VITAMIN ANGEL ALLIANCE, INC.

FINANCIAL STATEMENTS

December 31, 2021

VITAMIN ANGEL ALLIANCE, INC.
Table of Contents
December 31, 2021

Independent Auditor's Report……...….………..……………………..……..…...1-2

Statement of Financial Position…………..……..…………………..…...………..3

Statement of Activites…….……...…………..….……...……...…………………….4

Statement of Functional Expenses…….……………….....……….……………......5

Statement of Cash Flows…………..…..………………………………...……….6

Notes to Financial Statements…………….…………….….………..………7-17

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vitamin Angel Alliance, Inc.

Opinion

We have audited the accompanying financial statements of Vitamin Angel Alliance, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Vitamin Angel Alliance, Inc., as of and for the year ended December 31, 2020, were audited by Damitz, Brooks, Nightingale Turner & Morrisset. Effective January 1, 2022, Damitz, Brooks, Nightingale, Turner & Morrisset merged with Hutchinson and Bloodgood LLP. Damitz, Brooks, Nightingale, Turner & Morrisset's report dated, June 11, 2021, expressed an unqualified opinion on those statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vitamin Angel Alliance, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Vitamin Angel Alliance, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 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 Vitamin Angel Alliance, Inc.'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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Vitamin Angel Alliance, Inc.'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 Vitamin Angel Alliance, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

Damitz, Brooks, Nightingale, Turner & Morrisset has previously audited Vitamin Angel Alliance, Inc.'s 2020 financial statements, and their report dated June 11, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hutchinson and Bloodgood LLP

Hutchinson and Bloodgood LLP

Santa Barbara, California

June 10, 2022

VITAMIN ANGEL ALLIANCE, INC.
Statement of Financial Position
December 31, 2021
(With Summarized Comparative Totals for 2020)

Assets	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Assets				
Cash	$ 14,180,597	$ 627,018	$ 14,807,615	$ 5,867,585
Prepaid expenses and deposits	206,103	-	206,103	315,254
Pledges receivable, net	-	12,393,392	12,393,392	9,983,675
Inventory	65,127,312	-	65,127,312	80,705,606
Investments	10,588,758	-	10,588,758	9,255,437
Office furniture, equipment, and leasehold improvements, net	215,981	-	215,981	265,549
Total assets	$ 90,318,751	$ 13,020,410	$ 103,339,161	$ 106,393,106
Liabilities and Net Assets				
Liabilities				
Accounts payable	$ 502,874	$ -	$ 502,874	$ 1,073,711
Accrued payroll liabilities	554,100	-	554,100	564,606
Accrued deferred compensation	425,000	-	425,000	350,000
Total liabilities	1,481,974	-	1,481,974	1,988,317
Net Assets				
Without donor restrictions				
Board designated	7,645,634	-	7,645,634	5,602,970
Other net assets without donor restrictions	81,191,143	-	81,191,143	88,755,428
With donor restrictions	-	13,020,410	13,020,410	10,046,391
Total net assets	88,836,777	13,020,410	101,857,187	104,404,789
Total Liabilities and Net Assets	$ 90,318,751	$ 13,020,410	$ 103,339,161	$ 106,393,106

VITAMIN ANGEL ALLIANCE, INC.
Statement of Activities
Year Ended December 31, 2021
(With Summarized Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenues and Other Support				
In-kind contributions	$ 85,262,612	$ -	$ 85,262,612	$ 106,330,715
Contributions	18,256,952	12,957,694	31,214,646	22,095,341
Investment income, net	1,249,274	-	1,249,274	656,246
Paycheck Protection Program loan forgivness	-	-	-	700,000
Net assets released from restrictions	9,983,675	(9,983,675)	-	-
Total revenues and other support	114,752,513	2,974,019	117,726,532	129,782,302
Expenses				
Nutrition and health projects	113,455,078	-	113,455,078	89,978,513
Management and general	1,749,520	-	1,749,520	1,307,827
Fundraising	5,069,536	-	5,069,536	4,828,110
Total expenses	120,274,134	-	120,274,134	96,114,450
Increase (decrease) in net assets	(5,521,621)	2,974,019	(2,547,602)	33,667,852
Net assets, beginning of year	94,358,398	10,046,391	104,404,789	70,736,937
Net assets, end of year	$ 88,836,777	$ 13,020,410	$ 101,857,187	$ 104,404,789

VITAMIN ANGEL ALLIANCE, INC.
Statement of Functional Expenses
Year Ended December 31, 2021
(With Summarized Comparative Totals for 2020)

	Program Services	Supporting Services		Total	
	Nutrition and Health Projects	Management and General	Fundraising	2021	2020
Salaries	$ 1,982,493	$ 1,080,005	$ 2,444,339	$ 5,506,837	$ 4,645,200
Payroll taxes and benefits	317,206	157,745	397,364	872,315	775,197
Total salaries and benefits	2,299,699	1,237,750	2,841,703	6,379,152	5,420,397
Consulting	1,935,890	172,952	1,046,301	3,155,143	2,569,781
Depreciation	31,149	12,459	18,689	62,297	61,842
Development events, donor recognition, and marketing	-	-	860,503	860,503	771,272
Information technology	252,802	51,635	25,817	330,254	451,346
Insurance	64,080	25,632	38,448	128,160	126,087
Legal and accounting	113,462	110,948	18,911	243,321	269,138
Loss on disposal of assets	-	8,156	-	8,156	-
Occupancy	172,305	68,923	103,384	344,612	335,653
Office expenses	164,961	55,679	82,907	303,547	275,196
Postage and shipping	2,519,334	-	-	2,519,334	1,981,691
Products distributed - contributed	101,003,583	-	-	101,003,583	80,318,157
Products distributed - purchased	3,820,245	-	-	3,820,245	3,006,401
Program direct expense	821,353	-	-	821,353	238,675
Travel	256,215	5,386	32,873	294,474	288,814
Total expenses 2021	$ 113,455,078	$ 1,749,520	$ 5,069,536	$ 120,274,134	
Total expenses 2020	$ 89,978,513	$ 1,307,827	$ 4,828,110		$ 96,114,450

VITAMIN ANGEL ALLIANCE, INC.
Statement of Cash Flows
Year Ended December 31, 2021
(With Summarized Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Increase (decrease) in net assets	$ (2,547,602)	$ 33,667,852
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Paycheck Protection Program loan forgiveness	-	(700,000)
Depreciation	62,297	61,843
Net realized gain on investments	(331,251)	(114,337)
Net unrealized gain on investments	(857,815)	(462,158)
Net realized loss on disposal of fixed assets	8,156	-
Decrease (increase) in:		
Inventory	15,578,294	(26,597,662)
Pledges receivable	(2,409,717)	(5,518,953)
Prepaid expenses and deposits	109,151	(247,551)
Increase (decrease) in:		
Accounts payable	(570,837)	295,783
Accrued payroll liabilities	(10,506)	95,738
Accrued deferred compensation	75,000	75,000
Net cash provided by operating activities	9,105,170	555,555
Cash flows from investing activities		
Purchase of investments	(2,634,483)	(1,912,225)
Proceeds from sales of investments	2,490,228	1,662,136
Purchase of office furniture and equipment	(20,885)	(22,904)
Net cash used by investing activities	(165,140)	(272,993)
Cash flows from financing activities		
Paycheck Protection Program loan	-	700,000
Net cash provided by financing activities	-	700,000
Net increase in cash	8,940,030	982,562
Cash, beginning of year	5,867,585	4,885,023
Cash, end of year	$ 14,807,615	$ 5,867,585

1. ORGANIZATION

Vitamin Angel Alliance, Inc. (the "Organization"), a California nonprofit corporation, was founded in 1998 and is headquartered in Goleta, California. The Organization aims to reduce health and economic disparities across the lifespan by effectively delivering evidence-based nutrition interventions to hard-to-reach populations globally. The Organization's model is based on the reality that national health services are unable to reach all eligible participants, especially those that reside in marginalized or hard-to-reach communities.

Employing context-specific approaches, the Organization engages in advocacy and advisory services, provides evidence-based nutrition interventions, and delivers technical assistance to reach underserved populations. The Organization works at both the national and local level, often through a blended approach, to identify governments and non-governmental organizations (NGOs) interested in exploring the introduction and implementation of evidence-based nutrition interventions. It is through a range of strategies, working with multiple stakeholders, that the Organization can effectively and efficiently fill gaps in coverage.

The Organization supports a range of nutrition specific interventions, targeting the first 1,000 days of life (i.e., from conception to 24 months of age) and children up to 5 years of age. The Organization works to expand the availability of evidence-based nutrition interventions to hard-to-reach populations, with a focus on strengthening, sustaining, or expanding multiple micronutrient supplementation (MMS) for pregnant women, high-dose vitamin A supplementation for children under 5, deworming for children under 5, and infant and young child feeding.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont.)*

Net Assets

GAAP requires that the Organization report information regarding its financial position and activities according to two classes of net assets based on the existence and nature of donor imposed restrictions as follows:

<u>Net assets without donor restrictions:</u> Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

<u>Net assets with donor restrictions:</u> Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are permanent in nature, where by the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2021 and 2020, there were no donor restricted funds that were permanent in nature.

Prior-Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but are not presented by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020 from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash

For purposes of the statement of cash flows, cash consists of cash in banks and excludes cash equivalents held for investment.

Investments

The Organization follows Accounting Standards Codification 820, Fair Value Measurements and Disclosures, issued by the Financial Accounting Standards Board (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. Pursuant to ASC 820, assets and liabilities recorded and maintained at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure fair value. ASC 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont.)*

Investments (Cont.)

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The Organization has no liabilities measured at fair value. Following is a description of the valuation methodologies used for cash and investments measured at fair value:

Cash and money market funds - Valued at face value (Level 1)

Equities and mutual funds - Valued utilizing quoted prices available in active markets for identical investments as of the reporting date. (Level 1)

Fixed income securities - Valued utilizing benchmark yields, reported trades or broker dealer quotes. (Level 2)

Detailed information about fair value of investments and the unrealized gains and losses are discussed in Note 5.

Inventory

The Organization's policy is to distribute inventory at the earliest practical date, consistent with sound programmatic principles. While the distribution typically occurs in the same year of receipt, it may occur in the following year. The expense ‘products distributed’ is recorded when inventory is shipped. Inventory consists of the following as of December 31:

	2021	2020
Anti-parasitic tablets	$ 31,657,610	$ 48,403,880
Multiple Micronutrient Supplements (MMS) for pregnant women	32,211,966	31,162,356
High-dose vitamin A	1,257,736	1,139,370
	$ 65,127,312	$ 80,705,606

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont.)*

Inventory (Cont.)

Contributed inventory is recorded at fair value (See Note 2, Contributed Product). Purchased inventory is carried at cost, unless the purchase price has been discounted. If the Organization is able to purchase from a vendor at a price below the valuation price, the Organization records the discount as a gift in-kind (GIK) contribution. The discount is the difference between the amount that would be paid for the quantity of product purchased in an orderly transaction between market participants, and the purchase price paid by the Organization.

Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges receivable consist primarily of promises from corporate donors. The Organization uses the allowance method to determine uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible pledges at December 31, 2021 and 2020. The fair value is measured using an income approach which incorporates inputs including estimated credit risk, estimated timing of cash receipts, and an appropriate present value discount factor

Office Furniture, Equipment, and Leasehold Improvements

Office furniture, equipment, and leasehold improvements are carried at cost, or if acquired by gift, at the estimated fair market value on the date of donation. Expenditures for major renewals that extend the useful lives of office furniture and equipment are capitalized if amounts are in excess of $500. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of office furniture and equipment as follows:

	Years
Furniture and fixtures	5-7
Computers and office equipment	5
Leasehold improvements	7

Revenue Recognition

The Organization records contributions in the period received or promised as revenue without donor restrictions unless the donor stipulates any restrictions which are not met within the year the donation is received. Donor restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements. Donor restricted contributions whose restrictions are not met within the same year as received are recorded as an increase in net assets with donor restrictions. When a restriction expires due to purpose and/or time, net assets with donor restrictions are reclassified as net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont.)*

Contributed Product

The Organization values gifts in-kind (GIK) at fair value. ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The fair value is determined based on the principal market for each product. There is no commercial market for the products contributed to the Organization in the United States. Accordingly, the principal market for the products contributed are limited to the international commercial marketplace where non-governmental organizations, governments, and/or local pharmacies transact for the product. The Organization uses independent pricing guides to determine the fair value of each product based on each product's specific formulation. The sources of such pricing information vary and may include IMS Health data, "Sources and Prices of Selected Medicines for Children", the Organization's own acquisition cost and/or the average wholesale price found in RedBook®.

IMS Health data comes from a company called IMS Health that provides market intelligence to pharmaceutical and healthcare industries and provides wholesale pricing data. The "Sources and Prices of Selected Medicines for Children" guide is published annually by UNICEF and the W.H.O. If the product formulations are not listed in IMS Health data or in the "Sources and Prices of Selected Medicines for Children" guide, the average wholesale price of the most similar products found in RedBook ® is used as a suitable pricing reference. RedBook® is published by Thomson Reuters and is based on United States manufacturers' suggested wholesale prices.

Valuations typically are substantially lower than published retail prices. Contributed products provided to the Organization's partners around the world are recorded as an expense at the same fair value as they were recognized as revenue upon receipt.

Contributed Services

The Organization recognizes contribution revenue for specialized services that would otherwise be purchased by the Organization in an amount equal to the fair value of those services. The legal consulting services were donated by a related party (Note 12). The following amounts were contributed and recognized as revenue:

Service Donated	2021 Fair Value	2020 Fair Value	Purpose
Accounting services	$ 4,500	$ 4,000	General
Legal consulting	142,600	208,700	General

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont.)*

Functional Allocation of Expenses

The statement of functional expenses present the natural classification detail of expenses by function. Direct expenses are charged to the appropriate program or supporting services. Certain costs have been allocated among the programs and supporting services benefited. Expenses allocated on a square footage basis include occupancy, depreciation, utilities, and insurance. Expenses allocated on the basis of estimates of time and effort include salaries and wages, benefits, payroll taxes, professional services, office expenses, and information technology.

Tax Exempt Status

The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, and is considered a public charity.

Uncertain Tax Positions

The Organization's IRS Form 990 is subject to review and examination by Federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The Organization's tax returns from the year 2018 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2017 to the present remain subject to examination by the state of California.

Use of Estimates

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant accounting estimates include valuation of contributed products and functional expense allocations. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through June 10, 2022, the date that the financial statements were available to be issued.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of December 31, 2021:

Cash	$ 14,180,597
Investments	10,588,758
Pledges receivable	10,922,092
Less deferred compensation liability	(425,000)
Less board-designated operating reserve	(7,645,634)
	$ 27,620,813

As part of the liquidity management plan, the Organization maintains an operating reserve. Based on the available liquidity as of December 31, 2021 and expected 2022 cash income, the Organization does not anticipate using the operating reserve during the fiscal year ending December 31, 2022.

4. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2021, are estimated to be received as follows:

Year ending December 31,		
	2022	$ 10,922,092
	2023	1,000,000
	2024	500,000
		12,422,092
Less unamortized discount		(28,700)
		$ 12,393,392

Pledges receivable due are recorded at the present value of estimated future cash flows using Daily Treasury Par Yield Curve Rates. The present value discount is amortized to contribution revenue over the terms of the pledges receivable.

5. INVESTMENTS

At December 31, 2021, investments without donor restrictions consist of the following:

	Cost	Fair Value	Excess of Fair Value Over Cost
Money market funds (Level 1)	$ 2,520,411	$ 2,520,411	$ -
Mutual and exchange traded funds (Level 1)	1,223,104	1,321,542	98,438
Fixed income (Level 2)	1,919,244	1,925,782	6,538
Equities (Level 1)	2,980,335	4,821,023	1,840,688
	$ 8,643,094	$10,588,758	$1,945,664

At December 31, 2020, investments without donor restrictions consist of the following:

	Cost	Fair Value	Excess of Fair Value Over Cost
Money market funds (Level 1)	$ 3,114,618	$ 3,114,618	$ -
Mutual and exchange traded funds (Level 1)	998,440	1,086,260	87,820
Fixed income (Level 2)	1,572,778	1,661,152	88,374
Equities (Level 1)	2,481,752	3,393,407	911,655
	$ 8,167,588	$ 9,255,437	$1,087,849

Investment income for the years ending December 31, 2021 and 2020 consists of the following:

	2021	2020
Interest and dividends	$ 117,279	$ 122,147
Net realized gain	331,251	114,337
Net unrealized gain	857,815	462,158
	1,306,345	698,642
Less investment fees	(57,071)	(42,396)
Total investment income	$1,249,274	$ 656,246

6. OFFICE FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Office furniture, equipment, and leasehold improvements are summarized by major classifications as follows at December 31:

	2021	2020
Furniture and office equipment	$ 167,386	$ 115,101
Computers	96,922	148,649
Leasehold improvements	145,126	150,596
Less accumulated depreciation	(193,453)	(148,497)
	$ 215,981	$ 265,549

Depreciation expense for the years ended December 31, 2021 and 2020 was approximately $62,300 and $61,800, respectively.

7. OPERATING LEASE

On April 5, 2019, the Organization entered into a non-cancelable operating lease agreement with an expiration date of July 31, 2026. The initial monthly lease payment is approximately $25,100 with increases of approximately 3% annually. The Organization is also required to pay common area costs, including property taxes.

Rent expense for the building including common area costs and property taxes was approximately $344,600 and $335,700 for the years ended December 31, 2021 and 2020, respectively.

Future annual minimum lease payments under the existing operating lease is as follows:

Year ending December 31,		
	2022	$ 267,800
	2023	263,100
	2024	258,700
	2025	266,400
	2026	158,159
		$1,214,159

8. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization applied for and received a loan of $700,000 under the Small Business Administration Paycheck Protection Program. Loans received under this program are eligible for forgiveness as documented in the regulations. The Organization received formal notification that the forgiveness criteria was met on November 13, 2020 and recognized loan forgiveness income in the statement of activities for the year ended December 31, 2020.

9. BOARD DESIGNATED NET ASSETS

As of December 31, 2021 and 2020, the board has designated net assets without donor restrictions in the amount of $7,645,634 and $5,602,970, respectively, as an operating reserve fund.

10. NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets were restricted for expenditure. These included pledges and grants and were as follows at December 31:

	2021	2020
Time restricted receivables, net	$ 12,393,392	$ 9,983,675
Unexpended funds	627,018	62,716
Total funds restricted to expenditure	$ 13,020,410	$ 10,046,391

11. CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. As of December 31, 2021, substantially all of the Organization's cash was maintained in financial institutions. The cash balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 for interest-bearing accounts. The Organization's uninsured cash balances by the FDIC totaled approximately $14,271,000 at December 31, 2021.

Cash equivalent balances held in brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC) up to $250,000 per institution. The Organization's uninsured cash balances by the SIPC totaled approximately $2,270,000 at December 31, 2021. For the year ended December 31, 2021, 74% of cash contributions were attributable to three donors and 86% of in-kind contributions were attributable to three donors. Including the in-kind contribution component, 84% of inventory acquisitions were from three vendors.

The Organization had three donors that accounted for approximately 87% of pledges receivable as of December 31, 2021.

12. RELATED PARTY TRANSACTIONS

A board member is a principal in a law firm that contributed legal consulting services in the amount approximately of $140,900 and $208,700 for the years ended December 31, 2021 and 2020, respectively (Note 1). In addition, a board member provided consulting services to the Organization totaling $145,300 and $145,200, respectively for the years ended December 31, 2021 and 2020.

13. EMPLOYEE BENEFITS

Effective April 1, 2013, the Organization established a qualified profit sharing retirement plan with a 401(k) deferred compensation provision covering substantially all employees. Employees must meet the minimum hours of service requirement of one year and be 21 years old in order to qualify for inclusion in the plan. Under the plan, qualified employees may elect to defer up to 90% of their salaries, subject to the Internal Revenue Code (IRC) limits. The Organization makes safe harbor contributions equal to 3% of each participant's compensation, which are 100% vested as of the date of contribution. In addition, the Organization may elect to make discretionary contributions to the plan, subject to IRC limits, which are allocated to participants in accordance with the plan document. Expenses of the plan are paid by the Organization and are included in the financial statements as a component of general and administrative expenses.

The Organization's contribution to the plan, consisting of safe harbor and a discretionary contribution component, totaled approximately $165,200 and $160,600 and for the years ended December 31, 2021 and 2020, respectively.

The Organization established a non-qualified deferred compensation agreement under Section 457(f) of the IRC effective January 1, 2014. In September 2018, the agreement was amended to provide for deferred compensation of $75,000 annually for five years commencing with the year ending December 31, 2019. The agreement covers the president of the Organization.

As of December 31, 2021, the Organization had funded $425,000 into a deferred compensation account and will make two additional annual contributions of $75,000 during the fiscal years ending December 31, 2022 and 2023.

The account is owned by the Organization and is therefore included in investments on the accompanying Statement of Financial Position. As of December 31, 2021, $200,000 is vested. The remaining amount of $375,000 in the account will vest 100% as of December 31, 2023 or at the time of death, disability, or termination of employment without cause.