

SOS INTERNATIONAL, INC.

**Financial Statements and
Supplementary Information**

Years Ended June 30, 2022 and 2021

SOS INTERNATIONAL, INC.

Financial Statements and Supplementary Information

Years Ended June 30, 2022 and 2021

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HENDERMAN, JESSEE & COMPANY, PLLC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
SOS International, Inc.
Louisville, Kentucky

Opinion

We have audited the accompanying financial statements of SOS International, Inc. ("SOS") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of SOS as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SOS 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 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 the 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 SOS's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 SOS'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about SOS'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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Heiderman Jesse Company PLLC

Louisville, Kentucky
February 6, 2023

SOS INTERNATIONAL, INC.

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash	\$ 326,594	\$ 423,299
Donated supplies and equipment inventory	5,156,594	5,011,361
Prepaid expenses and other assets	8,725	8,725
Board restricted investments	574,378	637,090
Beneficial interest in foundation assets	45,031	55,664
Property and equipment, net	<u>701,752</u>	<u>727,132</u>
Total assets	<u>\$ 6,813,074</u>	<u>\$ 6,863,271</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 75,010	\$ 66,042
Notes payable	<u>636,876</u>	<u>726,729</u>
Total liabilities	711,886	792,771
Net assets:		
Without donor restrictions:		
Unrestricted	5,481,779	5,377,746
Board designated for quasi-endowment	<u>574,378</u>	<u>637,090</u>
	6,056,157	6,014,836
With donor restrictions	<u>45,031</u>	<u>55,664</u>
Total net assets	<u>6,101,188</u>	<u>6,070,500</u>
Total liabilities and net assets	<u>\$ 6,813,074</u>	<u>\$ 6,863,271</u>

See accompanying notes to the financial statements.

SOS INTERNATIONAL, INC.

Statements of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, support and gains:						
Contributions of cash	\$ 519,657	\$ 12,625	\$ 532,282	\$ 425,157	\$ 16,650	\$ 441,807
Contributions of nonfinancial assets	4,116,398	--	4,116,398	4,509,112	--	4,509,112
Shipping revenue	73,711	--	73,711	53,288	--	53,288
Recycling revenue	256,488	--	256,488	177,496	--	177,496
Special events, gross	34,315	--	34,315	--	--	--
Less: cost of direct benefits	<u>(11,563)</u>	<u>--</u>	<u>(11,563)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net special events	22,752	--	22,752	--	--	--
Net investment income (loss)	(62,712)	--	(62,712)	75,442	--	75,442
Gain (loss) on beneficial interest in foundation assets	--	(10,633)	(10,633)	--	11,316	11,316
Rental and other income	1,497	--	1,497	339	--	339
Government grants	63,985	--	63,985	63,900	--	63,900
Net assets released from restrictions	<u>12,625</u>	<u>(12,625)</u>	<u>--</u>	<u>16,650</u>	<u>(16,650)</u>	<u>--</u>
Total revenues, support and gains	5,004,401	(10,633)	4,993,768	5,321,384	11,316	5,332,700
Expenses:						
Program services	4,724,385	--	4,724,385	5,009,866	--	5,009,866
Fundraising	140,653	--	140,653	117,203	--	117,203
Management and general	<u>98,042</u>	<u>--</u>	<u>98,042</u>	<u>80,549</u>	<u>--</u>	<u>80,549</u>
Total expenses	<u>4,963,080</u>	<u>--</u>	<u>4,963,080</u>	<u>5,207,618</u>	<u>--</u>	<u>5,207,618</u>
Increase (decrease) in net assets	<u>41,321</u>	<u>(10,633)</u>	<u>30,688</u>	<u>113,766</u>	<u>11,316</u>	<u>125,082</u>
Net assets, beginning of year	<u>6,014,836</u>	<u>55,664</u>	<u>6,070,500</u>	<u>5,901,070</u>	<u>44,348</u>	<u>5,945,418</u>
Net assets, end of year	<u>\$ 6,056,157</u>	<u>\$ 45,031</u>	<u>\$ 6,101,188</u>	<u>\$ 6,014,836</u>	<u>\$ 55,664</u>	<u>\$ 6,070,500</u>

See accompanying notes to the financial statements

SOS INTERNATIONAL, INC.

Statements of Functional Expenses

Years Ended June 30, 2022 and 2021

	2022				2021			
	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Supplies and equipment shipped	\$ 3,857,956	\$ --	\$ --	\$ 3,857,956	\$ 4,298,834	\$ --	\$ --	\$ 4,298,834
Personnel	464,472	102,593	52,133	619,198	371,571	82,305	41,959	495,835
Shipping	109,286	--	--	109,286	88,224	--	--	88,224
Contract services	--	15,929	5,310	21,239	--	16,479	5,494	21,973
Donated services	116,530	--	--	116,530	98,200	--	--	98,200
Development and marketing	964	14,424	3,846	19,234	783	11,743	3,132	15,658
Depreciation	22,842	1,269	1,269	25,380	25,765	1,431	1,431	28,627
Insurance	14,348	--	1,594	15,942	12,776	--	1,420	14,196
Bio-Medical	5,561	--	--	5,561	7,682	--	--	7,682
Sponsorship	190	--	--	190	--	--	--	--
Travel	18,998	662	993	20,653	11,179	391	586	12,156
Office supplies	2,785	371	557	3,713	2,837	377	554	3,768
Professional fees	6,661	888	13,582	21,131	4,626	616	18,000	23,242
Office expense	9,797	1,328	3,336	14,461	9,187	1,173	3,402	13,762
Utilities	30,133	1,674	1,674	33,481	21,600	1,200	1,200	24,000
Repairs and maintenance	15,936	--	--	15,936	10,569	--	--	10,569
Licenses	732	--	244	976	880	--	293	1,173
Project expense	16,991	--	--	16,991	16,568	--	--	16,568
Interest expense	27,262	1,515	1,515	30,292	26,776	1,488	1,488	29,752
Other expense	2,941	--	11,989	14,930	1,809	--	1,590	3,399
Total expenses	<u>\$ 4,724,385</u>	<u>\$ 140,653</u>	<u>\$ 98,042</u>	<u>\$ 4,963,080</u>	<u>\$ 5,009,866</u>	<u>\$ 117,203</u>	<u>\$ 80,549</u>	<u>\$ 5,207,618</u>

See accompanying notes to the financial statements

SOS INTERNATIONAL, INC.

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Increase in net assets	\$ 30,688	\$ 125,082
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Realized and unrealized (gain) loss on investments	71,878	(64,573)
Investment income	(9,166)	(10,869)
(Gain) loss on beneficial interest in Foundation assets	10,633	(11,316)
Government grants	(63,985)	(63,900)
Depreciation	25,380	28,627
Change in assets and liabilities:		
Inventory	(145,233)	(117,196)
Accounts payable and accrued expenses	8,968	10,443
Net cash used in operating activities	<u>(70,837)</u>	<u>(103,702)</u>
Cash flows from financing activities:		
Proceeds from note payable	-	63,985
Repayment on note payable	<u>(25,868)</u>	<u>(18,715)</u>
Net cash provided by (used in) financing activities	<u>(25,868)</u>	<u>45,270</u>
Net decrease in cash	(96,705)	(58,432)
Cash and cash equivalents at beginning of year	<u>423,299</u>	<u>481,731</u>
Cash and cash equivalents at end of year	<u>\$ 326,594</u>	<u>\$ 423,299</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 30,292</u>	<u>\$ 29,752</u>

See accompanying notes to the financial statements.

SOS INTERNATIONAL, INC.

Notes to the Financial Statements

Years Ended June 30, 2022 and 2021

Note A – Summary of Significant Accounting Policies

Nature of Activities

SOS International, Inc. (“SOS”) is a non-profit organization located in Louisville, Kentucky. The company recovers and redistributes surplus medical supplies and equipment to developing countries around the world.

SOS is supported primarily through contributions, grants and investment income.

Basis of Presentation

SOS reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of SOS, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

SOS INTERNATIONAL, INC.

Notes to the Financial Statements, continued

Years Ended June 30, 2022 and 2021

Note A - Summary of Significant Accounting Policies, continued

Contributions of Cash

Contributions of cash received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the absence or existence and nature of any donor restrictions.

Contributions of Nonfinancial Assets

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2022</u>	<u>2021</u>
Warehouse sorting services	\$ 116,530	\$ 98,200
Medical supplies	3,177,673	3,058,558
Medical equipment	<u>822,195</u>	<u>1,352,354</u>
	<u>\$ 4,116,398</u>	<u>\$ 4,509,112</u>

SOS's policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of SOS. There were no donor restricted contributions of nonfinancial assets received by SOS for the years ended June 30, 2022 and 2021. If donated medical supplies or equipment cannot be utilized by SOS in its normal course of business, SOS may sell it to a surgical supply specialist. Revenue from these sales are included in recycling revenue in the Statements of Activities.

Donated sorting services are valued at \$10 per volunteer hour donated, and are recognized as contributions in the accompanying financial statements because the volunteer services are an integral part of SOS's total program activities and SOS would need to purchase the services if they were not donated. The fair value of donated services included as contributions in the financial statements are expensed and included in the Statement of Functional Expenses.

Donated supplies are weighed when they enter the warehouse and are valued at industry standard of \$16 per pound. When the inventory is sorted, they are valued as follows: (1) 75% of retail sales prices located on a publicly available website for medical supplies; and (2) 85% of used sales prices located on a publicly available website for surplus medical equipment. Items for which no comparable price can be obtained are not valued. Donated surplus medical supplies and equipment received by SOS are recorded as revenue in the Statements of Activities and inventory in the Statements of Financial Position. Inventory donated by SOS to medical providers in developing countries is reported as an expense upon shipment.

SOS INTERNATIONAL, INC.

Notes to the Financial Statements, continued

Years Ended June 30, 2022 and 2021

Note A - Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, SOS's cash consists of cash on deposits with banks. Cash held temporarily by a custodian for investment purposes is included in investments and is not considered to be cash equivalents.

Property and Equipment

Property and equipment purchases are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, SOS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. SOS reclassifies net assets with donor restrictions as net assets without donor restrictions at that time.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which they are recognized.

Pledges Receivable

Contributions are recognized when the donor makes an unconditional promise to give. Unconditional grants due within the next year are reflected as receivables and are recorded at their net realizable value. There were no pledges receivable at June 30, 2022 and 2021.

Accrued Vacation

Employees of SOS are entitled to paid vacation depending on years of employment. Accrued vacation is included in accounts payable and accrued expenses on the Statements of Financial Position. For the years ended June 30, 2022 and 2021, accrued vacation totaled \$34,740 and \$36,693, respectively.

SOS INTERNATIONAL, INC.

Notes to the Financial Statements, continued

Years Ended June 30, 2022 and 2021

Note A - Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

The costs of providing program and other activities are summarized on a functional basis in the Statements of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among program, fundraising, and management and general expenses. The expenses that are allocated are supplies and equipment shipped, shipping, donated services, bio-medical, sponsorship, repairs and maintenance, which are allocated on the basis of full time equivalent; personnel, contract services, development and marketing, depreciation, insurance, travel, office supplies, professional fees, office expense, utilities, licenses, interest expense and other expense, which are allocated on time and effort.

Income Taxes

SOS is exempt from federal and state income taxes as other than a private foundation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended and, has no unrelated business income for the years ended June 30, 2022 and 2021. Accordingly, no provision for income taxes has been recorded.

Management is not aware of any uncertain tax positions. Accordingly, the financial statements do not include a provision for uncertain tax positions, and no related interest or penalties have been recorded.

SOS INTERNATIONAL, INC.

Notes to the Financial Statements, continued

Years Ended June 30, 2022 and 2021

Note B - Liquidity and Availability of Funds

SOS's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash	\$ 326,594	\$ 423,299
Beneficial interest in foundation assets	45,031	55,664
Board-restricted investments	<u>574,378</u>	<u>637,090</u>
	946,003	1,116,053
Less those unavailable for general expenditures within one year due to:		
Beneficial interest in foundation assets	45,031	55,664
Board-restricted investments	<u>574,378</u>	<u>637,090</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 326,594</u>	<u>\$ 423,299</u>

As part of SOS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. SOS invests excess cash in short-term investments, such as money market accounts. Additionally, SOS has board-designated net assets without donor restrictions that, while SOS does not intend to spend for these purposes other than those identified, the amounts could be made available for current operations, if necessary.

Note C - Donated Supplies and Equipment Inventory

Inventories at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Medical supplies	\$ 3,064,539	\$ 2,680,275
Medical equipment	<u>2,092,055</u>	<u>2,331,086</u>
	<u>\$ 5,156,594</u>	<u>\$ 5,011,361</u>

SOS INTERNATIONAL, INC.

Notes to the Financial Statements, continued

Years Ended June 30, 2022 and 2021

Note D - Board Designated Quasi-Endowment Fund

SOS has a standing policy to designate bequests without donor restrictions as a general endowment fund to support the mission of SOS. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as board designated for quasi-endowment in net assets without donor restrictions.

The fund consisted of the following at June 30, 2022 and June 30, 2021.

	<u>2022</u>	<u>2021</u>
Money market fund	\$ 78,360	\$ 63,213
Mutual funds:		
Equity	188,078	263,838
Fixed income	<u>307,940</u>	<u>310,039</u>
	<u>\$ 574,378</u>	<u>\$ 637,090</u>

Changes in board designated net assets for the periods ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Board designated quasi-endowment fund, beginning of year	\$ 637,090	\$ 561,647
Investment return:		
Interest and dividends	15,692	17,093
Net realized and unrealized gain (loss)	(71,878)	64,573
Management fees	<u>(6,526)</u>	<u>(6,223)</u>
Board designated quasi-endowment fund, end of year	<u>\$ 574,378</u>	<u>\$ 637,090</u>

SOS has adopted investment and spending policies for the investment assets which attempt to provide a predictable stream of funding to support operations while seeking to maintain the purchasing power of the investments. Under these policies, assets are invested in a manner which is intended to maximize current income as well as stability of principal.

SOS INTERNATIONAL, INC.

Notes to the Financial Statements, continued

Years Ended June 30, 2022 and 2021

Note D - Board Designated Quasi-Endowment Fund, continued

To satisfy its long-term rate-of-return objectives, SOS relies upon a total return strategy where investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SOS targets a diversified asset allocation which places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The organization has a spending policy of appropriating for distributions each year of 4.0% to 7.0% of its board designated quasi-endowment fund's average fair value of the prior 12 quarters through the fiscal year preceding the fiscal year in which the distribution is planned.

Note E - Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a 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:

Level 1 - unadjusted quoted market prices in active markets for identical assets. SOS's investments in mutual funds are based upon the closing market prices on the exchange where they are traded. Money market accounts consist primarily of commercial paper and other cash management instruments.

Level 2 - other significant observable inputs (including quoted market prices for similar securities, interest rates, credit risk, etc.).

Level 3 - significant unobservable inputs (including SOS's own assumptions in determining fair value). The fair value of beneficial interests in trust assets was determined based on pooled assets held by the trusts.

The inputs and methodology used for valuing SOS's financial assets are not necessarily indicators of the risks associated with those assets.

SOS INTERNATIONAL, INC.

Notes to the Financial Statements, continued

Years Ended June 30, 2022 and 2021

Note E - Fair Value Measurements, continued

The following table summarizes fair value measurement information for financial assets measured at fair value on a recurring basis at June 30, 2022 and 2021:

	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 78,360	\$ --	\$ --	\$ 78,360
Mutual funds:				
Equity	188,078	--	--	188,078
Fixed income	307,940	--	--	307,940
Beneficial interests in foundation assets	--	--	<u>45,031</u>	<u>45,031</u>
	<u>\$ 574,378</u>	<u>\$ --</u>	<u>\$ 45,031</u>	<u>\$ 619,409</u>
	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 63,213	\$ --	\$ --	\$ 63,213
Mutual funds:				
Equity	263,838	--	--	263,838
Fixed income	310,039	--	--	310,039
Beneficial interests in foundation assets	--	--	<u>55,664</u>	<u>55,664</u>
	<u>\$ 637,090</u>	<u>\$ --</u>	<u>\$ 55,664</u>	<u>\$ 692,754</u>

Note F - Beneficial Interest in Foundation Assets

SOS established separate endowment funds with the Community Foundation of Southern Indiana and Community Foundation of Louisville during 2013, on an irrevocable basis with a one-time deposit of \$5,000 and \$25,000, respectively. Distributions from both foundations become available quarterly based upon three percent and four and one-half percent, respectively, of the funds' fair market value as determined on the prior June 30 (based upon the average of the prior twelve quarters) after fees. There were no foundation receivables, representing monies available to SOS but not yet distributed, at June 30, 2022 and 2021.

SOS INTERNATIONAL, INC.

Notes to the Financial Statements, continued

Years Ended June 30, 2022 and 2021

Note F - Beneficial Interest in Foundation Assets, continued

The fair values, as determined by the Foundations, were as follows at June 30, 2022 and 2021:

	<u>Community Foundation of Louisville</u>	<u>Community Foundation of Southern Indiana</u>	<u>Total</u>
Balance, July 1, 2020	\$ 38,379	\$ 5,969	\$ 44,348
Interest and dividends	785	210	995
Net realized and unrealized gain	9,491	1,318	10,809
Management fees	<u>(253)</u>	<u>(235)</u>	<u>(488)</u>
Balance, June 30, 2021	<u>\$ 48,402</u>	<u>\$ 7,262</u>	<u>\$ 55,664</u>
Interest and dividends	918	103	1,021
Net realized and unrealized gain	(9,797)	(1,418)	(11,215)
Management fees	<u>(275)</u>	<u>(164)</u>	<u>(439)</u>
Balance, June 30, 2022	<u>\$ 39,248</u>	<u>\$ 5,783</u>	<u>\$ 45,031</u>

Note G - Property and Equipment

Property and equipment consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 225,000	\$ 225,000
Building	552,827	552,827
Equipment and vehicles	161,810	161,810
Software	<u>17,088</u>	<u>17,088</u>
	956,725	956,725
Less: accumulated depreciation and amortization	<u>254,973</u>	<u>229,593</u>
	<u>\$ 701,752</u>	<u>\$ 727,132</u>

SOS INTERNATIONAL, INC.

Notes to the Financial Statements, continued

Years Ended June 30, 2022 and 2021

Note H - Notes Payable

Notes payable consist of the following:

	<u>2022</u>	<u>2021</u>
1.00%, 50 month note payable to the bank in monthly installments, of \$1,318, including interest, beginning December 2021 through January 2026, unsecured	\$ - -	\$ 63,985
2.75%, 30 year note payable to the SBA in monthly installments, of \$641, including interest, beginning June 2021 through June 2049, secured by property and equipment	150,000	150,000
4.45% , 20 year note payable to a bank in monthly installments of \$4,039, including interest, secured by real estate, through May 2025. The outstanding balance at May 2025 will be re-amortized at a rate equal to the U.S. prime rate but not less than 4.00% over the remaining 10 years	<u>486,876</u>	<u>512,744</u>
	<u>\$ 636,876</u>	<u>\$ 726,729</u>

Paycheck Protection Program Loan

In April 2020, SOS received a Paycheck Protection Program (“PPP”) loan under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) totaling \$63,900. SOS recorded the PPP proceeds as debt on the Statement of Financial Position for the year ended June 30, 2020. In March 2021, the Small Business Administration (“SBA”) granted forgiveness of the loan in full.

In January 2021, SOS received a second PPP loan under the CARES Act totaling \$63,985. The loan is unsecured. On December 22, 2021, the Organization was granted forgiveness of the loan in full. The amount of forgiveness for both years has been reported in the Statement of Activities as Government Grants.

SOS INTERNATIONAL, INC.

Notes to the Financial Statements, continued

Years Ended June 30, 2022 and 2021

Note H - Notes Payable, continued

As of June 30, 2022, the notes payable are due as follows:

2023	\$	30,687
2024		32,328
2025		33,864
2026		35,931
2027		38,370
Thereafter		<u>465,696</u>
	\$	<u>636,876</u>

Note I - Concentration of Credit Risk

SOS maintains cash balances at a Federal Deposit Insurance Corporation institution that is in excess of insured limited. At June 30, 2022 and 2021, SOS's uninsured cash balances were \$74,975 and \$171,265, respectively.

Note J - Adoption of New Accounting Guidance

Effective July 1, 2021, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Company has the right to control the asset during the contract period and other facts and circumstances. The adoption of FASB ASC 842 did not have a material impact on the Organization's financial statements.

Also effective July 1, 2021, the Organization adopted Accounting Standards Update 2020-07, *Presentation and Disclosures by not-for-Profit Entities for contributed Nonfinancial Asset*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregation by category the types of contributed nonfinancial assets a nonprofit has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Note K - Subsequent Events

Management has evaluated all subsequent events through February 6, 2023, which is the date the financial statements were available to be issued.

Supplementary Information

SOS INTERNATIONAL, INC.

Schedules of Activities - Before/After Donated Items and Services

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues, support and gains:		
Contributions	\$ 532,282	\$ 441,807
Shipping revenue	73,711	53,288
Recycling revenue	256,488	177,609
Special events, net	22,752	(113)
Investment income, net	(62,712)	75,442
Gain (loss) on beneficial interest in foundation assets	(10,633)	11,316
Other income	1,497	339
Government grants	<u>63,985</u>	<u>63,900</u>
Total revenues, support and gains	877,370	823,588
Expenses:		
Program	749,899	612,832
Fundraising	140,653	117,203
Management and general	<u>98,042</u>	<u>80,549</u>
Total expenses	<u>988,594</u>	<u>810,584</u>
Increase (decrease) in net assets - before donated items and services	(111,224)	13,004
Donated items and services:		
Donated supplies and equipment received	3,999,868	4,410,912
Donated supplies and equipment shipped	<u>(3,857,956)</u>	<u>(4,298,834)</u>
Total donated items and services, net	<u>141,912</u>	<u>112,078</u>
Increase in net assets - after donated items and services	<u>\$ 30,688</u>	<u>\$ 125,082</u>

See independent accountant's audit report.