

FINANCIAL STATEMENTS



THE QL PLUS PROGRAM

**FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

THE QL PLUS PROGRAM

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The QL Plus Program
Potomac, Maryland

We have audited the accompanying financial statements of The QL Plus Program (the Organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

December 10, 2021

THE QL PLUS PROGRAM
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	151,161	\$ 176,373
Investments		3,271,797	3,486,233
Grants, contributions and other receivables		161,587	106,743
Loan receivable		5,644	5,423
Prepaid expenses		<u>7,871</u>	<u>13,095</u>
Total current assets		<u>3,598,060</u>	<u>3,787,867</u>
FIXED ASSETS			
Furniture		2,332	6,077
Computer equipment		9,420	21,870
Website development		<u>21,600</u>	<u>33,300</u>
		33,352	61,247
Less: Accumulated depreciation and amortization		<u>(11,932)</u>	<u>(25,961)</u>
Net fixed assets		<u>21,420</u>	<u>35,286</u>
OTHER NONCURRENT ASSETS			
Loan receivable, net of current portion		<u>250,175</u>	<u>256,239</u>
TOTAL ASSETS		<u>\$ 3,869,655</u>	<u>\$ 4,079,392</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	53,474	\$ 57,925
NONCURRENT LIABILITIES			
Loan payable		<u>132,530</u>	<u>-</u>
Total liabilities		<u>186,004</u>	<u>57,925</u>
NET ASSETS			
Without donor restrictions		3,683,651	3,881,531
With donor restrictions		<u>-</u>	<u>139,936</u>
Total net assets		<u>3,683,651</u>	<u>4,021,467</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 3,869,655</u>	<u>\$ 4,079,392</u>

See accompanying notes to financial statements.

THE QL PLUS PROGRAM

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>			<u>2020</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Grants and contributions	\$ 295,643	\$ -	\$ 295,643	\$ 467,681
Investment income, net	502,873	-	502,873	129,880
Event	-	-	-	31,450
Interest on loan receivable	9,482	-	9,482	10,562
Net assets released from donor restrictions	<u>139,936</u>	<u>(139,936)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>947,934</u>	<u>(139,936)</u>	<u>807,998</u>	<u>639,573</u>
EXPENSES				
Program Services	<u>658,802</u>	<u>-</u>	<u>658,802</u>	<u>691,683</u>
Supporting Services:				
General and Administrative	369,912	-	369,912	149,922
Fundraising	<u>117,100</u>	<u>-</u>	<u>117,100</u>	<u>149,103</u>
Total supporting services	<u>487,012</u>	<u>-</u>	<u>487,012</u>	<u>299,025</u>
Total expenses	<u>1,145,814</u>	<u>-</u>	<u>1,145,814</u>	<u>990,708</u>
Change in net assets	(197,880)	(139,936)	(337,816)	(351,135)
Net assets at beginning of year	<u>3,881,531</u>	<u>139,936</u>	<u>4,021,467</u>	<u>4,372,602</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,683,651</u>	<u>\$ -</u>	<u>\$ 3,683,651</u>	<u>\$ 4,021,467</u>

THE QL PLUS PROGRAM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021				2020	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	General and Administrative	Fundraising			
Salaries and benefits	\$ 500,697	\$ 191,160	\$ 69,629	\$ 260,789	\$ 761,486	\$ 646,778
Professional fees	10,694	163,935	32,467	196,402	207,096	150,533
University fees	51,110	-	-	-	51,110	39,298
Materials	37,603	-	-	-	37,603	17,471
Operations	18,411	5,551	10,538	16,089	34,500	41,876
Depreciation and amortization	17,687	4,697	2,282	6,979	24,666	9,875
Communications	10,490	2,786	1,354	4,140	14,630	10,344
Travel, meals and events	6,267	231	7	238	6,505	63,065
Insurance	4,169	1,107	538	1,645	5,814	2,505
Telephone and utilities	1,416	376	183	559	1,975	5,040
Business expenses	258	69	102	171	429	3,923
TOTAL	\$ 658,802	\$ 369,912	\$ 117,100	\$ 487,012	\$ 1,145,814	\$ 990,708

See accompanying notes to financial statements.

THE QL PLUS PROGRAM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (337,816)	\$ (351,135)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	24,666	9,875
Unrealized (gain) loss	(51,457)	8,486
Realized gain	(365,410)	(48,759)
(Increase) decrease in:		
Grants, contributions and other receivables	(54,844)	(103,951)
Prepaid expenses	5,224	(5,495)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(4,451)</u>	<u>2,590</u>
Net cash used by operating activities	<u>(784,088)</u>	<u>(488,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(10,800)	(10,800)
Purchase of investments	(3,278,239)	(498,467)
Proceeds from sale of investments	3,909,542	1,081,501
Receipts on loan receivable	<u>5,843</u>	<u>4,309</u>
Net cash provided by investing activities	<u>626,346</u>	<u>576,543</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>132,530</u>	<u>-</u>
Net cash provided by financing activities	<u>132,530</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(25,212)	88,154
Cash and cash equivalents at beginning of year	<u>176,373</u>	<u>88,219</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 151,161</u>	<u>\$ 176,373</u>

THE QL PLUS PROGRAM

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The QL Plus Program (the Organization) is a non-profit organization, incorporated in the Commonwealth of Virginia and located in Potomac, Maryland. The Organization's mission is Challenging university STEM students to create innovative technology solutions that improve the quality of life for injured veterans, first responders and others who have served our nation. Funding is derived primarily from contributions and grants.

The Organization has a process by which it identifies injured veterans and others such as first responders (Challengers) who agree to be served by the Organization's program. The Challengers are linked to a team of engineering students at a university that has an agreement with the Organization. The university provides a faculty advisor and the Organization provides a program manager to support the team in the product development process. The Organization has established some dedicated laboratory space at one university, Colorado School of Mines (Mines). For the year ended June 30, 2021, the Organization had engaged with nineteen universities nationwide.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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, 2020, from which the summarized information was derived.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding money market funds held with investments.

THE QL PLUS PROGRAM

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Cash and cash equivalents (continued) -

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Change in Net Assets.

Grants, contributions and other receivables -

Grants, contributions and other receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Loan receivable -

Loan receivable is recorded at cost less allowances for uncollectible amounts. Interest is recorded when earned. Uncollectible loan receivable amounts are expensed when it is determined collection of the receivable is unlikely.

Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2021 totaled \$24,666.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2021, the Organization has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

THE QL PLUS PROGRAM

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Grants and contributions -

Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual grant and contribution to determine if the revenue streams follow the contributions rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Grants and contributions qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants and contributions qualifying as conditional contributions contain a right of return from obligation provision that limits the Organization on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grants from foundations are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. The Organization recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For grants and contributions treated as conditional contributions, the Organization did not have any unrecognized conditional awards as of June 30, 2021.

Event -

Event revenue is recorded as revenue when the performance obligation is met, which is when the related event has occurred. The transaction price is determined based on cost and/or sales price. Revenue received in advance is recorded as deferred revenue within the accompanying Statement of Financial Position.

Use of estimates -

The preparation of the 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. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organization are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

THE QL PLUS PROGRAM

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Risks and uncertainties -

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Organization adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Organization's operations. The overall potential impact is unknown at this time.

2. INVESTMENTS

Investments consisted of the following as of June 30, 2021:

	<u>Fair Value</u>
Asset Class:	
Equity mutual funds and equity securities	\$ 2,209,303
Fixed income bond funds	908,995
Certificate of deposit	<u>153,499</u>
TOTAL INVESTMENTS	<u>\$ 3,271,797</u>

Included in investment income are the following:

Interest and dividends	\$ 102,529
Unrealized gain	51,457
Realized gain	365,410
Investment expenses paid to external investment advisors	<u>(16,523)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 502,873</u>

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

THE QL PLUS PROGRAM

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

2. INVESTMENTS (Continued)

If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used or transfers between levels in the fair value hierarchy during the year ended June 30, 2021.

- *Equity* mutual funds - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Fixed income* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2021.

	Level 1	Level 2	Level 3	Total
Asset Class:				
Equity mutual funds and equity securities	\$ 2,209,303	\$ -	\$ -	\$ 2,209,303
Fixed income bond funds	908,995	-	-	908,995
Certificate of deposit	-	153,499	-	153,499
TOTAL	\$ 3,118,298	\$ 153,499	\$ -	\$ 3,271,797

3. LOAN RECEIVABLE

In 2017, the Organization received a donation of vacation land valued at \$375,000 that was subsequently sold. As a term of the sale, the Organization signed a loan agreement with the unrelated buyer that is secured by the land for \$275,000. Under the terms of the loan agreement, the buyer will make monthly payments of \$1,313 for a term of five years beginning September 2017; a balloon payment for the remainder balance is due in August 2022. Interest accrues at four percent per annum and there is no penalty for early payment. During the year ended June 30, 2021, interest on the loan receivable totaled \$9,482.

THE QL PLUS PROGRAM

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

3. LOAN RECEIVABLE (Continued)

The following is a schedule of required principal receipts (due to the Organization) under the aforementioned loan:

Year Ending June 30,

2022	\$ 5,644
2023	<u>250,175</u>
	<u>\$ 255,819</u>

4. LOAN PAYABLE FROM PAYCHECK PROTECTION PROGRAM

On March 16, 2021, the Organization received loan proceeds in the amount of \$132,530 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first ten months after the last day of the covered period. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. The Organization used the proceeds for purposes consistent with the Paycheck Protection Program and received forgiveness in full in November 2021 by the SBA in the amount of \$132,530. There are no further requirements regarding this funding and the Organization intends to record the amount forgiven as revenue from the debt extinguishment during fiscal year 2022.

5. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose Restrictions Accomplished	<u>\$ 139,936</u>
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6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 151,161
Investments	3,271,797
Grants, contributions and other receivables	161,587
Loan receivable, current portion	<u>5,644</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 3,590,189</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due.

THE QL PLUS PROGRAM

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

7. DONATED FACILITIES AND SERVICES

During the year ended June 30, 2021, the Organization utilized laboratories at some of its partner universities to conduct program activities. The fair value of the use of these facilities has not been recognized as the amounts are impracticable to determine. Additionally, a substantial number of students have donated significant amounts of time to the Organization and its programs. These donated services are not reflected in the financial statements as these services do not meet the criteria for recognition as contributed services.

8. EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC), which was established by the CARES Act, is a fully refundable tax credit against certain employment taxes for eligible employers equal to a percentage of qualified wages (including allocable qualified health plan expenses) up to certain maximums. The ERC applies to qualified wages paid after March 12, 2020, and before January 1, 2022. The maximum amount of qualified wages taken into account with respect to each employee during the calendar year 2020 is \$10,000 with a maximum credit of \$5,000 per employee. The maximum amount of qualified wages taken into account with respect to each employee for each calendar quarter during the calendar year 2021 is \$10,000 with a maximum credit of \$7,000 per employee, per quarter. Eligible wages applied towards the forgiveness of Paycheck Protection Program loans may not also be used towards the ERC.

The Organization has determined that it is an eligible employer, as defined in the CARES Act guidance, for last three quarters of calendar year 2020 and at least the first three quarters of calendar year 2021, and is thus eligible for the ERC for each of those periods. The Organization expended and tracked the qualified wages for purposes outlined in the CARES Act guidance and believes it met all conditions set forth for full receipt of the credit which it has requested. Accordingly, under guidance found in FASB ASC 958-605, the Organization has recognized the ERC funding as a conditional grant by which all conditions have been met and recorded contribution revenue in the amount of \$161,567 during the year ended June 30, 2021 in the Statement of Activities and Change in Net Assets.

Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

9. RELATED PARTY

The Organization leased office space from Monett Holdings, LLC under a month-to-month basis for part of the year ended June 30, 2021. The lease was terminated effective November 30, 2020. The founder of the Organization was also the President of the Board of Directors and President of Monett Holdings, LLC. During the year ended June 30, 2021, the Organization paid \$10,000 for rent which is included in operations in the accompanying Statement of Functional Expenses.

10. LITIGATION

As of June 30, 2021, the Organization is a respondent on two charges regarding the wrongful termination of two employees. The Organization has not recorded a loss for this charge, as management does not believe the amount of the loss, if any, is estimable at this time. While the final outcome cannot be determined at this time, the Organization believes it will prevail.

THE QL PLUS PROGRAM

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

10. LITIGATION (Continued)

Accordingly, the Organization is of the opinion that the ultimate liability, if any, from the final resolution of this matter will not have a material effect on the Organization's financial statements. The Organization's liability insurance company is handling the claims.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 10, 2021, the date the financial statements were issued.