

EDMARC, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022

**With Summarized Comparative Financial Information for the
Year Ended June 30, 2021**



EDMARC, INC.
FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Edmarc, Inc.
Portsmouth, Virginia

Opinion

We have audited the accompanying financial statement of Edmarc, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Edmarc, Inc. as of June 30, 2022, and the changes in 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 Edmarc, 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 Edmarc, 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, including omissions, 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 Edmarc, 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 Edmarc, 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

We have previously audited Edmarc, Inc.'s 2021 financial statements, and in our conclusion dated January 15, 2022, stated that based on our audit, we were not aware of any material modifications that should be made to the 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2021 for it to be consistent with the audited financial statements from which it has been derived.

Barnes, Brock, Cornwell & Painter, PLLC

January 6, 2023
Chesapeake, Virginia

EDMARC, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

With Comparative Financial Information for the Year Ended June 30, 2021

ASSETS	2022	Comparative 2021
CURRENT ASSETS:		
Cash and cash equivalents	\$ 182,087	\$ 421,330
Cash and cash equivalents - designated	805,575	362,002
Pledges receivable, current	189,000	45,000
Prepaid expenses	7,202	6,562
Investments	<u>524,557</u>	<u>596,593</u>
Total current assets	<u>\$ 1,708,421</u>	<u>\$ 1,431,487</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 510,608</u>	<u>\$ 563,797</u>
OTHER ASSETS:		
Pledges receivable, long-term	\$ 309,826	\$ 169,757
Endowments	<u>134,070</u>	<u>172,127</u>
Total other assets	<u>\$ 443,896</u>	<u>\$ 341,884</u>
Total assets	<u><u>\$ 2,662,925</u></u>	<u><u>\$ 2,337,168</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 6,590	\$ 7,335
Accounts payable and accrued expenses	248,622	267,838
Deferred revenue	<u>675,694</u>	<u>274,132</u>
Total current liabilities	<u>\$ 930,906</u>	<u>\$ 549,305</u>
LONG-TERM LIABILITY:		
Note payable	\$ 7,201	\$ 14,577
Less - current portion above	<u>6,590</u>	<u>7,335</u>
Net long-term liability	<u>\$ 611</u>	<u>\$ 7,242</u>
Total liabilities	<u>\$ 931,517</u>	<u>\$ 556,547</u>
NET ASSETS:		
Without donor restrictions		
Undesignated	\$ 165,791	\$ 487,112
Designated by Board	<u>576,790</u>	<u>576,752</u>
Total net assets without donor restrictions	<u>\$ 742,581</u>	<u>\$ 1,063,864</u>
With donor restrictions	<u>988,827</u>	<u>716,757</u>
Total net assets	<u>\$ 1,731,408</u>	<u>\$ 1,780,621</u>
Total liabilities and net assets	<u><u>\$ 2,662,925</u></u>	<u><u>\$ 2,337,168</u></u>

See independent auditor's report and accompanying notes to the financial statements.

EDMARC, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

With Summarized Financial Information for the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total	Summarized 2021 Total
OPERATING REVENUE AND SUPPORT:				
Contributions	\$ 1,011,020	\$ 177,255	\$ 1,188,275	\$ 786,086
United way	-	133,489	133,489	164,282
Program service revenue	90,521	-	90,521	104,908
Fundraising, net of expenses \$29,944 and \$17,252 respectively	52,544	-	52,544	102,960
In-kind donations	166,766	-	166,766	65,354
Grant income - PPP loan forgiveness	-	-	-	170,784
Net assets released from restrictions	38,674	(38,674)	-	-
Total operating revenue and support	<u>\$ 1,359,525</u>	<u>\$ 272,070</u>	<u>\$ 1,631,595</u>	<u>\$ 1,394,374</u>
OPERATING EXPENSES:				
Program services - hospice services and bereavement related services	\$ 1,466,928	\$ -	\$ 1,466,928	\$ 1,232,312
Support services:				
Management and general	83,504	-	83,504	70,977
Fundraising	40,734	-	40,734	36,431
Total operating expenses	<u>\$ 1,591,166</u>	<u>\$ -</u>	<u>\$ 1,591,166</u>	<u>\$ 1,339,720</u>
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	<u>\$ (231,641)</u>	<u>\$ 272,070</u>	<u>\$ 40,429</u>	<u>\$ 54,654</u>
NON-OPERATING ACTIVITIES:				
Interest and dividend income	\$ 10,266	\$ -	\$ 10,266	\$ 17,486
Realized gain on investments	(850)	-	(850)	4,179
Unrealized gain (loss) on investments	(98,656)	-	(98,656)	148,276
Interest expense	(402)	-	(402)	(830)
CHANGES IN NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>\$ (89,642)</u>	<u>\$ -</u>	<u>\$ (89,642)</u>	<u>\$ 169,111</u>
CHANGES IN NET ASSETS	<u>\$ (321,283)</u>	<u>\$ 272,070</u>	<u>\$ (49,213)</u>	<u>\$ 223,765</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,063,864</u>	<u>716,757</u>	<u>1,780,621</u>	<u>1,556,856</u>
NET ASSETS, END OF YEAR	<u><u>\$ 742,581</u></u>	<u><u>\$ 988,827</u></u>	<u><u>\$ 1,731,408</u></u>	<u><u>\$ 1,780,621</u></u>

See independent auditor's report and accompanying notes to the financial statements.

EDMARC, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

With Summarized Financial Information for the Year Ended June 30, 2021

	SUPPORT SERVICES				2022 Total	Summarized 2021 Total
	Program Services	Management and General	Fund Raising	Total		
Salaries and wages	\$ 854,894	\$ 46,462	\$ 27,877	\$ 74,339	\$ 929,233	\$ 889,524
Payroll taxes	62,999	3,424	2,054	5,478	68,477	64,152
Employee benefits, other	51,437	2,795	1,677	4,472	55,909	57,186
Employee retirement benefits	5,697	310	186	496	6,193	7,402
Total salaries and related expenses	\$ 975,027	\$ 52,991	\$ 31,794	84,785	\$ 1,059,812	\$ 1,018,264
Appreciation items	5,474	629	189	818	6,292	2,133
Bank charges	8,632	992	298	1,290	9,922	15,605
Community education	-	-	-	-	-	24
Conference	1,319	-	-	-	1,319	677
Consulting	69,375	7,974	2,392	10,366	79,741	12,712
Depreciation and amortization	56,190	1,393	606	1,999	58,189	59,183
Dues and subscriptions	5,397	620	186	806	6,203	4,570
Food and beverage	987	114	34	148	1,135	251
Gifts bereaved/non-bereaved	11,919	-	-	-	11,919	3,883
Information technology	25,621	2,912	582	3,494	29,115	27,723
In-kind donations	152,867	-	-	-	152,867	65,354
Insurance	36,294	4,172	1,252	5,424	41,718	39,518
Occupancy	12,836	1,476	443	1,919	14,755	13,128
Office expenses	32,786	3,769	1,130	4,899	37,685	22,539
Other supplies	6,328	727	218	945	7,273	2,516
Postage	3,375	388	116	504	3,879	3,132
Professional fees	9,610	1,092	218	1,310	10,920	9,572
Repairs and maintenance	11,260	1,294	388	1,682	12,942	4,040
Restricted expenses	15,866	-	-	-	15,866	3,534
Telephone	13,523	1,554	466	2,020	15,543	18,412
Travel	12,242	1,407	422	1,829	14,071	12,950
Total expenses	\$ 1,466,928	\$ 83,504	\$ 40,734	\$ 124,238	\$ 1,591,166	\$ 1,339,720

See independent auditor's report and accompanying notes to the financial statements.

EDMARC, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

With Comparative Financial Information for the Year Ended June 30, 2021

	2022	2021
CASH FLOWS FROM OPERATING AND NON-OPERATING ACTIVITIES:		
Changes in net assets	\$ (49,213)	\$ 223,765
Adjustments to reconcile changes in net assets to net cash provided (used) by operating and non-operating activities:		
Depreciation	58,189	59,183
Unrealized (gain) loss on investments, net of investments fees	98,656	(148,840)
(Increase) decrease in assets:		
Pledges receivable	(284,069)	61,948
Prepaid expenses	(640)	(38)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(19,216)	(8,506)
Deferred revenue	401,562	107,625
NET CASH PROVIDED BY OPERATING AND NON-OPERATING ACTIVITIES	\$ 205,269	\$ 295,137
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distribution from endowment	\$ -	\$ 4,984
Proceeds from sale of investments	19,945	-
Purchase of investments	(8,507)	(8,966)
Purchase/donation of property and equipment	(5,000)	(115,468)
NET CASH PROVIDED PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 6,438	\$ (119,450)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on long-term note payable	\$ (7,377)	\$ (12,050)
NET CHANGES IN CASH AND CASH EQUIVALENTS	\$ 204,330	\$ 163,637
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	783,332	619,695
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 987,662	\$ 783,332

SUPPLEMENTAL DISCLOSURES OF NONCASH INFORMATION

Fair value of donated supplies and equipment	\$ 166,766	\$ 65,534
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See independent auditor's report and accompanying notes to the financial statements.

EDMARC, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

With Summarized Comparative Financial Information for the Year Ended June 30, 2021

NOTE 1 - ORGANIZATION:

Edmarc, Inc. (Edmarc) is a non-profit organization dedicated to easing the trauma of a child's illness or death and to reducing the disabling effects of pediatric illness, loss and bereavement on families. Located in Hampton Roads, Virginia, Edmarc employs a variety of health professionals and other trained personnel to work in the homes of families who have a child who is seriously ill or disabled and with families who have experienced the death of a child.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, as such, recognize income when earned and expenses when incurred.

(b) Basis of Presentation

These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present net assets, revenues, and expenses based on the existence or absence of donor-impaired restrictions. This has been accomplished by the classification of assets, liabilities, and net assets into two groups with donor restrictions and without donor restrictions.

These two groups are defined as follows:

- *Net assets without donor restrictions* - 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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors, and grantors. 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 perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

The Organization follows the provisions of the Financial Accounting Standards Board *Accounting Standards Codification (FASB ASC)*.

(c) Cash and Cash Equivalents

For purposes of the statements of cash flows, Edmarc considers all highly liquid investments available for current use with an initial maturity of three months or less, which are neither held for nor restricted by donors for long term purposes, to be cash equivalents. Cash and highly liquid financial instruments designated by the Board of Directors, endowments that are perpetual in nature, or other long term purposes are excluded from this definition.

EDMARC, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

With Summarized Comparative Financial Information for the Year Ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(d) Recognition of Restrictions on Assets

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

(e) Donated Property

Edmarc recognizes in-kind contributions as revenue and expense in the period in which they are received. Donated materials are valued by donor at fair market value on the date of the gift. No amounts have been reflected in the accompanying financial statements for volunteer services since they are not susceptible to objective measurement or valuation; however, a number of volunteers donated significant amounts of their time performing services that would otherwise be performed by paid employees.

(f) Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist mainly of grant funds receivable from grantors and are recorded at estimated net realizable value. Receivables outstanding for more than 30 days are considered past due. Edmarc uses the allowance method to determine uncollectible receivables. The allowance is based on prior collection experience and management's analysis of specific accounts. For the years ended June 30, 2022 and 2021, there was no allowance for doubtful accounts.

(g) Property and Equipment

Property and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. The gain or loss on items traded is applied to the asset account, and that on items otherwise disposed of is reflected in income.

Depreciation has been provided for using straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Building	40 years
Furniture, fixtures and equipment	3 - 7 years
Vehicle	5 years

(h) Income Taxes

Edmarc, Inc., is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an unexempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently the Organization has no obligation for any unrelated business income tax. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in general administration. The Organization's federal return of Organization Exempt from Income Tax (Form 990) for fiscal years ending 2022, 2021, 2020 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

EDMARC, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

With Summarized Comparative Financial Information for the Year Ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(i) Use of Estimates

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

(j) Charity Care

Edmarc provides care to patients who meet certain criteria under its charity policy. Because Edmarc does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Uncompensated care provided by Edmarc totaled \$317,841 and \$294,831 for the years ended June 30, 2022 and 2021, respectively.

(k) Functional Allocation of Expenses

The cost of providing Edmarc's programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages	Time and effort
Payroll taxes	Time and effort
Employee benefits other	Time and effort
Employee retirement benefits	Time and effort
Appreciation items	Reasonable basis consistently applied
Bank charges	Reasonable basis consistently applied
Consulting	Reasonable basis consistently applied
Depreciation and amortization	Reasonable basis consistently applied
Dues and subscriptions	Reasonable basis consistently applied
Food and beverage	Reasonable basis consistently applied
Information technology	Reasonable basis consistently applied
Insurance	Reasonable basis consistently applied
Office expenses	Reasonable basis consistently applied
Other supplies	Reasonable basis consistently applied
Postage	Reasonable basis consistently applied
Professional fees	Reasonable basis consistently applied
Repairs and maintenance	Reasonable basis consistently applied
Telephone	Reasonable basis consistently applied
Travel	Reasonable basis consistently applied
Utilities	Reasonable basis consistently applied

(l) Advertising

Edmarc expenses the cost of advertising when incurred. At June 30, 2022 and 2021, no advertising costs were incurred.

EDMARC, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

With Summarized Comparative Financial Information for the Year Ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(m) Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

(n) Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

(o) Pledges Receivable and Allowance for Doubtful Accounts

Pledges receivable are stated at amounts pledged less an allowance for doubtful accounts. Receivables outstanding for more than 30 days are considered past due. Edmarc uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made. For the years ended June 30, 2022 and 2021, there was no allowance for doubtful accounts.

(p) Deferred Revenue

Income from donors is recognized at fair value and deferred over the periods to which the income relates.

NOTE 3 - CONCENTRATION OF CREDIT RISK:

Financial instruments, which potentially subject Edmarc to concentration of credit risk, consist principally of cash, temporary cash investments and receivables. The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts are at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) up to the standard deposit insurance amount of \$250,000, for each deposit insurance ownership category. As of June 30, 2022 and 2021, Edmarc had demand deposits on hand in financial institutions which exceeded depositor's insurance provided by the applicable guaranty agency by \$743,012 and \$550,447, respectively.

Edmarc solicits contributions from individuals, businesses, and various agencies. Contributions are not collateralized, and there is no legal recourse to collect unpaid contributions.

Breakdown of contributions and fundraising by significant type of donor for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Foundations and trusts	19%	29%
Fundraising	5%	9%
United Way	8%	12%
Individual donations	18%	13%
Organization donations	42%	17%
Other	8%	20%
	<u>100%</u>	<u>100%</u>

See independent auditor's report. Notes continued on next page.

EDMARC, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

With Summarized Comparative Financial Information for the Year Ended June 30, 2021

NOTE 3 - CONCENTRATION OF CREDIT RISK (Continued):

Breakdown of program revenue from services by significant type of payer for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Tricare/Champus	17%	27%
Anthem	24%	29%
Optima	26%	21%
Medicaid	13%	6%
Other	20%	17%
	<u>100%</u>	<u>100%</u>

NOTE 4 - LIQUIDITY AND AVAILABILITY:

The following represents Edmarc's financial assets at June 30, 2022:

Financial assets at year end:	<u>2022</u>
Cash and cash equivalents	\$ 987,662
Pledges receivable	498,826
Investments	524,557
Endowments	134,070
Total financial assets	<u>\$ 2,145,115</u>
Less amounts not available to be used within one year:	
Donor restricted	\$ 988,827
Pledges receivable, long-term	309,826
Board designated	576,790
Financial assets not available to be used within one year	<u>\$ 1,875,443</u>
Financial assets available to meet general expenditures within one year	<u>\$ 269,672</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 5 - FUND RAISING COSTS:

Edmarc's allocated fund raising costs for United Way for the year ended June 30, 2022 and 2021 were \$10,391 and \$6,928, respectively.

NOTE 6 - EMPLOYEE BENEFIT PLAN:

Edmarc has a defined contribution salary deferral plan covering substantially all employees. Under the plan, Edmarc contributes one percent of the annual salary for those employees who have been employed for the past twelve months at the fiscal year end. The annual contribution is at the board's discretion. Edmarc's expense related to this plan totaled \$6,193 and \$7,402 for the years ended June 30, 2022 and 2021, respectively.

See independent auditor's report. Notes continued on next page.

EDMARC, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

With Summarized Comparative Financial Information for the Year Ended June 30, 2021

NOTE 7 - ENDOWMENT FUNDS:

The Organization's endowment consists of funds invested and held at the Southeast Virginia Community Foundation and United Way. The balances with Southeast Virginia Community Foundation and United Way were \$102,550 and \$31,920 as of June 30, 2022 and \$141,599 and \$30,528 as of June 30, 2021, respectively. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Endowment net assets, beginning of year	\$ 172,127	\$ 148,821
Investment return:		
Increase (decrease) in beneficial interest	(28,814)	29,701
Investment fees	(2,227)	(1,411)
Investment return, net	\$ (31,041)	\$ 28,290
Withdrawal of funds from endowment	(7,016)	(4,984)
Endowment net assets, end of year	<u>\$ 134,070</u>	<u>\$ 172,127</u>

Return Objectives and Risk Parameters

The Organization has adopted the standard investment policies consistent with those applied by the Southeast Virginia Community Foundation and United Way (the holders of these investments). Because of its long-term investment perspective, the Organization believes that its overall risk posture is above average relative to many other tax-exempt entities which may be more risk averse and more oriented toward fixed income investments, and that, consequently, a higher than average equity exposure is appropriate for the invested assets. Actual returns in any given year may vary from expected amounts. The Organization is willing to withstand short-term volatility associated with various investments and/or indices to achieve a higher expected long-term rate of return.

Strategies Employed for Achieving Objectives

Diversification has been employed by the Southeast Virginia Community Foundation and United Way as holders of these funds.

Establishment of Endowment and Withdrawal Policy

Various donors designated the initial amount of corpus of the endowment. Subsequent contributions and capital appreciation (or losses) also become corpus. Withdrawals are not contemplated until such time, in the judgment of the Board of Directors, the endowment has grown sufficiently that it can reasonably accommodate withdrawals or that organizational priorities have changed.

NOTE 8 - FAIR VALUE MEASUREMENTS:

Edmarc adopted the provisions of this statement for its financial assets and liabilities that are re-measured and reported at fair value each reporting period. The adoption of SFAS 157 did not have any impact on the statements of activities or statements of financial position, but does require additional disclosures.

See independent auditor's report. Notes continued on next page.

EDMARC, INC.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

With Summarized Comparative Financial Information for the Year Ended June 30, 2021

NOTE 8 - FAIR VALUE MEASUREMENTS (Continued):

FASB Statement No. 157, *Fair Value Measurements*, establishes 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 under FASB statement No. 157 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Edmarc has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. As of June 30, 2022 and 2021, there are no level 3 assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Domestic bonds - fixed income: The investment grade corporate bonds held by the Organization generally do not trade in active markets on the measurement date. Therefore, the domestic bonds are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

Domestic equity securities: Valued at the closing price on the active market on which the individual securities are traded.

Exchange traded funds: Valued at the daily closing priced as reported on the active market on which the individual exchange traded funds are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Edmarc believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

EDMARC, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

With Summarized Comparative Financial Information for the Year Ended June 30, 2021

NOTE 8 - FAIR VALUE MEASUREMENTS (Continued):

The following table sets forth by level, within the fair value hierarchy, Edmarc's assets at fair value as of June 30, 2022 and 2021, respectively.

Assets at Fair Value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Bond funds	\$ -	\$ 9,497	\$ -	\$ 9,497
Cash	1,391	-	-	1,391
Equities	27,113	-	-	27,113
Exchange Traded Funds	486,556	-	-	486,556
Total	\$ 515,060	\$ 9,497	\$ -	\$ 524,557

Assets at Fair Value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Bond funds	\$ -	\$ 11,868	\$ -	\$ 11,868
Cash	1,935	-	-	1,935
Equities	28,231	-	-	28,231
Exchange Traded Funds	554,559	-	-	554,559
Total	\$ 584,725	\$ 11,868	\$ -	\$ 596,593

NOTE 9 - PLEDGES RECEIVABLE:

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

	2022	2021
Receivable in less than one year	\$ 189,000	\$ 45,000
Receivable in one to ten years	309,826	169,757
Less: allowance for uncollectible	-	-
	\$ 498,826	\$ 214,757

Reflected in the financial statements as follows:

	2022	2021
Pledges receivable, net, current	\$ 189,000	\$ 45,000
Long-term pledges receivable, net	309,826	169,757
	\$ 498,826	\$ 214,757

NOTE 10 - ACCRUED PAID TIME OFF:

The Organization's paid time off (PTO) policy credits employees with accrued time off each pay period, to be used for vacation, personal, or sick days. Employees have a maximum number of paid time off hours that may be carried forward. If the paid time off hours exceed the maximum allowable hours, then that time will not be carried forward and as a result that time will be lost. The liability for unused accrued PTO was \$209,212 and \$238,111 at June 30, 2022 and 2021, respectively.

EDMARC, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

With Summarized Comparative Financial Information for the Year Ended June 30, 2021

NOTE 11 - PROPERTY AND EQUIPMENT:

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

	2022	2021
Building	\$ 635,000	\$ 635,000
Furniture, fixtures and equipment	102,522	97,522
Software	114,469	114,469
Vehicle	42,388	42,388
Total property and equipment	\$ 894,379	\$ 889,379
Less accumulated depreciation and amortization	383,771	325,582
Net property and equipment	\$ 510,608	\$ 563,797

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 amounted to \$58,189 and \$59,182, respectively.

In December 2004, Edmarc was deeded a house in Portsmouth, which is included in property in the above table. If the house is sold before 90 years the proceeds must go to The Southeast Virginia Community Foundation.

NOTE 12 - LONG-TERM LIABILITY:

On August 17, 2018 an installment loan was secured in the amount of \$15,482 to purchase a vehicle. Interest is 4.49% with monthly payments of \$461 including principal and interest. The loan matured on August 17, 2021. At June 30, 2022 and 2021, the balance of the loan was \$0 and \$428, respectively.

In June 2020, an installment loan was secured in the amount of \$20,819 to purchase a vehicle. Interest is 3.81% with monthly payments of \$612 including principal and interest. The loan matures on July 9, 2023. At June 30, 2022 and 2021, the balance of the loan was \$7,200 and \$14,149, respectively.

	2022	2021
Total long-term debt	\$ 7,201	\$ 14,577
Less current portion	6,590	7,335
Net long-term debt	\$ 611	\$ 7,242

Future maturities of long-term debt are as follows:

	Amount
2023	\$ 6,590
2024	611
Total	\$ 7,201

NOTE 13 - NET ASSETS:

Net assets with donor restrictions for specific purpose were as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Expansion	\$ 498,827	\$ 207,025
Children's hospice care & bereavement counseling	490,000	509,732
	\$ 988,827	\$ 716,757

See independent auditor's report. Notes continued on next page.

EDMARC, INC.

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

With Summarized Comparative Financial Information for the Year Ended June 30, 2021

NOTE 13 - NET ASSETS (Continued):

Net assets without donor restrictions for the years ended June 30, 2022 and 2021 were as follows:

	2022	2021
Undesignated	\$ 165,791	\$ 487,112
Board designated:		
For use of property and equipment	76,790	76,752
For expansion	500,000	500,000
	\$ 742,581	\$ 1,063,864

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donor.

	2022	2021
Children's hospice care & bereavement counseling	\$ 38,674	\$ 344,577

NOTE 14 - NOTE PAYABLE PAYCHECK PROTECTION PROGRAM:

On February 28, 2021, the Organization was granted SBA 7(a) loan in the amount of \$170,784, pursuant to the Paycheck Protection Program, under the CARES Act administered by the U.S. Small Business Administration. PPP loans are considered conditional contributions with right of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The loan, which is in the form of a Note dated February 28, 2021 matures on February 28, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing March 2022. The note is unsecured and may be prepaid by the Organization at any time prior to maturity with no prepayment penalties.

The Organization filed the forgiveness application with the Small Business Administration in 2020 and was approved and the outstanding balance of \$170,784 was paid off by the SBA. The original loan amount of \$170,784 is reported on the statement of activities in operating revenue and support for the year ended June 30, 2021.

NOTE 15 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through January 6, 2023, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through January 6, 2023, that would require adjustment to, or disclosure in, the financial statements.