The Prosthetic Foundation

Financial Statements

December 31, 2021 and 2020

SCHRIVER CARMONA

Certified Public Accountants

The Prosthetic Foundation

Table of Contents

SCHRIVER CARMONA
Certified Public Accountants

7550 W IH-10, Suite 504
San Antonio, Texas 78229
Phone: 210-680-0350
Fax: 210-390-0802
www.scc-cpa.com

Independent Auditor's Report

To the Board of Directors and
Management of The Prosthetic Foundation

Opinion

We have audited the accompanying financial statements of The Prosthetic Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 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 The Prosthetic Foundation as of December 31, 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 The Prosthetic Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 The Prosthetic Foundation'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 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 The Prosthetic Foundation'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 The Prosthetic Foundation'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.

Emphasis of Matter

We previously reviewed The Prosthetic Foundation's financial statements for the year ended December 31, 2020 and issued our conclusion dated March 8, 2022. Those previously issued financial statements for the period ended December 31, 2020 have been restated within this report for the correction of a material misstatement. See Note 12 on page 12 for additional information on the restatement.

Report on Summarized Comparative Information

We previously reviewed The Prosthetic Foundation's 2020 financial statements, and in our conclusion dated March 8, 2022, stated that based on our review, we were not aware of any material modifications that should be made to the 2020 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 December 31, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

Schriver, Carmona & Company, PLLC

San Antonio, Texas

September 29, 2022

Financial Statements

The Prosthetic Foundation

Statements of Financial Position
December 31, 2021 (audited) and 2020 (reviewed)(restated)

		2021 (audited)		2020 (reviewed) (restated)
Assets				
Current Assets:				
Cash and Cash Equivalents	**$**	**111,109**	$	41,852
Accounts Receivable		**32,741**		30,857
Current Portion of Pledges Receivable		**50,000**		50,000
Prepaid Expenses		**-**		461
Total Current Assets		**193,850**		123,170
Long-Term Portion of Pledges Receivable, Net of Discount		**99,279**		147,412
Property and Equipment, Net		**2,965**		1,389
Total Assets	**$**	**296,094**	$	271,971
Liabilities and Net Assets				
Liabilities:				
Current Liabilities:				
Accounts Payable	**$**	**56,237**	$	20,638
Grants Payable		**12,000**		53,280
Total Current Liabilities		**68,237**		73,918
Total Liabilities		**68,237**		73,918
Net Assets:				
Without Donor Restrictions		**46,463**		641
With Donor Restrictions		**181,394**		197,412
Total Net Assets		**227,857**		198,053
Total Liabilities and Net Assets	**$**	**296,094**	$	271,971

The Prosthetic Foundation

Statement of Activities
Year Ended December 31, 2021 (audited)
[with Comparative Totals for the Year Ended December 31, 2020 (reviewed)(restated)]

	2021 (audited)			2020 Totals
	Without Donor Restrictions	With Donor Restrictions	**Totals**	(reviewed) (restated)
Support and Revenues				
Contributions	$ 19,483	$ -	**$ 19,483**	$ 255,103
Grant Income	150,000	32,115	**182,115**	118,935
Online Profit Sharing	773		**773**	368
In-Kind Contributions	37,756	-	**37,756**	29,734
Special Events, net of expenses of $125 and $9,067 in 2021 and 2020, respectively	48,425	-	**48,425**	39,056
Interest Income	33	-	**33**	198
Net Assets Released from Restrictions	48,133	(48,133)	**-**	-
Total Support and Revenues	304,603	(16,018)	**288,585**	443,394
Expenses				
Program Services	151,642	-	**151,642**	366,959
Support Services:				
Management and General	107,109	-	**107,109**	94,388
Fundraising	30	-	**30**	-
Total Expenses	258,781	-	**258,781**	461,347
Change in Net Assets	45,822	(16,018)	**29,804**	(17,953)
Net Assets at Beginning of Year	641	197,412	**198,053**	216,006
Net Assets at End of Year	$ 46,463	$ 181,394	**$ 227,857**	$ 198,053

The Accompanying Notes are an Integral Part of These Combined Financial Statements

The Prosthetic Foundation

Statement of Functional Expenses
Year Ended December 31, 2021 (audited)
[with Comparative Totals for the Year Ended December 31, 2020 (reviewed)(restated)]

	Program Services	Support Services: Management and General	Support Services: Fundraising	**2021 Totals (audited)**	2020 Totals (reviewed) (restated)
Salaries and Wages	$ 70,331	$ 70,331	$ -	**$ 140,662**	$ 90,556
Payroll Benefits and Taxes	15,638	15,638	-	**31,276**	13,391
Total Salaries and Related Expenses	85,969	85,969	-	**171,938**	103,947
Advertising	-	3,139	-	**3,139**	272
Bank Fees	-	805	-	**805**	861
Grant Expense	12,000	-	-	**12,000**	272,887
Grant Writing	-	-	-	**-**	23,166
Insurance	-	623	-	**623**	121
In-Kind Goods Expense	611	-	-	**611**	-
IT Support	3,664	3,664	-	**7,328**	7,888
Miscellaneous	598	-	30	**628**	679
Office Expense	-	4,478	-	**4,478**	3,053
Phone and Internet	-	3,042	-	**3,042**	883
Professional Services	-	120	-	**120**	16,652
Prosthetic Fabrication	11,655	-	-	**11,655**	-
Prosthetic Fabrication - In-Kind	37,145	-	-	**37,145**	28,125
Training	-	718	-	**718**	1,695
Travel	-	3,728	-	**3,728**	898
Total Expenses before Depreciation	$ 151,642	$ 106,286	$ 30	**$ 257,958**	$ 461,127
Depreciation	-	823	-	**823**	220
Total Expenses	$ **151,642**	$ **107,109**	$ **30**	**$ 258,781**	$ 461,347

Statements of Cash Flows
Years Ended December 31, 2021 (audited) and 2020 (reviewed)(restated)

		2021 (audited)		2020 (reviewed) (restated)
Cash Flows From Operating Activities:				
Change in Net Assets	**$**	**29,804**	$	(17,953)
Adjustments to Reconcile Change in Net Assets				
to Net Cash Provided (Used) by Operating Activities:				
Depreciation		**823**		220
Discount on Pledges Receivable		**(1,867)**		2,588
(Increase) Decrease in:				
Accounts Receivable		**(1,884)**		(26,632)
Pledges Receivable		**50,000**		(200,000)
Prepaid Expenses		**461**		577
Increase (Decrease) in:				
Accounts Payable		**35,599**		15,711
Grants Payable		**(41,280)**		53,280
Net Cash Provided (Used) by Operating Activities		**71,656**		(172,209)
Cash Flows From Investing Activities:				
Purchase of Property and Equipment		**(2,399)**		(1,609)
Net Cash Used by Investing Activities		**(2,399)**		(1,609)
Net Increase in Cash		**69,257**		(173,818)
Cash and Cash Equivalents, Beginning of Year		**41,852**		215,670
Cash and Cash Equivalents, End of Year	**$**	**111,109**	$	41,852
Supplemental Disclosure of Non-Cash Investing Activities				
Donation of Property and Equipment	**$**	**-**	$	1,609

Note 1: Nature of Organization

The Prosthetic Foundation (the Organization), a non-profit corporation, is dedicated to helping under and uninsured amputees throughout Texas obtain a prosthesis with the follow-up care that is essential for successfully regaining mobility and independence.

Note 2: Summary of Accounting Principles

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to two classes of net assets:

- *Without Donor Restrictions* – net assets available for use in general operations and not subject to donor restrictions. Grant and contributions gifted for recurring programs of the Organization generally are not considered "restricted" under GAAP, though for internal reporting the Organization tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board of Directors are reported as Net Assets Without Donor Restrictions, Board Designated.
- *With Donor Restrictions* – net assets subject to donor-imposed stipulations that are more restrictive than the Organization mission and purpose. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Methods Used for Allocation of Expenses among Program and Supporting Services

The costs of providing services and support services are summarized on a functional basis in the statement of activity. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and support services. These expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated on a basis of time and effort (such as salaries and other labor related expenses) as well as square footage (such as occupancy related expenses) or other reasonable basis.

Estimates

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

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled **$3,139** and $1,400 for the years ended December 31, 2020 and 2019, respectively.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, there were no equivalents, respectively.

Note 2: Summary of Accounting Principles (Continued)

Property and Equipment

Property and equipment are stated at cost or at their estimated market value at the date of receipt from donors. Donated property and equipment are reports as Without Donor Restrictions support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reports as With Donor Restrictions support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies with donor restricted net assets to without donor restricted net assets at that time. The Organization capitalizes equipment with a cost of $1,000 or more. Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful life of 3-5 years for equipment.

Accounts Receivable

The Organization uses the direct write off method for doubtful accounts for accounts receivable that management deems uncollectible. At December 31, 2021 and 2020, all amounts were deemed collectible.

Prepaid Expenses

Expenses recorded in advance of the service or product being received are deferred and carried in the Statement of Financial Position as prepaid expenses. For the Years ended December 31, 2021 and 2020, prepaid expenses were **$0** and $1,038, respectively.

Revenue Recognition

<u>Contributions and Grants</u>

Contributions and grants received are recorded as support Without Donor Restrictions or With Donor Restrictions depending on the existence or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in Net Assts Without Donor Restrictions. All other donor restricted support is report as an increase in Net Assets With Donor Restrictions. Net Assets With Donor Restrictions are reclassified to Net Assets Without Donor Restrictions upon expiration of the time or purpose restriction and are report in the Statement of Activities as Net Assets Released from Restrictions. Restricted contributions whose restrictions are met in the same reporting period are report as Without Donor Restrictions.

Fair Value Measurements

The Fair Value Measurements and Disclosures, ASC 820, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, established a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Organization did not have any assets or liabilities that were subject to measurement.

Fair Value of Financial Instruments

The Organization’s financial instruments include cash, receivables, and payables. The carrying amount of these financial instruments as reflected in the Statement of Financial Position approximates fair value.

Note 2: Summary of Accounting Principles (Continued)

Federal Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) for the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2021 and 2020, respectively. The Organization is not subject to the Texas margin tax. Management is not aware of any tax position that would have a significant impact on its financial position.

Recently Issued Accounting Pronouncements

Future Adoption

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Under this new pronouncement, generally, leases with terms of more than 12 months will be recognized in the Statements of Financial Position as an asset (right to use leased asset) and a liability (lease liability). Management expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In September 2020, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-For-Profit (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective for fiscal years beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASV issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. Management of the Organization is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Note 3: Liquidity and Availability of Financial Resources

The following represents the Organization's financial assets at December 31, 2021 and 2020 available to meet general expenditures over the next twelve months:

	2021	2020
Financial assets at year end:		
Cash and Cash Equivalents	**$ 111,109**	$ 41,852
Account Receivable	**32,741**	30,857
Pledges Receivable, Net of Discount	**149,279**	197,412
Total Financial Assets	**293,129**	270,121
Less those unavailable for general expenditures over the next twelve months due to:		
Net Assets with Donor Restrictions	**181,394**	**197,412**
Less net assets with timing restrictions to be met over the next twelve months	**(50,000)**	**(50,000)**
	131,394	147,412
Financial assets available to meet general expenditures over the next twelve months	**$ 161,735**	$ 122,709

Note 4: Pledges Receivable

Pledges Receivable consist of unconditional promises to give from one contributor totaling **$150,000** and $200,000 at December 31, 2021 and 2020, respectively. The outstanding amounts pledged consist of $50,000 annual contributions through 2024. The pledges have been discounted at a rate of 0.29% utilizing the U.S. Department of the Treasury Daily Treasury Par Yield Curve 5-year rates offered at the date of the pledge, to account for the present value of future cash flows as of December 31, 2021.

Pledges Receivable is summarized as follows at December 31:

2022	$	50,000
2023		50,000
2024		50,000
Total Pledges Receivable		150,000
Less: Net Present Value Discount		(721)
Total Pledges Receivable, Net of Discount		149,279
Less: Current Portion of Pledges Receivable		(50,000)
Long-Term Portion of Pledges Receivable, Net of Discount	$	99,279

Note 5: Property and Equipment

Property and Equipment, Net of Accumulated Depreciation consisted of the following at December 31:

		2021		2020
Equipment	**$**	**4,008**	$	1,609
Less: Accumulated Depreciation		**(1,043)**		(220)
	$	**2,965**	$	1,389

Depreciation expense for the years ended December 31, 2021 and 2020 was **$823** and $220, respectively.

Note 6: In-Kind Services

The Organization received in-kind professional contributions and services in the amount of **$37,145** and $28,125 for the years ended December 31, 2021 and 2020, respectively. These amounts are recorded as Prosthetic Fabrication – In-Kind in the Statement of Functional Expenses.

Note 7: Concentrations

Credit Risk of Financial Instruments

Financial instruments which potentially subject the Organization to a concentration of credit risk consist of its cash balance held at its financial institution. The account at the institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2021 and 2020, the Organization's cash balance at its financial institution did not exceed the insured FDIC limit. The Organization has not experienced any losses in such account and management believes it is not exposed to a significant risk on its cash balance.

Note 7: Concentrations (Continued)

Support and Revenues

The Organization received approximately **52%** and 21% of total support and revenues from one grantor for the years ended December 31, 2021 and 2020, respectively. The loss of funding from this grantor could reduce the Organization's ability to achieve its objectives.

Note 8: COVID-19 Risk and Uncertainty

The COVID-19 pandemic, whose effects first became known in January 2020, is having broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's customers, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 9: Employee 401(K) Plan

The Organization offers a Defined Contribution 401(K) Retirement Plan in which all eligible employees can participate and make contributions. The Organization currently matches 100% of the employee's elective deferral. No match will exceed a maximum of 5% of plan compensation for the plan year. Retirement match expenses for the years ended December 31, 2021 and 2020 were **$2,847** and $444, respectively.

Note 10: Related Parties

Peripheral Vascular Associates (PVA) serve as members of the governing board of the Organization. PVA provides accounting and payroll related services to the Organization. There are related party transactions between these organizations, resulting in related party receivables and payables. As of December 31, 2021 and 2020, the Organization had a balance due to PVA of **$47,494** and $10,846, respectively.

Note 11: Net Assets

Net Assets consisted of the following at December 31:

	2021	2020
Undesignated Funds	**$ 46,463**	$ 641
Total Net Assets Without Donor Restictions	**$ 46,463**	$ 641
Restricted by Purpose:		
Region	$ 32,115	$ -
	32,115	-
Restricted by Time:		
Peripheral Vascular Associates	149,279	197,412
Total Net Assets With Donor Restrictions	$ 181,394	$ 197,412
Peripheral Vascular Associates	$ 48,133	$
Total Net Assets Released from Restictions	$ 48,133	$ -

Note 12: Restatement

As of December 31, 2020, the Organization earned $27,857 in grant revenue in accordance with a Methodist Healthcare Ministries grant that was not properly recorded. The Methodist Healthcare grant is a reimbursement contract and revenue is recorded when expenses are incurred. The impact of this restatement is a $27,857 increase to Grants Revenue on the Statement of Activities and Grants Receivable and Net Assets Without Donor Restrictions on the Statement of Financial Position at December 31, 2020.

As of December 31, 2020, the Organization incurred $10,846 in salaries expense that was not properly recorded. The impact of this restatement is a $10,846 increase to Salaries and Wages on the Statement of Functional Expenses, increase to Accounts Payable on the Statement of Financial Position and decrease to Net Assets Without Donor Restrictions on the Statement of Financial Position at December 31, 2020.

Note 13: Subsequent Events

Subsequent events have been evaluated through September 29, 2022, which is the date the financial statements were available to be issued.