

ELDERHEART, INC.
(d/b/a Mission 22)
Financial Statements
Year Ended December 31, 2020

**ELDERHEART, INC.
(d/b/a Mission 22)**

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Independent Auditor's Report

**To the Board of Directors
ELDERHEART, INC.
(d/b/a Mission 22)
Nashville, Indiana**

Qualified Opinion

We have audited the financial statements of the ELDERHEART, INC. (d/b/a Mission 22) (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization, as of December 31, 2020, 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 Qualified Opinion

We were unable to obtain sufficient audit evidence to support the balance in inventory at December 31, 2020, due to lack of supporting documentation as no inventory count was performed in 2020 nor in preceding years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization has elected to change its method of accounting from the cash basis to accrual basis for the year ended December 31, 2020. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the Organization's ability to continue as a going concern within one year after the date of the financial statements are issued or 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 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 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 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 judgement, 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 audits, significant audit findings and certain internal control-related matters that we identified during the audit.

Somerset CPAs, PC

Indianapolis, Indiana
November 4, 2021

ELDERHEART, INC.
(d/b/a Mission 22)
Statement of Financial Position
December 31, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 1,550,272
Contributions receivable	148,890
Inventory	24,617
	1,723,779
Total Current Assets	1,723,779

Property and Equipment

Land	463,922
Buildings	492,775
Furniture and equipment	46,744
Equine and equipment	248,057
Construction in progress	215,938
Accumulated depreciation	(30,418)
	1,437,018
Total Property and Equipment, net	1,437,018

Total Assets	\$ 3,160,797
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Liabilities and Net Assets

Current Liabilities

Current portion of long-term debt	\$ 77,844
Accounts payable	79,759
Accrued liabilities	254
	157,857
Total Current Liabilities	157,857

Long-term Liabilities

Long-term debt, less current portion	65,176
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Net Assets

Without donor restrictions	2,937,764
Total Liabilities and Net Assets	\$ 3,160,797

See accompanying notes.

ELDERHEART, INC.
(d/b/a Mission 22)
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 3,297,319	\$ 0	\$ 3,297,319
Merchandise sales	224,308	0	224,308
Rental income	12,061	0	12,061
Total Support and Revenues	3,533,688	0	3,533,688
Expenses			
Programs			
Veterans	667,114	0	667,114
Memorials	57,368	0	57,368
Social impact	1,026,329	0	1,026,329
Fundraising	112,853	0	112,853
General and administrative	259,316	0	259,316
Total Expenses	2,122,980	0	2,122,980
Change in Net Assets	1,410,708	0	1,410,708
Net Assets, Beginning of Year, as Previously Reported	1,463,593	0	1,463,593
Change in Basis of Accounting (Note 1)	63,463	0	63,463
Net Assets, Beginning of Year, as Restated	1,527,056	0	1,527,056
Net Assets, End of Year	\$ 2,937,764	\$ 0	\$ 2,937,764

See accompanying notes.

ELDERHEART, INC.
(d/b/a Mission 22)
Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Veterans</u>	<u>Memorials</u>	<u>Social Impact</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expense</u>
Salaries and wages	\$ 194,117	\$ 35,032	\$ 290,934	\$ 520,083	\$ 35,098	\$ 0	\$ 555,181
Treatment	395,262	0	0	395,262	0	0	395,262
Travel	0	0	10,376	10,376	1,054	0	11,430
Professional fees	0	0	4,386	4,386	49,871	0	54,257
Advertising	0	0	242,378	242,378	1,019	112,853	356,250
Rent	4,570	7,569	6,968	19,107	27,748	0	46,855
Contracted services	0	8,000	68,536	76,536	0	0	76,536
Cost of goods sold	0	0	173,242	173,242	0	0	173,242
Miscellaneous	0	0	14,431	14,431	69,596	0	84,027
Employee benefits	22,838	3,984	68,859	95,681	8,104	0	103,785
Conference and meetings	0	0	7,155	7,155	0	0	7,155
Payroll taxes	15,856	2,783	23,341	41,980	3,708	0	45,688
Supplies	0	0	25,000	25,000	12,335	0	37,335
Equipment and software	0	0	72,841	72,841	0	0	72,841
Depreciation	28,635	0	0	28,635	2,847	0	31,482
Loss on sale of equine property	5,836	0	0	5,836	0	0	5,836
Service charges	0	0	0	0	2,338	0	2,338
Postage	0	0	9,756	9,756	0	0	9,756
Repairs and maintenance	0	0	98	98	23,233	0	23,331
Printing	0	0	8,028	8,028	0	0	8,028
Telephone	0	0	0	0	12,107	0	12,107
Insurance	0	0	0	0	3,776	0	3,776
Utilities	0	0	0	0	6,482	0	6,482
Total	<u>\$ 667,114</u>	<u>\$ 57,368</u>	<u>\$ 1,026,329</u>	<u>\$ 1,750,811</u>	<u>\$ 259,316</u>	<u>\$ 112,853</u>	<u>\$ 2,122,980</u>

See accompanying notes.

ELDERHEART, INC.
(d/b/a Mission 22)
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ 1,410,708
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	31,482
Loss on sale of equine property and equipment	5,836
(Increase) decrease in certain assets:	
Contributions receivable	(25,891)
Inventory	(1,083)
Increase (decrease) in certain liabilities:	
Accounts payable	(21,311)
Accrued liabilities	254
	<hr/>
Net cash provided by operating activities	<u>1,399,995</u>
Cash Flows from Investing Activities	
Purchases of property and equipment	(1,427,086)
Proceeds from sale of property and equipment	8,000
	<hr/>
Net cash used in investing activities	<u>(1,419,086)</u>
Cash Flows from Financing Activities	
Payments on long-term debt	(2,930)
Proceeds from long-term debt	108,700
	<hr/>
Net cash provided by financing activities	<u>105,770</u>
Net Increase in Cash and Cash Equivalents	86,679
Cash and Cash Equivalents, Beginning of Year	<hr/> 1,463,593
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,550,272</u></u>
Supplemental Cash Flow Disclosures	
Interest paid	\$ 423
Equipment financed through note payable	<u><u>\$ 37,250</u></u>

See accompanying notes.

ELDERHEART, INC.
(d/b/a Mission 22)
Notes to Financial Statements
December 31, 2020

Note 1 - Nature of Organization and Summary of Significant Accounting Policies:

Nature of the Organization

ElderHeart Inc. (d/b/a Mission 22) (the Organization), is an Indiana not-for-profit organization located in Nashville, Indiana. The Organization was founded and organized on November 3, 2003. The Organization's mission is to provide funding for veterans to receive treatment for Post-Traumatic Stress, Traumatic Brain Injury and other issues they may be facing.

Basis of Presentation

The accompanying financial statements were prepared on the accrual basis of accounting.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operation of the Organization.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature; for example, stipulating that resources be maintained in perpetuity.

No restricted assets existed at December 31, 2020. Therefore, all net assets are presented as net assets not subject to donor-imposed restrictions (*without donor restrictions*).

Change in Accounting Method

In 2020, management adopted a policy of preparing its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Prior to 2020, the Organization's financial statements were prepared on the cash basis method. Management believes that this change results in more relevant financial reporting considering the users of the financial statements. The beginning net assets have been restated to be on the accrual basis of accounting.

Adjustment to contribution receivable	\$ 122,999
Adjustment to property and equipment	18,000
Adjustment to inventory	23,534
Adjustment to accrued expenses	<u>(101,070)</u>
Net increase in net assets as of January 1, 2020	<u><u>\$ 63,463</u></u>

ELDERHEART, INC.
(d/b/a Mission 22)
Notes to Financial Statements
December 31, 2020

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued):

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid instruments purchased within three months or less of an instrument's original maturity date to be cash and cash equivalents.

Revenue Recognition

Contributions - The Organization's support and revenues are received primarily on contributions from the public. The Organization records contributions using the guidance of FASB ASC 958-905, Not-for-Profit Entities: Revenue Recognition. Contributions are recognized when the donor makes an unconditional promise to give to the Organization and are recorded at their fair value as revenues and the assets in the period received. Contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and or nature of any restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Merchandise Sales - The Organization's merchandise sales revenue is recognized when merchandise has been shipped to the customer. In accordance with the basis of presentation described above, purchases of merchandise for resale are capitalized into inventory until released into cost of goods sold.

Rental - The Organization recognizes rental income on the accrual basis when due from the related lessor. In accordance with lease terms, rental payments are due on a monthly basis.

Contributions Receivable

On a periodic basis, the Organization evaluates its receivables and writes off certain receivables based on history of past write-offs, collections and current credit conditions. Bad debt expense for the year ended December 31, 2020, amounted to \$0. The Organization does not charge interest on past due receivables.

ELDERHEART, INC.
(d/b/a Mission 22)
Notes to Financial Statements
December 31, 2020

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued):

Inventory

Inventories are valued at the lower of cost or net realizable value, using the weighted average method of accounting.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset. The estimated useful lives are as follows:

Buildings	27.5 - 39 years
Furniture and Equipment	5 - 7 years
Equine	3 - 7 years
Equine Equipment	5 - 7 years

The Organization's policy is to capitalize and depreciate asset acquisitions with a cost of \$2,500 or greater. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized.

The cost of property or equipment retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposal with the resulting gain or loss reflected in the Statement of Activities and Changes in Net Assets. The provision for depreciation amounted to \$31,482 for the year ended December 31, 2020.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application state law. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Management has determined there are no material uncertain positions that require the recognition in the financial statements. Additionally, no provision for income taxes is reflected in the statement of activities or statement of financial position. The tax years ended 2018, 2019 and 2020 are still open to audit for both federal and state purposes.

ELDERHEART, INC.
(d/b/a Mission 22)
Notes to Financial Statements
December 31, 2020

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued):

Advertising Costs

The Organization expenses advertising costs as paid. Advertising costs for the Organization consisted primarily of internet and print media, promotional and educational brochures. For the year ended December 31, 2020, advertising costs amounted to \$356,250.

Functional Allocation of Expenses

The costs of program, fundraising, and management and general expenses have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs based on the percentage of hours devoted to a program to total staff hours. The Organization incurred no joint costs for the year ended December 31, 2020.

Recently Issued Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

The new standard also requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. The new standard was to be effective for the Organization beginning January 1, 2021. However, the FASB issued Accounting Standards Update 2020-05 which delayed the effective date one year, thereby making it effective for the Organization beginning January 1, 2022. Management does not expect a material impact to the Organization's financial statements of this accounting standards update.

Note 2 - Related Party Transactions:

The Organization leases certain office space from employees within the Organization. Total rent expense paid to related parties for the year ended December 31, 2020, was \$13,493.

The Organization signed a lease to rent a residence to employees within the Organization. The agreement is month-to-month and rent is reduced based on services performed. Total rental income received from related parties for the year ended December 31, 2020, was \$460.

ELDERHEART, INC.
(d/b/a Mission 22)
Notes to Financial Statements
December 31, 2020

Note 3 - Long-term Debt:

The Organization has applied for, and has received, funds of \$108,700 under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief and Economic Security (CARES) Act during the year ended December 31, 2020. The application for these funds requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further requires the Organization to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Organization having initially qualified for the loan and qualifying for the forgiveness of such loan based on the Organization's adherence to the forgiveness criteria. The accounting for government assistance provided to a business depends on whether the government assistance is considered a loan, payment for goods or services, an income tax credit or a grant. The Organization has concluded that the funds received under the Paycheck Protection Program are a loan, which matures in April 2022, with interest payable at a fixed rate of 1%.

Long-term debt consists of the following at December 31, 2020:

Long-term PPP loan under the CARES Act bearing interest at 1% and maturing in April 2022. Monthly installments of principal and interest of \$5,793 begin in October 2020.	\$ 108,700
Note payable bearing interest at 3.5% maturing on August 2024, with monthly installments of \$833 beginning in September 2020.	34,320
	143,020
Less current maturities	77,844
	\$ 65,176

Future minimum principal payments on long term debt outstanding at December 31, 2020, are as follows:

<u>Year Ending Dec 31.</u>	
2021	\$ 77,844
2022	49,041
2023	9,580
2024	6,575
	\$ 143,040

ELDERHEART, INC.
(d/b/a Mission 22)
Notes to Financial Statements
December 31, 2020

Note 4 - Line of Credit:

The Organization has a line of credit in the amount of \$100,000. The line of credit is secured by the assets of the Organization. Borrowings under the line of credit bears interest at a prime rate plus 2.36% (5.61% at December 31, 2020). As of December 31, 2020, outstanding borrowings against the facility was \$0.

Note 5 - Operating Lease Commitments:

In July 2018, the Organization signed a 41-month lease for certain office space. The lease requires monthly lease payments of \$2,010 through December 2020. The monthly lease payment increases annually through the term of the lease which expires in December 2021. In addition to base monthly rent, the agreement requires the Organization to pay its proportionate share of real estate taxes, insurance and common area maintenance expenses. Rent expense under the agreement amounted to \$24,120 for the year ended December 31, 2020. Lease was terminated by the Organization in December 2020.

In January 2018, the Organization signed a 24-month lease with a related party for certain office space. The lease requires monthly lease payments of \$165. The original lease expired in December 2019 and was renewed on a month-to-month basis. Rent expense under terms of this agreement amounted to \$1,980 for the year ended December 31, 2020.

In January 2018, the Organization signed a 24-month lease with a related party for certain office space. The lease requires monthly lease payments of \$395. The lease expired in December 2019 and was renewed on a month-to-month basis. Rent expense under terms of this agreement amounted to \$4,736 for the year ended December 31, 2020.

In July 2019, the Organization signed a 36-month lease for certain office space. The lease requires monthly lease payments of \$4,822 through July 2021. The monthly lease payment increases annually through the term of the lease which expires July 2022. In addition to base monthly rent, the agreement requires the Organization to pay its proportionate share of real estate taxes, insurance and common area maintenance expenses. Rent expense under terms of this agreement amounted to \$28,792 for the year ended December 31, 2020. Lease was terminated in June 2020, due to property purchase in May 2020.

Note 6 - Concentrations, Risks and Uncertainties:

The Organization has deposits in multiple accounts at one financial institution. At times, these deposits may exceed the federally insured limit. Management regularly monitors the financial condition of the banking institutions and believes that the credit risk related to such deposits is minimal.

ELDERHEART, INC.
(d/b/a Mission 22)
Notes to Financial Statements
December 31, 2020

Note 7 - Financial Assets Available and Liquidity:

The following reflects the Organization's assets as of December 31, 2020, reduced by amounts not available for general expenditures due to contractual or donor-imposed restrictions within one year.

Cash and cash equivalents	\$ 1,550,272
Contributions receivable	148,890
	<hr/>
Financial assets as of December 31, 2020	1,699,162
Less amounts subject to donor restrictions	0
	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,699,162</u>

The Organization is supported by contributions. Because contributions with donor restrictions requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities. Thus, financial assets may not be available for general expenditure within one year. The Organization structures their financial assets to be available as general expenditures, liabilities and other obligations come due.

Note 8 - Management Evaluation of Subsequent Events:

Subsequent to year end, on September 2, 2021, the Organization repaid the Small Business Administration Paycheck Protection Program Loan for \$108,700 including interest of \$1,442.

Subsequent to year end, the Organization entered into an agreement to purchase a property for \$1,700,000.

The Organization has evaluated subsequent events through November 4, 2021, the date on which the financial statements were available to be issued.