

**MOUNTAIN HUMANE**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

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**Independent Auditor's Report**

To the Board of Directors  
Animal Shelter of the Wood River Valley, Inc.  
dba Mountain Humane  
Hailey, ID 83333

**Opinion**

We have audited the accompanying financial statements of Mountain Humane (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Mountain Humane as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years 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 Mountain Humane 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 Mountain Humane'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 Mountain Humane'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 Mountain Humane'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.

*Arritt Robins Waters CPAs PLLC*  
Arritt Robins Waters CPAs PLLC  
March 31, 2023

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# MOUNTAIN HUMANE

## STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash & Cash Equivalents	\$ 1,796,857	\$ 3,434,597
Investments	762,754	517,253
Pledges/Accounts Receivable - net of allowance	385,854	215,101
Prepaid Expenses	12,667	10,101
Inventory	90,570	83,720
Total Current Assets	<u>3,048,701</u>	<u>4,260,773</u>
<b>Property and Equipment</b>		
Land	285,341	285,341
Buildings & Improvements	17,462,996	17,346,293
Equipment	795,832	792,558
Less Accumulated Depreciation	<u>(2,130,366)</u>	<u>(1,614,966)</u>
Net Property and Equipment	<u>16,413,803</u>	<u>16,809,226</u>
<b>Other Assets</b>		
Pledges Receivable - non current portion	<u>10,000</u>	<u>150,000</u>
Total Assets	<u>\$ 19,472,504</u>	<u>\$ 21,219,999</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 83,584	\$ 102,745
Accrued Payroll Liabilities	176,829	92,751
Deferred Revenue	9,073	12,032
Current Portion of Long-Term Debt	216,000	216,000
Total Current Liabilities	<u>485,485</u>	<u>423,528</u>
<b>Long Term Debt - Net of Current Portion</b>	<u>1,653,460</u>	<u>4,115,990</u>
Total Liabilities	2,138,945	4,539,518
<b>Net Assets</b>		
Without donor restrictions		
Available for program and supporting activities	2,348,471	3,934,003
Net investment in fixed assets	<u>14,544,343</u>	<u>12,477,236</u>
Total without donor restrictions	16,892,814	16,411,239
With donor restrictions	<u>440,745</u>	<u>269,241</u>
Total Net Assets	<u>17,333,559</u>	<u>16,680,480</u>
Total Liabilities and Net Assets	<u>\$ 19,472,504</u>	<u>\$ 21,219,999</u>

See accompanying notes to the financial statements.

# MOUNTAIN HUMANE

## STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>						
Monetary Contributions	\$ 1,631,940	\$ 214,578	\$ 1,846,517	\$ 2,008,656	\$ 77,211	\$ 2,085,867
Contributed Goods and Services	255,478	-	255,478	270,385	-	270,385
Non-Government Grants	264,350	315,000	579,350	65,606	125,000	190,606
Special Event Revenue (Net of costs)	760,649		760,649	652,720		652,720
Sales - Thrift Store	467,217	-	467,217	377,491	-	377,491
Program Service Revenue	323,696	-	323,696	212,104	-	212,104
Investment Income (Loss)	27,620	386	28,006	343	369	711
Other Revenue	-	-	-	2,948	-	2,948
<b>Total Revenues</b>	<b>3,730,949</b>	<b>529,963</b>	<b>4,260,913</b>	<b>3,590,252</b>	<b>202,580</b>	<b>3,792,832</b>
<b>Net Asset Restriction Transfers</b>						
Use for restricted purpose	352,332	(352,332)	-	159,523	(159,523)	-
<b>Expenses</b>						
Program Services						
Animal Shelter	2,648,154	-	2,648,154	2,458,319	-	2,458,319
Thrift Store	373,556	-	373,556	287,375	-	287,375
Total Program Services	3,021,710	-	3,021,710	2,745,694	-	2,745,694
Supporting Services						
Fund Raising	344,464	-	344,464	308,868	-	308,868
General & Administrative	237,307	-	237,307	265,894	-	265,894
Total Supporting Services	581,771	-	581,771	574,762	-	574,762
Total Expenses	3,603,481	-	3,603,481	3,320,456	-	3,320,456
<b>Change in Net Assets from Operations</b>	<b>479,800</b>	<b>177,631</b>	<b>657,432</b>	<b>429,319</b>	<b>43,057</b>	<b>472,376</b>
<b>Non-operating Income</b>						
Government Loan Forgiveness	-	-	-	506,604	-	506,604
Gains(Losses) on Sale of Fixed Assets	(1,262)	-	(1,262)	-	-	-
Unrealized Gains(Losses) on Investments	3,037	(6,128)	(3,091)	(16,172)	7,478	(8,694)
<b>Total Change in Net Assets</b>	<b>481,575</b>	<b>171,503</b>	<b>653,079</b>	<b>919,751</b>	<b>50,535</b>	<b>970,287</b>
<b>Beginning Net Assets</b>	<b>16,411,239</b>	<b>269,241</b>	<b>16,680,480</b>	<b>15,491,487</b>	<b>218,706</b>	<b>15,710,193</b>
<b>Ending Net Assets</b>	<b>\$ 16,892,814</b>	<b>\$ 440,745</b>	<b>\$ 17,333,559</b>	<b>\$ 16,411,239</b>	<b>\$ 269,241</b>	<b>\$ 16,680,480</b>

See accompanying notes to the financial statements.

# MOUNTAIN HUMANE

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				Total
	Program Services		Supporting Services		
	Animal Shelter	Thrift Store	Fund Raising	General & Admin	
Wages and Benefits	\$ 1,385,110	\$ 228,435	\$ 231,707	\$ 132,400	\$ 1,977,652
Contract Services	23,878	463	-	32,025	56,366
Marketing & Communications	95,479	1,274	20,979	1,995	119,727
Nonpersonnel Expenses	67,031	4,949	4,063	5,361	81,404
Facility & Equipment Expenses	169,968	28,118	-	-	198,086
Travel & Meeting	22,249	566	808	319	23,942
Other Animal Specific Expenses	199,750	-	-	-	199,750
Other Expenses	49,594	16,095	35,499	14,165	115,354
In Kind Goods & Services	112,102	90,329	1,157	433	204,020
Interest Expense	63,808	-	-	16,289	80,097
Depreciation Expense	459,186	3,327	50,251	34,319	547,083
Total	<u>\$ 2,648,154</u>	<u>\$ 373,556</u>	<u>\$ 344,464</u>	<u>\$ 237,307</u>	<u>\$ 3,603,481</u>
	2021				
	Program Services		Supporting Services		Total
	Animal Shelter	Thrift Store	Fund Raising	General & Admin	
	Wages and Benefits	\$ 1,154,300	\$ 173,356	\$ 167,699	
Contract Services	21,467	20	13,690	14,246	49,422
Marketing & Communications	81,443	1,734	39,177	435	122,788
Nonpersonnel Expenses	45,294	7,617	3,667	5,118	61,695
Facility & Equipment Expenses	128,844	20,834	9	-	149,686
Travel & Meeting	3,827	320	-	40	4,187
Other Animal Specific Expenses	187,481	-	-	-	187,481
Other Expenses	31,411	12,150	30,734	53,488	127,783
In Kind Goods & Services	214,205	68,018	2,593	2,949	287,766
Interest Expense	137,252	-	-	38,142	175,394
Depreciation Expense	452,795	3,327	51,299	44,184	551,605
Total	<u>\$ 2,458,319</u>	<u>\$ 287,375</u>	<u>\$ 308,868</u>	<u>\$ 265,894</u>	<u>\$ 3,320,456</u>

See accompanying notes to the financial statements.

# MOUNTAIN HUMANE

## STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Change in Net Assets	\$ 653,079	\$ 970,287
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	547,083	551,605
Accumulated depreciation of disposed fixed assets	-	-
(Increase) Decrease in accounts receivable	(30,753)	(32,687)
(Increase) Decrease in inventory	(6,850)	45,200
(Increase) Decrease in prepaid expenses	(2,565)	2,187
Increase (Decrease) in accounts payable	(19,162)	39,927
Increase (Decrease) in payroll liabilities	84,078	(4,900)
Increase (Decrease) in deferred revenue	(2,959)	12,032
	<u>1,221,950</u>	<u>1,583,651</u>
<b>Cash Flows From Investing Activities</b>		
(Increase) Decrease in Investments	(245,500)	(482,933)
(Acquisition) Disposition of fixed assets	(151,661)	(32,168)
	<u>(397,161)</u>	<u>(515,101)</u>
<b>Cash Flows From Financing Activities</b>		
Increase (Decrease) in Line of Credit	-	-
New Long Term Debt	-	-
Payments on Long Term Debt	(2,462,530)	(241,000)
	<u>(2,462,530)</u>	<u>(241,000)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,637,741)	827,550
<b>Cash and Cash Equivalents at Beginning of Period</b>	<u>3,434,597</u>	<u>2,607,048</u>
<b>Cash and Cash Equivalents at Ending of Period</b>	<u>\$ 1,796,856</u>	<u>\$ 3,434,597</u>
<b>Supplemental disclosure</b>		
Interest paid in cash.	\$ 80,097	\$ 175,394

See accompanying notes to the financial statements.

# MOUNTAIN HUMANE

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business Activity** – Animal Shelter of the Wood River Valley, Inc. dba Mountain Humane, located in Hailey, Idaho, is a non-profit organization that provides temporary shelter for homeless pets and adoption to qualified homes. The Organization also promotes animal welfare through community education and spay/neuter services. The shelter serves as the impound facility for the Blaine County Animal Control Program. The Organization also operates a thrift store (The Barkin) in Hailey to promote and support shelter operations. The Organization is governed by its board of directors, as dictated by its bylaws.

**Basis of Presentation** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States for not-for-profit organizations, as codified by the Financial Accounting Standards Board. Those principles require reporting amounts for an organization's total assets, liabilities, and net assets in a statement of financial position; reporting the change in an organization's net assets in a statement of activities; and reporting the change in its cash and cash equivalents in a statement of cash flows.

Those principles also require classification of an organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions into two separate classes of net assets - those with donor restrictions and those without donor restrictions.

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

**Cash and Cash Equivalents** – The Organization considers all highly liquid deposits with a maturity of three months or less to be cash and cash equivalents.

**Recognition of Donor Restrictions** – The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated revenue. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

**Donated Goods and Services** – Donated goods and specialized services are recorded as in kind revenue and corresponding expense at their estimated market value. A number of volunteers have contributed their time to the activities of the Organization without compensation which has not been recorded on the financial statements.

**Inventory** – Consists of donated goods for sale at the thrift store and donated art work for sale. Inventory is recorded at estimated market value.

**Property and Equipment and Depreciation** – Fixed assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of donated assets. Items under the Organization's capitalization threshold are expensed in the period of purchase or donation. Capitalized items are depreciated on a straight-line basis over their estimated useful lives.



**Income Taxes** - The Organization is a non-profit organization which is not a private foundation. Mountain Humane has obtained exemption from federal and state income taxes under I.R.C. Section 501 (c)(3) and related Idaho State code provisions. Accordingly, no provision for income taxes has been made in the financial statements.

FASB ASC 740-10 requires disclosure of uncertain tax positions and their corresponding estimated values. As of period end, the Company had no reportable uncertain positions. Open tax years are calendar years 2019 and forward.

**Functional expense allocation** - Direct expenses are costed directly to the related function. Indirect expenses are allocated based on standard percentages to estimate the benefit to each function.

**Revenue recognition** - The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

**New Accounting Pronouncements** - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, Revenue Recognition, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Organization implemented this standard in 2019.

On June 21, 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The Organization implemented this standard in 2019.

FASB ASU 2016-02 (Topic 842) deals with the accounting for leases. The Organization has implemented this standard effective January 1, 2022.

## **NOTE 2 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at years' end are summarized as follows:

	2022		2021	
	FDIC Insured	Uninsured	FDIC Insured	Uninsured
Zions Bank	\$ 250,000	\$ 36,647	\$ 250,000	\$ 176,334
Schwab - Cash Equivalents	12,498	1,496,821	119,714	2,887,618
Cash on Hand	-	891	-	931
Total Cash	<u>\$ 262,498</u>	<u>\$ 1,534,359</u>	<u>\$ 369,714</u>	<u>\$ 3,064,883</u>

Amounts included with Schwab uninsured cash equivalents are held in US Treasury backed money market funds.

## **NOTE 3 – INVESTMENTS**

The Organization applies the provisions of ASC 820 for fair value measurements of investments. It has investments valued only under Level 1, quoted prices for identical assets or liabilities in an active market. The quoted prices and related fair market values are as of fiscal year end, as follows:

	2022	2021
Common stocks and options	\$ -	\$ 487,645
Government Bonds	739,273	-
Mutual funds	23,480	29,609
Other equities	-	-
	<u>\$ 762,754</u>	<u>\$ 517,253</u>

Bonds with maturities of greater than one year are classified as non-current.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the statement of financial position. However, the diversification of the Organization's invested assets, as dictated by its written investment policy, should mitigate the impact of any dramatic change in market values.

Investment income includes interest, dividends and net gains and losses from sales of securities. The amount of net unrealized gains (losses) included in investment income was (\$3,091) and (\$8,694) for 2022 and 2021, respectively. Related investment expense reported as other expense in the statement of functional expenses was \$7,748 and \$8,367, for years 2022 and 2021, respectively.

**NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

Financial assets available for general expenditures within one year of the statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and equivalents	\$ 1,796,857	\$ 3,434,597
Investment securities	762,754	517,253
Total	<u>2,559,610</u>	<u>3,951,851</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	440,745	269,241
Board-designated quasi-endowment funds	-	-
Total	<u>440,745</u>	<u>269,241</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 2,118,866</u>	<u>\$ 3,682,610</u>

**NOTE 5 – PLEDGES/ACCOUNTS RECEIVABLE**

Receivables at year end were as follows:

	<u>2022</u>	<u>2021</u>
Contracts/other receivables	\$ 19,054	\$ 18,390
Pledges Receivables	386,800	347,711
Allowance/discount	(10,000)	(1,000)
	<u>\$ 395,854</u>	<u>\$ 365,101</u>

**NOTE 6 – PROPERTY AND EQUIPMENT**

Changes in property and equipment were as follows:

	<u>Beg Bal</u>	<u>Additions</u>	<u>Disposals</u>	<u>End Bal</u>
<b>2022</b>				
Land	\$ 285,341	\$ -	\$ -	\$ 285,341
Construction In Progress	-	93,501	-	93,501
Buildings/Improvements	17,346,292	23,203	-	17,369,495
Equipment	792,559	36,219	(32,946)	795,832
Accumulated Depreciation	(1,614,966)	(547,083)	31,683	(2,130,366)
	<u>16,809,226</u>	<u>(394,160)</u>	<u>(1,263)</u>	<u>16,413,803</u>
<b>2021</b>				
Land	\$ 285,341	\$ -	\$ -	\$ 285,341
Construction In Progress	-	-	-	-
Buildings/Improvements	17,327,021	19,271	-	17,346,293
Equipment	779,661	12,897	-	792,558
Accumulated Depreciation	(1,063,361)	(551,605)	-	(1,614,966)
	<u>17,328,663</u>	<u>(519,437)</u>	-	<u>16,809,226</u>

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Animal medical/surgical care	\$ 112,293	\$ -
Animal nutrition	12,186	25,476
Community outreach	-	45,125
Property lease	10,189	20,467
Youth Education	24,609	30,419
Debt service	-	147,754
Thrift store - cap ex & maintenance	7,500	
Veterinarian & program cap ex	273,968	-
	<u>\$ 440,745</u>	<u>\$ 269,241</u>

**NOTE 8 - RETIREMENT PLAN**

The Organization sponsors a 403(b) plan under which it matches up to 3% of eligible employees' compensation. The Organization suspended company contributions to the plan in 2021 and 2020, but resumed contributions in 2022.

**NOTE 9 - LONG TERM DEBT**

The Organization has a term loan from Zions Bank with the following terms: 3.12% variable rate (index based on the 5 year CMT), maturity on April 1, 2029, and secured by real property. Required principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2023	216,000	58,290	274,290
2024	216,000	51,555	267,555
2025	216,000	44,820	260,820
2026	216,000	38,085	254,085
2027	216,000	31,350	247,350
Later	789,460	73,846	863,306
Total	<u>\$ 1,869,460</u>	<u>\$ 297,946</u>	<u>\$ 2,167,406</u>

**NOTE 10 - LEASES**

The Organization has an agreement to lease the thrift store building for \$10,000 annually, with an option to purchase the property for \$100 in 2024. The lease is likely to be extended, with an increase to annual lease payments but similar purchase option. As a net future obligation appears unlikely, no lease obligation will be recorded. The Organization has no other lease agreements that are required to be recorded under the new lease standard.

**NOTE 11 - PPP LOAN**

In 2021, the Organization received a \$506,604 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was forgiven in November 2021, in accordance with SBA guidelines.

**NOTE 12 - SUBSEQUENT EVENTS**

Any subsequent events have been evaluated as of March 31, 2023 the date the audited financial statements were available to be issued.