EDMARC, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023
With Comparative Totals for the
Year Ended June 30, 2022

EDMARC, INC.

FINANCIAL STATEMENTS

TABLE OF CONTENTS

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, 2023, 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, 2023, 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.

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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 2022 financial statements, and in our conclusion dated January 6, 2023, stated that based on our audit, we were not aware of any material modifications that should be made to the 2022 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, 2022 for it to be consistent with the audited financial statements from which it has been derived.

Barnes, Brock, Cornwell & Painter, PLC

January 4, 2024
Chesapeake, Virginia

EDMARC, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
With Comparative Totals for the Year Ended June 30, 2022

ASSETS

	2023	2022
CURRENT ASSETS:		
Cash and cash equivalents	$ 432,548	$ 182,087
Cash and cash equivalents - designated	172,791	805,575
Pledges receivable, current	279,424	189,000
Prepaid expenses	7,551	7,202
Investments	600,128	524,557
Investments - expansion	2,429,037	-
Total current assets	$ 3,921,479	$ 1,708,421
PROPERTY AND EQUIPMENT, NET	$ 469,889	$ 510,608
OTHER ASSETS:		
Pledges receivable, long-term	$ 109,371	$ 309,826
Endowments	142,251	134,070
Operating lease right-of-use asset	32,168	-
Total other assets	$ 283,790	$ 443,896
Total assets	$ 4,675,158	$ 2,662,925

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES:		
Current portion of long-term debt	$ -	$ 6,590
Accounts payable and accrued expenses	338,406	248,622
Current portion of right-of-use operating lease liability	16,576	-
Deferred revenue	-	675,694
Total current liabilities	$ 354,982	$ 930,906
LONG-TERM LIABILITY:		
Note payable	$ -	$ 7,201
Less - current portion above	-	(6,590)
Right-of-use operating lease liability, net of current portion	15,592	-
Net long-term liability	$ 15,592	$ 611
Total liabilities	$ 370,574	$ 931,517
NET ASSETS:		
Without donor restrictions		
Undesignated	$ 583,495	$ 165,791
Designated by Board	76,826	576,790
Total net assets without donor restrictions	$ 660,321	$ 742,581
With donor restrictions	3,644,263	988,827
Total net assets	$ 4,304,584	$ 1,731,408
Total liabilities and net assets	$ 4,675,158	$ 2,662,925

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

EDMARC, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
With Comparative Totals for the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
OPERATING REVENUE AND SUPPORT:				
Contributions	$ 1,015,713	$ 2,908,923	$ 3,924,636	$ 1,188,275
United way	-	159,427	159,427	133,489
Program service revenue	96,048	-	96,048	90,521
Fundraising, net of expenses $31,199 and $29,944, respectively	54,397	-	54,397	52,544
In-kind donations	110,570	-	110,570	166,766
Net assets released from restrictions	467,683	(467,683)	-	-
Total operating revenue and support	$ 1,744,411	$ 2,600,667	$ 4,345,078	$ 1,631,595
OPERATING EXPENSES:				
Program services - hospice services and bereavement related services	$ 1,749,157	$ -	$ 1,749,157	$ 1,462,627
Support services:				
Management and general	100,587	-	100,587	83,504
Fundraising	50,402	-	50,402	40,734
Total operating expenses	$ 1,900,146	$ -	$ 1,900,146	$ 1,586,865
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	$ (155,735)	$ 2,600,667	$ 2,444,932	$ 44,730
NON-OPERATING ACTIVITIES:				
Interest and dividend income	$ 14,345	$ 25,733	$ 40,078	$ 821
Realized gain on investments	27,634	-	27,634	8,595
Unrealized gain (loss) on investments net of fees $3,825 and $4,301, respectively	31,574	29,036	60,610	(102,957)
Interest expense	(78)	-	(78)	(402)
CHANGES IN NET ASSETS FROM NON-OPERATING ACTIVITIES	$ 73,475	$ 54,769	$ 128,244	$ (93,943)
CHANGES IN NET ASSETS	$ (82,260)	$ 2,655,436	$ 2,573,176	$ (49,213)
NET ASSETS, BEGINNING OF YEAR	742,581	988,827	1,731,408	1,780,621
NET ASSETS, END OF YEAR	$ 660,321	$ 3,644,263	$ 4,304,584	$ 1,731,408

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

EDMARC, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
With Comparative Totals for the Year Ended June 30, 2022

		SUPPORT SERVICES				
	Program Services	Management and General	Fund Raising	Total	2023 Total	2022 Total
Salaries and wages	$ 1,106,438	$ 60,132	$ 36,079	$ 96,211	$ 1,202,649	$ 929,233
Payroll taxes	83,797	4,554	2,733	7,287	91,084	68,477
Employee benefits, other	64,613	3,512	2,107	5,619	70,232	55,909
Employee retirement benefits	13,746	747	448	1,195	14,941	6,193
Total salaries and related expenses	$ 1,268,594	$ 68,945	$ 41,367	110,312	$ 1,378,906	$ 1,059,812
Appreciation items	5,313	611	183	794	6,107	6,292
Bank charges	1,930	222	67	289	2,219	5,621
Conference	6,897	-	-	-	6,897	1,319
Consulting	30,182	3,469	1,041	4,510	34,692	79,741
Depreciation and amortization	51,724	1,066	533	1,599	53,323	58,189
Dues and subscriptions	6,071	698	209	907	6,978	6,203
Food and beverage	2,710	312	93	405	3,115	1,135
Gifts bereaved/non-bereaved	25,516	-	-	-	25,516	11,919
Information technology	48,633	5,526	1,105	6,631	55,264	29,115
In-kind donations	104,708	-	-	-	104,708	152,867
Insurance	33,057	3,800	1,140	4,940	37,997	41,718
Occupancy	15,385	1,768	530	2,298	17,683	14,755
Office expenses	48,665	5,594	1,678	7,272	55,937	37,685
Other supplies	4,257	489	147	636	4,893	7,273
Postage	2,961	340	102	442	3,403	3,879
Professional fees	11,182	1,173	235	1,408	12,590	10,920
Rent	6,525	750	225	975	7,500	-
Repairs and maintenance	2,749	316	95	411	3,160	12,942
Restricted expenses	24,175	-	-	-	24,175	15,866
Telephone	23,316	2,680	804	3,484	26,800	15,543
Travel	24,607	2,828	848	3,676	28,283	14,071
Total expenses	$ 1,749,157	$ 100,587	$ 50,402	$ 150,989	$ 1,900,146	$ 1,586,865

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

EDMARC, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
With Comparative Totals for the Year Ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING AND NON-OPERATING ACTIVITIES:		
Changes in net assets	$ 2,573,176	$ (49,213)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating and non-operating activities:		
Depreciation	53,323	58,189
Unrealized (gain) loss on investments, net of investments fees	(60,610)	98,656
(Increase) decrease in assets:		
Pledges receivable	110,031	(284,069)
Prepaid expenses	(349)	(640)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	89,784	(19,216)
Deferred revenue	(675,694)	401,562
NET CASH PROVIDED BY OPERATING AND NON-OPERATING ACTIVITIES	$ 2,089,661	$ 205,269
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distribution from endowment	$ 4,923	$ -
Proceeds from sale of investments	-	19,945
Purchase of investments	(2,457,102)	(8,507)
Purchase/donation of property and equipment	(12,604)	(5,000)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	$ (2,464,783)	$ 6,438
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on long-term note payable	$ (7,201)	$ (7,377)
NET CHANGES IN CASH AND CASH EQUIVALENTS	$ (382,323)	$ 204,330
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	987,662	783,332
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 605,339	$ 987,662

SUPPLEMENTAL DISCLOSURES OF NONCASH INFORMATION

	2023	2022
Fair value of donated supplies and equipment	$ 110,570	$ 166,766

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

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.

(d) Lease accounting

The Organization determines whether to account for its leases as operating or capital leases depending on the underlying terms of the lease agreement. This determination of classification requires significant judgment relating to certain information, including the estimated fair value and remaining economic life of the leased assets, minimum lease payments, and other lease terms.

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

(e) 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.

(f) 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.

(g) 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, 2023 and 2022, there was no allowance for doubtful accounts.

(h) 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

(i) 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 2023, 2022, 2021 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

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

(j) 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.

(k) Charity Care

Edmarc provides care to patients who meet certain criteria under its charity policy. 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 $320,782 and $317,841 for the years ended June 30, 2023 and 2022, respectively.

(l) 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
Rent	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, 2023 and 2022, no advertising costs were incurred.

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, 2022, 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, 2023 and 2022, there was no allowance for doubtful accounts.

(p) Deferred Revenue

Income from donors are 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 it 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, 2023 and 2022, Edmarc had demand deposits on hand in financial institutions which exceeded depositor's insurance provided by the applicable guaranty agency by $455,698 and $743,012, 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, 2023 and 2022 are as follows:

	2023	2022
Government	63%	0%
Foundations and trusts	6%	19%
Fundraising	3%	5%
United Way	5%	8%
Individual donations	13%	18%
Organization donations	9%	42%
Other	1%	8%
	100%	100%

NOTE 3 - CONCENTRATION OF CREDIT RISK (Continued):

Breakdown of program revenue from services by significant type of payer for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Tricare/Champus	14%	17%
Anthem	32%	24%
Optima	18%	26%
Medicaid	22%	13%
Other	14%	20%
	100%	100%

NOTE 4 - LIQUIDITY AND AVAILABILITY:

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

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 432,548	$ 987,662
Pledges receivable	334,045	498,826
Investments	3,029,165	524,557
Endowments	142,251	134,070
Total financial assets	$ 3,938,009	$ 2,145,115
Less amounts not available to be used within one year:		
Donor restricted	$ 3,644,263	$ 988,827
Pledges receivable, long-term	109,371	309,826
Board designated	76,826	576,790
Financial assets not available to be used within one year	$ 3,830,460	$ 1,875,443
Financial assets available to meet general expenditures within one year	$ 107,549	$ 269,672

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, 2023 and 2022 were $12,468 and $10,391, 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 $14,941 and $6,193 for the years ended June 30, 2023 and 2022, respectively.

 Notes continued on next page.

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 $107,775 and $34,476 as of June 30, 2023 and $102,550 and $31,920 as of June 30, 2022, 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, 2023 and 2022 are as follows:

	2023	2022
Endowment net assets, beginning of year	$ 134,070	$ 172,127
Investment return:		
Increase (decrease) in beneficial interest	15,008	(28,814)
Investment fees	(1,904)	(2,227)
Investment return, net	$ 13,104	$ (31,041)
Withdrawal of funds from endowment	(4,923)	(7,016)
Endowment net assets, end of year	$ 142,251	$ 134,070

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.

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, 2023 and 2022, 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, 2023 and 2022.

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.

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, 2023 and 2022, respectively.

Assets at Fair Value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Bond funds	$ -	$ 9,337	$ -	$ 9,337
Cash	10,108	-	-	10,108
Equities	36,909	-	-	36,909
Exchange Traded Funds	543,774	-	-	543,774
Treasury Bills	2,429,037	-	-	2,429,037
Total	$ 3,019,828	$ 9,337	$ -	$ 3,029,165

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

NOTE 9 - PLEDGES RECEIVABLE:

Pledges receivable at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Receivable in less than one year	$ 279,424	$ 189,000
Receivable in one to ten years	109,371	309,826
Less: allowance for uncollectible	-	-
	$ 388,795	$ 498,826

Reflected in the financial statements as follows:

	2023	2022
Pledges receivable, net, current	$ 279,424	$ 189,000
Long-term pledges receivable, net	109,371	309,826
	$ 388,795	$ 498,826

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 $283,705 and $209,212 at June 30, 2023 and 2022, respectively.

NOTE 11 - PROPERTY AND EQUIPMENT:

Property and equipment at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Building	$ 635,000	$ 635,000
Furniture, fixtures and equipment	115,126	102,522
Software	114,469	114,469
Vehicle	42,388	42,388
Total property and equipment	$ 906,983	$ 894,379
Less accumulated depreciation and amortization	(437,094)	(383,771)
Net property and equipment	$ 469,889	$ 510,608

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 amounted to $53,323 and $58,189, 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:

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 matured on July 9, 2023. At June 30, 2023 and 2022, the balance of the loan was $0 and $7,200, respectively.

NOTE 13 - NET ASSETS:

Net assets with donor restrictions for specific purpose were as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Expansion	$ 3,166,263	$ 498,827
Children's hospice care & bereavement counseling	478,000	490,000
	$ 3,644,263	$ 988,827

Net assets without donor restrictions for the years ended June 30, 2023 and 2022 were as follows:

	2023	2022
Undesignated	$ 583,495	$ 165,791
Board designated:		
For use of property and equipment	76,790	76,752
For expansion	-	500,000
	$ 660,285	$ 742,543

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

	2023	2022
Children's hospice care & bereavement counseling	159,427	38,674
Expansion	308,256	-
	$ 467,683	$ 40,696

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

NOTE 14 - LEASE COMMITMENT:

On September 13, 2022, Edmarc Inc. entered into a new operating lease agreement with an unrelated party, commencing October 1, 2022 and expiring October 31, 2024. Monthly base rent for the office space starts at $750 and increases 3% annually. Rent expense was $7,500 for the year ended June 30, 2023.

Edmarc leases equipment on an operating lease with an expiration date of June 2026. Monthly lease payments are $614. Lease expense was $7,187 for the year ended June 30, 2023.

The following table displays the undiscounted cash flows due related to the operating leases as of June 30, 2023, along with a reconciliation of the discounted amount recorded on the June 30, 2023, statement of financial position:

Undiscounted cash flows due within:		
	2024	$ 16,576
	2025	10,464
	2026	7,373
Total undiscounted cash flows:		$ 34,413
Impact of present value discount		(2,245)
Amount reported on statement of financial position		$ 32,168

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS:

The FASB issued ASU 2016-02, Leases (Topic 842), which replaces existing lease accounting guidance. The new guidance is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet for all leases with the terms exceeding twelve months. Additionally, the FASB issued ASU 2018-11, Leases (Topic 842) – Targeted Improvements, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization adopted ASU 2016-02 and its related amendments, which resulted in the recognition of operating right-of-use asset totaling $32,168, as well as operating lease liabilities totaling $32,168. The Organization elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts or disclosures. The related policy elections made by the Organization can be found in Note 2 and the additional lease disclosures can be found in Note 14. There was no cumulative effect adjustment to the opening balance of retained earnings required.

The Financial Accounting Standard Board (FASB) issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Asset, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions.

NOTE 16 - LINE OF CREDIT:

The Organization had available a $50,000 unsecured line of credit with TowneBank with interest payable monthly at TowneBank's prime rate. The Organization had no draws against the line of credit as of June 30, 2023 and 2022.

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

NOTE 17 - CONTRIBUTED NONFINANCIAL ASSETS:

The Organization received the following contributions of nonfinancial assets and related expenses were recognized in the years ending June 30:

	2023	2022
Professional services	$ 34,797	$ 24,599
Toys	10,845	15,833
Food	11,217	17,885
Gift cards and coupons	6,630	10,494
Supplies	47,081	62,915
Funeral plots	-	21,980
Total	$ 110,570	$ 153,706

The Organization receives various forms of gift-in-kind (GIK) including food and non-food items such as clothing, supplies and other household goods. GIK are reported as contribution as their estimated fair value on the date of receipt and reported as expense when utilized. GIK are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their conditions and utility for use at the time the goods are contributed by the donor. Donated GIK are not sold and goods are only distributed for program use.

NOTE 18 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through January 4, 2024, 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 4, 2024, that would require adjustment to, or disclosure in, the financial statements.