

**OPERATION WARM, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED MARCH 31, 2020
WITH COMPARATIVE TOTALS FOR 2019**

(WITH INDEPENDENT AUDITOR'S REPORT)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Operation Warm, Inc. and Subsidiary
Glen Mills, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Operation Warm, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of March 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Operation Warm, Inc. and Subsidiary as of March 31, 2020, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the notes to the consolidated financial statements, Operation Warm, Inc. and Subsidiary adopted the new accounting guidance required by generally accepted accounting principles. Accounting Standards Codification (ASC) Section 606, *Revenues from Contracts with Customers*, establishes a five-step approach for recognition of revenue. In addition, Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* provides clarification on the accounting for contributions. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited Operation Warm, Inc. and Subsidiary's March 31, 2019 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated July 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Certified Public Accountants

June 24, 2020

OPERATION WARM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020, WITH COMPARATIVE TOTALS FOR 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,449,018	\$ 5,383,566
Accounts receivable	277,754	234,182
Inventory	883,056	19,927
Accrued interest receivable	-	15,632
Prepaid expenses	83,459	114,598
Total current assets	<u>8,693,287</u>	<u>5,767,905</u>
Property and equipment, at cost		
Furniture and equipment	194,070	194,070
Less: Accumulated depreciation	<u>(184,402)</u>	<u>(173,584)</u>
	<u>9,668</u>	<u>20,486</u>
Security deposit	<u>19,901</u>	<u>19,786</u>
Total assets	<u><u>\$ 8,722,856</u></u>	<u><u>\$ 5,808,177</u></u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 180,193	\$ 515,175
Accrued expenses	589,765	78,474
Program deposits	1,409,945	266,958
Line of credit	<u>1,500,000</u>	<u>-</u>
Total current liabilities	<u>3,679,903</u>	<u>860,607</u>
NET ASSETS		
Without donor restriction	5,042,953	4,900,133
With donor restriction	<u>-</u>	<u>47,437</u>
Total net assets	<u>5,042,953</u>	<u>4,947,570</u>
Total liabilities and net assets	<u><u>\$ 8,722,856</u></u>	<u><u>\$ 5,808,177</u></u>

See accompanying notes

OPERATION WARM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2020, WITH COMPARATIVE TOTALS FOR 2019

	2020			2019
	Without donor restriction	With donor restriction	Total	Total
OPERATING REVENUE AND OTHER SUPPORT				
Contributions	\$ 1,317,347	\$ -	\$ 1,317,347	\$ 1,176,842
Grants	2,029,583	-	2,029,583	1,980,429
Events	4,825,946	-	4,825,946	4,794,993
In-kind contributions	17,266,497	-	17,266,497	17,547,422
Interest income	43,647	-	43,647	77,116
Net assets released from restrictions	47,437	(47,437)	-	-
Total program revenue and other support	25,530,457	(47,437)	25,483,020	25,576,802
OPERATING EXPENSES				
Program services	23,927,603	-	23,927,603	23,983,603
Supporting services	1,460,034	-	1,460,034	1,298,050
Total expenses	25,387,637	-	25,387,637	25,281,653
CHANGE IN NET ASSETS	142,820	(47,437)	95,383	295,149
NET ASSETS, BEGINNING OF PERIOD	4,900,133	47,437	4,947,570	4,652,421
NET ASSETS, END OF PERIOD	\$ 5,042,953	\$ -	\$ 5,042,953	\$ 4,947,570

See accompanying notes

OPERATION WARM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2020, WITH COMPARATIVE TOTALS FOR 2019

	2020					2019 Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	
Children's clothing	\$ 20,251,862	\$ -	\$ -	\$ -	\$ 20,251,862	\$ 20,950,443
Packaging and transportation	685,989	-	-	-	685,989	498,698
Warehousing	280,116	-	-	-	280,116	223,558
Salaries	1,596,737	270,217	589,564	859,781	2,456,518	2,165,709
Payroll taxes and employee benefits	242,102	40,971	89,392	130,363	372,465	322,011
Bad debt expense	869	-	-	-	869	-
Consultants	18,863	3,192	6,965	10,157	29,020	4,015
Fees and licenses	11,946	-	-	-	11,946	15,234
Insurance	17,807	3,013	6,575	9,588	27,395	22,088
Interest	2,298	-	-	-	2,298	6,458
Marketing and communication	28,894	2,692	91,467	94,159	123,053	120,802
Occupancy	103,185	17,462	38,099	55,561	158,746	127,404
Office expenses	88,012	14,894	32,496	47,390	135,402	106,119
Printing and postage	2,697	2,696	2,696	5,392	8,089	13,365
Professional fees	66,679	2,564	44,733	47,297	113,976	112,484
Programs and events	248,699	-	-	-	248,699	233,757
Technology	149,325	25,270	55,135	80,405	229,730	149,248
Telephone	18,064	3,057	6,670	9,727	27,791	26,463
Travel and entertainment	106,427	-	106,428	106,428	212,855	160,597
	23,920,571	386,028	1,070,220	1,456,248	25,376,819	25,258,453
Depreciation and amortization	7,032	1,190	2,596	3,786	10,818	23,200
Total expenses by function	<u>\$ 23,927,603</u>	<u>\$ 387,218</u>	<u>\$ 1,072,816</u>	<u>\$ 1,460,034</u>	<u>\$ 25,387,637</u>	<u>\$ 25,281,653</u>

See accompanying notes

OPERATION WARM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020, WITH COMPARATIVE TOTALS FOR 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 95,383	\$ 295,149
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,818	23,200
(Increase) decrease in operating assets:		
Accounts receivable	(43,572)	(214,468)
Inventory	(863,129)	257,300
Accrued interest receivable	15,632	(10,609)
Prepaid expenses	31,139	(6,293)
Security deposits	(115)	(2,928)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	176,309	(97,897)
Program deposits	1,142,987	(145,034)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>565,452</u>	<u>98,420</u>
CASH FLOWS USED BY INVESTING ACTIVITIES		
Payments for property and equipment	-	(6,185)
NET CASH USED BY INVESTING ACTIVITIES	<u>-</u>	<u>(6,185)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on line of credit	2,000,000	1,500,000
Repayments on line of credit	(500,000)	(1,500,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,500,000</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,065,452	92,235
CASH AND CASH EQUIVALENTS - BEGINNING	<u>5,383,566</u>	<u>5,291,331</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 7,449,018</u></u>	<u><u>\$ 5,383,566</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 2,298</u>	<u>\$ 6,458</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes

OPERATION WARM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 1 – THE ORGANIZATION

On November 15, 2002, Operation Warm, Inc. was formed as a nonprofit organization for the purpose of supporting, managing and supervising programs of a philanthropic, charitable or educational nature without regard to race, creed, color, sex, or national origin. Specifically, Operation Warm, Inc. provides resources for underserved children, including the provision of winter coats.

Operation Warm, Inc. receives funding primarily from grants and contributions for the promotion of its mission.

Coats For Kids Foundation (the “Foundation”) was acquired by Operation Warm, Inc. in April, 2011. The Foundation is a nonprofit organization for the purpose of providing coats to needy children.

On a separate basis, for the fiscal year ended March 31, 2020, revenues identified with the Foundation totaled \$5,124; expenses totaled \$5,502. On a separate basis, for the fiscal year ended March 31, 2019, revenues identified with the Foundation totaled \$9,125; expenses totaled \$9,073.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Operation Warm, Inc., and Coats For Kids Foundation (together, the “Organization”). Intercompany transactions and accounts have been eliminated during consolidation.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of consolidated 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

OPERATION WARM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 825-10 requires disclosure of an estimate of fair value of certain financial instruments. The Organization’s significant financial instruments are cash, receivables, prepaid expenses, and other short term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of twelve months or less to be cash equivalents.

Inventory

It is the Organization’s policy to record inventory at the lower of cost or market. Due to the nature of the Organization’s operations, inventory is usually purchased from manufacturers and wholesalers at an amount below market value.

Donated inventory is recorded at its estimated fair value at the date of donation. Inventory is determined on the average cost method.

Property and Equipment

The Organization capitalizes all property and equipment at cost in excess of \$10,000. Expenditures for repairs and maintenance are charged against current year operations. Depreciation is provided on a straight-line basis over the estimated useful life of the related asset. For the years ended March 31, 2020 and 2019, depreciation expense was \$10,818 and \$23,200, respectively.

Net Assets

Net assets, revenues, 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 restriction – Net assets available for use in general operations and not subject to donor restrictions.

OPERATION WARM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net assets with donor restriction – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue and other support are reported as increases in net assets without donor restriction unless the use of the related assets is limited by donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose have been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restriction to net assets without donor restriction. Expenses are reported as decreases in net assets without donor restriction.

Revenue Recognition

The Organization records contributions and grants received as net assets with or without donor restriction, depending on the existence and/or nature of any donor restrictions. Contributions, which include unconditional promises to give (pledges), are recognized as revenue in the year received or promised, whichever is earlier. Contributions are considered to be without donor restriction unless specifically restricted by the donor.

The Organization reports contributions and grants as net assets with donor restrictions if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are released and reclassified to net assets without donor restriction in the statement of activities and changes in net assets.

Event revenue is generated substantially from the distribution of coats to children at sponsored events. Those events predominantly contain a single delivery element and revenue is recognized when the event takes place. Deferred program revenues consist primarily of sponsorships received for distribution events that will take place in the next fiscal year.

Accounts Receivable

Accounts receivable are stated at unpaid balances. The Organization estimates that all of its accounts receivable are collectible; accordingly, there is no provision for an allowance for doubtful accounts. If amounts become uncollectible, they will be charged to operations when that determination is made.

OPERATION WARM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

The Organization receives significant in-kind contributions, primarily in the form of reduced purchase price for coats, free shipping, and donated clothing. It is the Organization's policy to recognize charitable contributions for the difference between the actual cost and the estimated retail value at the date of donation. The Organization similarly records the difference between the actual cost and the estimated retail value as a program expense, when the coats are provided to children.

For the years ended March 31, 2020 and 2019, the difference between the actual cost of coats to the Organization and the retail value amounted to \$17,063,445 and \$17,356,410, respectively. Accordingly, the difference is reported as charitable contributions and program expenses on the statement of activities.

The Organization recognized \$120,000 and \$92,000 in donated transportation services from a professional carrier in the years ended March 31, 2020 and 2019, respectively. Donated transportation is recorded as contribution revenue at its market value. The cost of transportation is recorded as program expense at the time coats are delivered. At times, other professional services are donated to the Organization. The market value of these donated services is recorded as contribution revenue at the time services are received. The Organization records the related expense to the appropriate functional expense area.

Contributed Services and Materials

Certain contributed property and use of property are recorded as support and expensed at fair market value when determinable, otherwise at values indicated by the donor.

Income Taxes

Operation Warm, Inc. is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying statements. Operation Warm, Inc. files a Form 990, as well as all required state filings. Operation Warm, Inc. did not have any unrelated business income for the fiscal years ended March 31, 2020 and 2019.

The Foundation is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. The Foundation files a separate Form 990, as well as required state filings. The Foundation did not have any unrelated business income for the fiscal years ended March 31, 2020 and 2019.

OPERATION WARM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Marketing and Communications

Marketing and communications costs are charged to expense as incurred. Marketing and communication expense for the years ended March 31, 2020 and 2019 was \$123,053 and \$120,802, respectively.

Comparative Financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2019 from which the summarized information was derived.

Change in Accounting Principle

The Organization has adopted the new accounting guidance issued in Accounting Standards Codification (ASC) Section 606, *Revenues from Contracts with Customers*. This guidance establishes a five-step approach for the recognition of revenue. In accordance with the provisions of the ASC, the Organization recognizes program revenue in the period when the sponsored event takes place. Revenue recognition practices were not affected by the new standard.

Also during 2020, the Organization adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Key provisions in this guidance include clarification of accounting for grants and contracts as exchange transactions or contributions, and improved guidance to distinguish between conditional and unconditional contributions. The implementation of this guidance resulted in no changes in the way the Organization recognizes contribution and grant revenue. However, the presentation and disclosure have been enhanced.

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's presentation. Total net assets and changes in net assets are unchanged due to these reclassifications.

OPERATION WARM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 3 – LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$1.5 million. The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments. As a precaution, the line of credit was fully drawn down at March 31, 2020.

The following information reflects the Organization's financial assets as of March 31, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available include net assets with donor restrictions and amounts held as collateral for the Organization's line of credit.

Cash	\$ 7,449,018
Accounts receivable	277,754
Other deposits	19,901
	<hr/> 7,746,673
Investments with liquidity horizons greater than one year	<hr/> -
Financial assets available to meet cash needs for general expenditures within one year	<hr/> <u>\$ 7,746,673</u>

NOTE 4 – INVENTORY

Finished goods inventory at March 31, 2020 and 2019 was \$883,056 and \$19,927, respectively. Inventory is stated at the lower of cost or market. Cost is determined by the average cost method.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at March 31:

	<u>2020</u>	<u>2019</u>
Library program	<u>\$ -</u>	<u>\$ 47,437</u>

OPERATION WARM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from donor restrictions by meeting the time restrictions or by incurring expenses satisfying the restrictions specified by donors were as follows at March 31:

	<u>2020</u>	<u>2019</u>
Library program	<u>\$ 47,437</u>	<u>\$ 2,563</u>

NOTE 6 – CONCENTRATION OF RISK

The Organization maintains cash and cash equivalents deposited in several financial institutions, which are insured by the FDIC up to \$250,000 or the SIPC up to \$500,000. The Organization regularly monitors the financial condition of the banking institutions, along with their balances in cash and cash equivalents and tries to keep this potential risk to a minimum. In the normal course of business, the Organization may have deposits that exceed the insured balances. The Organization believes it is not exposed to any significant credit risk on its cash balances.

The Organization has contracts for purchase of 77% and 23% of its inventory from two vendors in the same foreign country.

While substantially all of the Organization's inventory is manufactured in a single foreign country, the Organization will be piloting a new supplier relationship in another country. Among other risks, the Organization's inventory supply is subject to various political, economic, regulatory and other risks and uncertainties inherent in the foreign relations with these countries.

NOTE 7 – CONTINGENCIES AND COMMITMENTS

As of March 31, 2020 there were signed purchase orders outstanding with suppliers for a total cost of \$3,385,825.

In light of the world-wide spread of the Coronavirus (COVID-19), the Organization has been affected by disruption of business and volatility in the financial markets, beginning in March 2020. The long-term impact of this phenomenon is not known and cannot be reasonably estimated.

OPERATION WARM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 8 – VOLUNTEER SERVICES

Donated services are not recognized as revenue unless the services received create or enhance the value of a nonfinancial asset or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. Due to the nature of the Organization's operations, individuals may volunteer their time and perform a variety of tasks that assist the Organization. Approximately 119,000 volunteer hours were contributed by 30,000 individuals during the year ended March 31, 2020.

NOTE 9 – LEASING ARRANGEMENTS

The Organization leases office space under an operating lease. This lease was signed for a seven-year term in April 2013, with a provision to terminate on June 1, 2020. Rent expense for office space, including other month-to-month leases, for the years ended March 31, 2020 and 2019 was \$158,746 and \$127,404, respectively.

In January 2020, the Organization signed a new office lease agreement for a new location, with an estimated date of occupancy of August 1, 2020. The terms of the agreement call for monthly rent payments of \$12,746 for the first twelve months of the lease.

NOTE 10 – LINE OF CREDIT

The Organization has a line of credit agreement with a local financial institution. The agreement allows advances up to a total of \$1,500,000 and has an interest rate of LIBOR plus 250 (3.50% at March 31, 2020) due monthly. Principal and interest is due in full on the maturity date of October 31, 2020. The balance on the line at March 31, 2020 and 2019 was \$1,500,000 and \$0, respectively.

NOTE 11 – POST RETIREMENT BENEFITS

The Organization has a defined contribution plan (the Plan) covering all employees attaining age 21 with at least six months of service. The Organization matches 100% of employee contributions up to the first 3% and 50% of employee contributions up to an additional 2% for a maximum match of 4%. Participants are immediately vested in all matching contributions. Total employer contributions for the years ended March 31, 2020 and 2019, were \$53,825 and \$56,856, respectively.

OPERATION WARM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020

NOTE 12 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 90,512	\$ 90,512
Computers and software	103,558	103,558
	<u>194,070</u>	<u>194,070</u>
Less: accumulated depreciation	(184,402)	(173,584)
Net property and equipment	<u>\$ 9,668</u>	<u>\$ 20,486</u>

Depreciation expense for the years ended March 31, 2020 and 2019 was \$10,818 and \$23,200, respectively.

NOTE 13 – FUNCTIONALIZED EXPENSES

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of estimated time and effort include salaries and wages, benefits, payroll taxes, occupancy, office, telephone and depreciation.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 24, 2020, the date the consolidated financial statements were available to be issued.

Subsequent to March 31, 2020, the Organization applied and was approved for a loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Association. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Any portion of the loan not forgiven will accrue interest at 1% with a 5-year term. The loan is uncollateralized and is fully guaranteed by the Federal government.

In June 2020, the Organization repaid the outstanding balance on the line of credit in full.