years Ended
September 30, 2023 and 2022 and
Independent Auditors' Report



GreerWalker



GreerWalker

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of MANA Nutritive Aid Products Incorporated (the "Organization"), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022, 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 ("GAAP").

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; 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.

In preparing the 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 for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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 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 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 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.

GreerWalker LLP

Certified Public Accountants
January 19, 2024
Charlotte, NC

MANA NUTRITIVE AID PRODUCTS INCORPORATED

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2023 AND 2022

| <u>ASSETS</u> | <u>2023</u> | <u>2022</u> |
|--|-----------------------|----------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 42,746,960 | \$ 27,476,281 |
| Accounts receivable | 5,015,627 | 2,667,143 |
| Inventory, net | 12,051,368 | 9,090,242 |
| Prepaid expenses and other assets | 496,482 | 414,530 |
| Total current assets | <u>60,310,437</u> | <u>39,648,196</u> |
| NON-CURRENT ASSETS: | | |
| Property, net | 94,869,127 | 27,923,037 |
| Interest rate swap | 44,997 | 45,810 |
| Other assets | 583,585 | 4,600 |
| Total non-current assets | <u>95,497,709</u> | <u>27,973,447</u> |
| TOTAL | <u>\$ 155,808,146</u> | <u>\$ 67,621,643</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES: | | |
| Current portion of notes payable | \$ 307,726 | \$ 426,152 |
| Accounts payable and accrued expenses | 5,721,792 | 4,579,518 |
| Total current liabilities | <u>6,029,518</u> | <u>5,005,670</u> |
| NON-CURRENT LIABILITIES: | | |
| Notes payable, less loan costs and current portion | 2,186,168 | 2,483,888 |
| Other liabilities | 110,486 | - |
| Total non-current liabilities | <u>2,296,654</u> | <u>2,483,888</u> |
| NET ASSETS: | | |
| Without donor restrictions | 69,493,659 | 42,513,686 |
| With donor restrictions | 77,988,315 | 17,618,399 |
| Total net assets | <u>147,481,974</u> | <u>60,132,085</u> |
| TOTAL | <u>\$ 155,808,146</u> | <u>\$ 67,621,643</u> |

See notes to financial statements.

MANA NUTRITIVE AID PRODUCTS INCORPORATED

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

| | Year Ended September 30, 2023 | | | Year Ended September 30, 2022 | | |
|--------------------------------|-------------------------------|---------------------------|-----------------------|-------------------------------|---------------------------|----------------------|
| | Without Donor Restriction | With Donor Restriction | Total | Without Donor Restriction | With Donor Restriction | Total |
| REVENUES AND SUPPORT: | | | | | | |
| Product sales | \$ 50,692,517 | \$ - | \$ 50,692,517 | \$ 36,866,068 | \$ - | \$ 36,866,068 |
| Public and corporate support | 206,400 | 41,919,882 | 42,126,282 | 69,633 | 37,011,539 | 37,081,172 |
| Donated property | - | 44,013,690 | 44,013,690 | - | - | - |
| Change in interest rate swap | (813) | - | (813) | 134,599 | - | 134,599 |
| Miscellaneous and other income | 1,248,379 | - | 1,248,379 | 45,693 | 113,722 | 159,415 |
| Released from restrictions | 25,563,656 | (25,563,656) | - | 24,145,832 | (24,145,832) | - |
| Total revenues and support | <u>77,710,139</u> | <u>60,369,916</u> | <u>138,080,055</u> | <u>61,261,825</u> | <u>12,979,429</u> | <u>74,241,254</u> |
| EXPENSES: | | | | | | |
| Program services | 49,564,878 | - | 49,564,878 | 37,929,468 | - | 37,929,468 |
| Management and general | 1,165,288 | - | 1,165,288 | 995,372 | - | 995,372 |
| Total expenses | <u>50,730,166</u> | <u>-</u> | <u>50,730,166</u> | <u>38,924,840</u> | <u>-</u> | <u>38,924,840</u> |
| CHANGE IN NET ASSETS | 26,979,973 | 60,369,916 | 87,349,889 | 22,336,985 | 12,979,429 | 35,316,414 |
| NET ASSETS, BEGINNING OF YEAR | <u>42,513,686</u> | <u>17,618,399</u> | <u>60,132,085</u> | <u>20,176,701</u> | <u>4,638,970</u> | <u>24,815,671</u> |
| NET ASSETS, END OF YEAR | <u>\$ 69,493,659</u> | <u>\$ 77,988,315</u> | <u>\$ 147,481,974</u> | <u>\$ 42,513,686</u> | <u>\$ 17,618,399</u> | <u>\$ 60,132,085</u> |

See notes to financial statements.

MANA NUTRITIVE AID PRODUCTS INCORPORATED

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

| | Year Ended September 30, 2023 | | | Year Ended September 30, 2022 | | |
|----------------------------------|-------------------------------|---------------------------|----------------------|-------------------------------|---------------------------|----------------------|
| | Program Services | Management and General | Total | Program Services | Management and General | Total |
| Product expenses | \$ 44,129,510 | \$ - | \$ 44,129,510 | \$ 33,728,328 | \$ - | \$ 33,728,328 |
| Compensation | 2,065,176 | 631,529 | 2,696,705 | 1,466,113 | 524,033 | 1,990,146 |
| Depreciation and amortization | 1,626,487 | 7,164 | 1,633,651 | 1,245,655 | 5,630 | 1,251,285 |
| Facilities expenses | 1,036,357 | 34,017 | 1,070,374 | 906,200 | 27,554 | 933,754 |
| Professional fees | 67,576 | 273,746 | 341,322 | 109,079 | 237,754 | 346,833 |
| Travel and entertainment | 123,450 | 137,852 | 261,302 | 44,316 | 112,188 | 156,504 |
| Insurance and fees | 198,498 | 10,678 | 209,176 | 151,515 | 9,153 | 160,668 |
| Interest expense | 176,761 | - | 176,761 | 177,852 | - | 177,852 |
| Communication expenses | 111,923 | 34,266 | 146,189 | 78,150 | 26,154 | 104,304 |
| Fundraising and public relations | 91 | 32,819 | 32,910 | 1,072 | 16,374 | 17,446 |
| Office expenses | 28,958 | 3,168 | 32,126 | 19,028 | 1,947 | 20,975 |
| Loss on disposition of property | - | - | - | 2,160 | 34,548 | 36,708 |
| Other | 91 | 49 | 140 | - | 37 | 37 |
| Total expenses | \$ 49,564,878 | \$ 1,165,288 | \$ 50,730,166 | \$ 37,929,468 | \$ 995,372 | \$ 38,924,840 |

See notes to financial statements.

MANA NUTRITIVE AID PRODUCTS INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 87,349,889 | \$ 35,316,414 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,633,651 | 1,251,285 |
| Loss on disposition of property | - | 36,708 |
| Change in reserves and allowances | 153,000 | 229,000 |
| Contribution of imputed interest on notes payable | - | (2,222) |
| Amortization of discount on notes payable | - | 3,299 |
| Amortization of loan costs | 10,116 | 10,116 |
| Change in interest rate swap | 813 | (134,599) |
| Donated property | (44,013,690) | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,348,484) | (199,027) |
| Inventory | (3,114,126) | (474,852) |
| Prepaid expenses and other assets | (660,937) | (72,694) |
| Accounts payable and accrued expenses | 1,142,274 | 2,567,652 |
| Other liabilities | 110,486 | - |
| Net cash provided by operating activities | <u>40,262,992</u> | <u>38,531,080</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property | <u>(24,566,051)</u> | <u>(13,215,125)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on line of credit, net | - | (902,000) |
| Payments on notes payable | <u>(426,262)</u> | <u>(543,173)</u> |
| Net cash applied to financing activities | <u>(426,262)</u> | <u>(1,445,173)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 15,270,679 | 23,870,782 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>27,476,281</u> | <u>3,605,499</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 42,746,960</u> | <u>\$ 27,476,281</u> |

See notes to financial statements.

MANA NUTRITIVE AID PRODUCTS INCORPORATED

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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.

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, 2023 and 2022, all remaining accounts receivable were considered collectible by the Organization's management. Accordingly, no allowance has been provided in the accompanying financial statements. The need for allowances is determined by management through a specific identification process. Accounts deemed uncollectible are charged against the allowance for doubtful accounts.

During the years ended September 30, 2023 and 2022, the Organization did not incur any bad debt expense.

Pledges Receivable/Contributions - Contributions are recognized as revenue (public and corporate support) when a donor makes a promise that is, in substance, unconditional to give cash or property to the Organization. All contributions that are restricted by the donor are reported as increases in 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. There were no pledges receivable as of September 30, 2023 and 2022.

Inventory - Inventory is stated at the lower of average cost or net realizable value, less allowance for obsolescence.

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. 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 for each of the years ended September 30, 2023 and 2022. 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. Additionally, the Organization provides an assurance-type standard warranty that the product will conform to certain specifications agreed to by the customer. This type of warranty does not represent a separate performance obligation.

The nature, amount, timing and uncertainty of the Organization's revenue and cash flows are impacted by various economic 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 resulting from contracts with customers was \$5,015,627, \$2,667,143 and \$2,468,116 as of September 30, 2023, 2022 and 2021, respectively.

All revenues from contracts with customers are included as product sales in the accompanying statements of activities.

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, 2023 and 2022.

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.

Subsequent Events - In preparing its financial statements, the Organization has evaluated subsequent events through January 19, 2024, 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, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ 42,746,960 | \$ 27,476,281 |
| Accounts receivable | <u>5,015,627</u> | <u>2,667,143</u> |
| Total financial assets | <u>47,762,587</u> | <u>30,143,424</u> |
| Less amounts not available to be used for general expenditures within one year: | | |
| Contributions with purpose restrictions | <u>34,249,696</u> | <u>17,618,399</u> |
| Financial assets not available to be used within one year | <u>34,249,696</u> | <u>17,618,399</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 13,512,891</u> | <u>\$ 12,525,025</u> |

As part of the Organization's liquidity management, it invests excess cash in readily available financial instruments. Additionally, the Organization has \$6,000,000 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, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------|----------------------|---------------------|
| Raw materials | \$ 3,618,057 | \$ 2,664,040 |
| Work in process | 36,643 | 68,605 |
| Finished goods | <u>8,808,668</u> | <u>6,616,597</u> |
| Subtotal | 12,463,368 | 9,349,242 |
| Less allowance for obsolescence | <u>(412,000)</u> | <u>(259,000)</u> |
| Total, net | <u>\$ 12,051,368</u> | <u>\$ 9,090,242</u> |

4. PROPERTY

Property consisted of the following as of September 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|----------------------|----------------------|
| Land | \$ 6,271,739 | \$ 255,739 |
| Buildings | 46,485,425 | 7,599,875 |
| Equipment and fixtures | 13,009,128 | 11,772,559 |
| Construction in progress | <u>37,541,242</u> | <u>15,099,620</u> |
| Subtotal | 103,307,534 | 34,727,793 |
| Less accumulated depreciation | <u>(8,438,407)</u> | <u>(6,804,756)</u> |
| Total, net | <u>\$ 94,869,127</u> | <u>\$ 27,923,037</u> |

During the year ended September 30, 2023, the Organization received a warehouse and the related land as donated property, and is recorded as revenues in the accompanying statement of activities. The donated property was valued and reported at the estimated fair market value at the date of receipt and is used in various program services and general and administrative matters. As part of this transaction, the donor has options to purchase the property from the Organization, for a nominal amount, around the 10th and 20th anniversaries of the original donation.

5. LINE OF CREDIT

The Organization has an available line of credit of up to \$6,000,000, subject to borrowing base limitations, from a financial institution. The line of credit is secured by accounts receivable and inventory, matures in April 2024, and is subject to interest on outstanding balances at the Bloomberg Short-Term Bank Yield Index ("BSBY") Daily Floating Rate (5.39% as of September 30, 2023) with a floor of 0.5%, plus a margin of 2.15%. As of September 30, 2023 and 2022, there were no outstanding borrowings.

6. NOTES PAYABLE

Notes payable consisted of the following as of September 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Note payable to a financial institution. The note is secured by a first position deed of trust in certain property and is payable in 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 BSBY Daily Floating Rate plus 2%. | \$ 2,444,967 | \$ 2,683,500 |
| 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. | 55,079 | 229,372 |
| Note payable to a financial institution. The note is secured by equipment, bears interest at 4.95%, and is payable in monthly installments of principal and interest of \$1,319 through June 2026. | <u>40,588</u> | <u>54,024</u> |
| Total | 2,540,634 | 2,966,896 |
| Less debt issuance costs | (46,740) | (56,856) |
| Less current portion | <u>(307,726)</u> | <u>(426,152)</u> |
| Noncurrent portion | <u>\$ 2,186,168</u> | <u>\$ 2,483,888</u> |

Principal maturities of notes payable are as follows:

| | |
|---------------------------------------|---------------------|
| During the years ending September 30: | |
| 2024 | \$ 307,726 |
| 2025 | 253,376 |
| 2026 | 250,158 |
| 2027 | 238,533 |
| 2028 | 238,533 |
| Thereafter | <u>1,252,308</u> |
| Total | <u>\$ 2,540,634</u> |

The line of credit and certain notes payable have certain restrictive covenants. As of September 30, 2023, the Organization was in compliance with such covenants.

7. INTEREST RATE CONTRACT

The Organization has an interest rate swap agreement with a bank under which the Organization is paying a fixed interest rate and receiving a variable rate determined by an applicable benchmark. In March 2023, the interest rate swap agreement was amended to reflect a change in the variable receiving interest rate. As part of this amendment, the original notional amounts and fixed payment interest rates also changed. As of September 30, 2023 and 2022, the Organization is receiving a rate of the one-month BSBY and one-month LIBOR, respectively.

As of September 30, 2023 and 2022, 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 Asset</u> |
|---------------------------------|-----------------------------|---------------------------|-------------------------|-------------------------|
| <u>2023</u> | | | | |
| \$ 1,156,722 | \$ 1,037,456 | 2.707% | December 2027 | \$ 44,997 |
| <u>2022</u> | | | | |
| \$ 2,250,000 | \$ 1,275,989 | 2.590% | December 2027 | \$ 45,810 |

The estimated fair value of the agreement is determined by broker quotations and represents the estimated amount that the Organization would 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, 2023 and 2022, the total estimated fair value of the Organization's derivatives are included in non-current assets in the accompanying statements of financial position. The Organization has elected not to apply hedge accounting. Accordingly, a loss of \$813 and a gain of \$134,599 for the years ended September 30, 2023 and 2022, respectively, are included in the accompanying statements 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, 2023 and 2022 consisted of the following:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| Contributions with purpose restrictions | \$ 77,988,315 | \$ 17,618,399 |
| Total | <u>\$ 77,988,315</u> | <u>\$ 17,618,399</u> |

Net assets released from donor restrictions during the years ended September 30, 2023 and 2022 consisted of the following:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| Contributions with purpose restrictions | \$ 25,563,656 | \$ 24,142,533 |
| Imputed interest on notes payable | <u>-</u> | <u>3,299</u> |
| Total assets released from restrictions | <u>\$ 25,563,656</u> | <u>\$ 24,145,832</u> |

9. CONCENTRATIONS

During the years ended September 30, 2023 and 2022, sales to one customer accounted for approximately 94% and 91% of total product sales, respectively.

Accounts receivable due from one customer represented 98% of the accounts receivable balance as of September 30, 2023.

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

10. 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.

11. 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 \$127,000 and \$93,000 for the years ended September 30, 2023 and 2022, respectively, and are included in compensation in the accompanying statements of functional expenses.

12. SUPPLEMENTAL CASH FLOW

Supplemental cash flow information for the years ended September 30, 2023 and 2022 is as follows:

| | <u>2023</u> | <u>2022</u> |
|------------------------|-------------|-------------|
| Cash paid for interest | \$ 165,207 | \$ 169,262 |
