

LIGHT OF THE WORLD CLINIC, INC.

FINANCIAL STATEMENTS

April 30, 2021

Charles A. Krblich, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Light of the World Clinic, Inc.

Opinion

We have audited the accompanying financial statements of Light of the World Clinic, Inc. (a nonprofit organization), which comprise the statement of financial position as of April 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Light of the World Clinic, Inc. as of April 30, 2021, and the changes 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.

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 Light of the World Clinic, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Light of the World Clinic, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 judgement 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 Light of the World Clinic, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Light of the World Clinic, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Fort Lauderdale, Florida
January 13, 2022

Light of the World Clinic, Inc.

STATEMENT OF FINANCIAL POSITION

April 30, 2021

ASSETS

Current assets	
Cash and cash equivalents	\$ 747,964
Certificate of deposit	86,363
Grants and donations receivable	74,521
Pharmaceutical inventory	405,885
Prepaid expenses	<u>8,533</u>
Total current assets	1,323,266
Property and equipment - net	562,118
Other assets - deposit	<u>240</u>
Total assets	\$ <u><u>1,885,624</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 17,360
Deferred revenue (contract liability)	6,250
Current portion of mortgage payable less unamortized debt issuance costs	<u>344,188</u>
Total current liabilities	367,798
Commitments and contingencies	-
Net assets	
Without donor restrictions	1,517,826
With donor restrictions	<u>-</u>
Total net assets	<u>1,517,826</u>
Total liabilities and net assets	\$ <u><u>1,885,624</u></u>

See accompanying notes to the financial statements.

Light of the World Clinic, Inc.

STATEMENT OF ACTIVITIES

For the year ended April 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Public support and revenues			
Grants and donations	\$ 873,092	\$ 134,358	\$ 1,007,450
In-kind donations	718,215	-	718,215
Other revenues			
Interest income	812	-	812
Fees for service	39,208	-	39,208
Rental income	20,278	-	20,278
Miscellaneous income	550	-	550
Net assets released from restrictions			
Restrictions satisfied by purpose	<u>134,358</u>	<u>(134,358)</u>	<u>-</u>
Total public support and revenues	1,786,513	-	1,786,513
Expenses			
Program services	1,156,424	-	1,156,424
Supporting services	<u>103,835</u>	<u>-</u>	<u>103,835</u>
Total expenses	<u>1,260,259</u>	<u>-</u>	<u>1,260,259</u>
Change in net assets	526,254	-	526,254
Net assets, beginning of year	<u>991,572</u>	<u>-</u>	<u>991,572</u>
Net assets, end of year	<u>\$ 1,517,826</u>	<u>\$ -</u>	<u>\$ 1,517,826</u>

See accompanying notes to the financial statements.

Light of the World Clinic, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended April 30, 2021

	Program Services	Supporting Services		Total
		Administrative	Fundraising	
Personnel and related expenses				
Personnel costs, including payroll taxes	\$ 222,800	\$ 15,753	\$ -	\$ 238,553
Health and disability insurance	18,096	1,362	-	19,458
Total personnel and related expenses	240,896	17,115	-	258,011
Other expenses				
Advertising and promotion	450	593	-	1,043
Building occupancy	10,049	2,375	-	12,424
Community education and outreach	2,940	-	-	2,940
Consulting services	-	-	44,746	44,746
Dues and subscriptions	-	3,950	-	3,950
Grant administration	-	4,747	-	4,747
Insurance	2,999	750	-	3,749
Lab fees	22,675	-	-	22,675
Licenses and permits	-	575	-	575
Medical professionals - donated services	511,444	-	-	511,444
Outside services	49,449	-	-	49,449
Medical software and computer supplies	7,797	1,361	-	9,158
Medical supplies and equipment	15,806	-	-	15,806
Medicines and vaccines	10,172	-	-	10,172
Miscellaneous	-	2,006	-	2,006
Mortgage interest	11,736	2,934	-	14,670
Office expense	12,762	4,047	-	16,809
Patient support	22,047	-	-	22,047
Pharmaceutical supplies - donated	197,429	-	-	197,429
Printing and copying	209	554	-	763
Professional fees	-	6,200	-	6,200
Repairs and maintenance	10,118	2,530	-	12,648
Telephone	5,515	1,379	-	6,894
Travel	313	-	-	313
Uniforms	582	1,169	-	1,751
Waste removal	420	-	-	420
Total other expenses	894,912	35,170	44,746	974,828
Total expenses before depreciation	1,135,808	52,285	44,746	1,232,839
Depreciation and amortization	20,616	6,804	-	27,420
Total expenses	\$ 1,156,424	\$ 59,089	\$ 44,746	\$ 1,260,259

See accompanying notes to the financial statements.

Light of the World Clinic, Inc.

STATEMENT OF CASH FLOWS

For the year ended April 30, 2021

Cash flows from operating activities:	
Cash received from donors and others	\$ 1,029,234
Interest received	812
Cash paid to employees and vendors	(507,278)
Interest paid	(14,583)
Income taxes paid	<u>-</u>
Net cash provided by operating activities	<u>508,185</u>
Cash flows from investing activities:	
Purchase of property and equipment	(26,751)
Net maturities (purchases) of certificate of deposit	<u>(812)</u>
Net cash used in investing activities	<u>(27,563)</u>
Cash flows from financing activities:	
Repayment of mortgage payable	<u>(26,549)</u>
Net cash used in financing activities	<u>(26,549)</u>
Net increase in cash and cash equivalents	454,073
Cash and cash equivalents, beginning of year	<u>293,891</u>
Cash and cash equivalents, end of year	\$ <u><u>747,964</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ 526,254
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	27,420
Amortization of debt issuance costs	87
Change in donated pharmaceutical inventory	(9,342)
Changes in assets (Increase) Decrease:	
Grants and donations receivable	(16,715)
Prepaid expenses	(3,341)
Changes in liabilities Increase (Decrease):	
Accounts payable and accrued expenses	5,359
Refundable advance	<u>(21,537)</u>
Total adjustments	<u>(18,069)</u>
Net cash provided by operating activities	\$ <u><u>508,185</u></u>
Noncash financing transactions:	
SBA Paycheck Protection Program loan forgiveness	\$ <u><u>98,067</u></u>

See accompanying notes to the financial statements.

Light of the World Clinic, Inc.

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Light of the World Clinic, Inc. (the “Clinic” or “Organization”) is a not-for-profit corporation formed in Florida, operating to provide health care services to residents of the Fort Lauderdale area who are unable to pay. Area physicians and a member of the clergy formed the Clinic on July 21, 1989.

The Clinic provides free preventative health care and medical service programs without charge for community residents who cannot afford to pay. Payments for laboratory tests and medical services (labs, EKGs, Pap smears, biopsies, and sonograms) are sometimes received from its patients on a voluntary basis.

The significant accounting policies are as follows:

Basis of Accounting and Reporting

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restriction – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restriction – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity. At April 30, 2021, the Clinic does not have any net assets with donor restrictions.

Contributions are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restriction. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments or other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-

Light of the World Clinic, Inc.

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2021

NOTE A – CONTINUED

Classification of Net Assets – continued

stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Fair Value of Financial Instruments

The Organization's financial instruments are cash, grants and donations receivable, and accounts payable and accrued expenses. The recorded values of cash, grants and donations receivable, accounts payable and accrued expenses approximate their fair value based on their short-term nature.

Revenue and 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 measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend are met.

A portion of the Organization's revenue is derived from cost-reimbursable grants from local and state governments and private organizations, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. In fiscal year ending April 30, 2020, the Organization received a cost reimbursement grant of \$30,000 and incurred qualifying expenses of \$8,463, the balance was deferred because qualifying expenditures had not been incurred, with an advance payment of \$21,537 recognized in the statement of financial position as a refundable advance. During the year ended April 30, 2021, the Clinic incurred the required expenses and \$21,537 is recognized in the current year.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Organization also charges fees for laboratory tests and rents a portion of its facility. Fees charged to patients are collected and recognized at the time of service. The Organization's performance obligation for rental income is satisfied over time and on a daily pro-rata basis using the input method. The Organization collects sales tax on rental income and remits these amounts to applicable taxing authorities. The

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2021

NOTE A – CONTINUED

Revenue and Revenue Recognition – continued

Organization's accounting policy is to exclude these taxes from revenues and expenses.

Amortization of Debt Issuance Costs

Amortization is computed for financial statement purposes on a straight-line basis and is included in interest expense on the statement of functional expenses. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Loan origination fees are being amortized over the 7-year term of the loan.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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.

Cash and Cash Equivalents

The Clinic considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

CARES Act Paycheck Protection Program

The Organization is accounting for the CARES Act Paycheck Protection program as a conditional grant under ASC 958-605. Grant revenue is recognized when the conditions for forgiveness are substantially met.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and similar state provisions, except for income that is unrelated to the exempt purpose of the organization. Accordingly, no provision or liability for federal or state income taxes has been included in the accompanying financial statements. The Organization files the required annual information return for tax-exempt organizations.

Light of the World Clinic, Inc.

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2021

NOTE A – CONTINUED

Income Taxes – continued

The Organization follows the guidance of the Accounting Standards Codification (ASC) 740, Accounting for Income Taxes, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of positions taken or expected to be taken in a tax return. For the year ended April 30, 2021, management is not aware of any material uncertain tax positions.

All tax-exempt entities are subject to review and audit by federal, state, and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. For federal tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadline of those returns.

Property, Equipment and Depreciation

Property and equipment, with an individual cost of \$1,000 or more and an estimated life of greater than one year, is recorded at cost or at estimated fair market value at the date of the gift, if donated. Depreciation is provided for using the accelerated and straight-line methods over the estimated useful lives of the assets. The following useful lives are used in determining depreciation:

	<u>Estimated Useful Life</u>
Office condominium suite	39 years
Furniture	7 years
Equipment	5 years
Leasehold Improvements	5 to 15 years

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Functional Allocation of Expenses

The administrative costs of providing services to various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited based upon staff time and square footage.

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2021

NOTE A – CONTINUED

Advertising Costs

The Clinic expenses the costs of advertising as incurred.

Recent Accounting Pronouncements

Lease Accounting:

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2021, with early application permitted. The Clinic is currently evaluating the effect the update will have on its financial statements.

Date of Management Review

In preparing the financial statements, the Clinic has evaluated events and transactions for potential recognition or disclosure through January 13, 2022. That date is the date the financial statements were available to be issued.

NOTE B – GRANTS AND DONATIONS RECEIVABLE

At April 30, 2021, grants and donations receivable consist of the following:

Grants receivable	\$ <u>74,521</u>
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NOTE C – PHARMACEUTICAL INVENTORY

The Clinic receives donations of pharmaceuticals which management believes are significant to the Clinic's ability to serve its patients and accomplish the goal of providing preventative health care. An inventory of pharmaceuticals on hand is conducted at year-end to provide a basis for determining usage of pharmaceuticals. As stated in Note H, annual pharmaceutical donations are recorded as income in the statement of activities and as inventory in the statement of financial position. Inventory is valued at average wholesale price discounted to reflect legal restrictions, expiration dates and other factors that would affect the Clinic's potential market.

Light of the World Clinic, Inc.

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2021

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30, 2021:

Office condominium suite and improvements	\$ 644,821
Office furniture	3,067
Computer equipment	35,715
Medical equipment	19,832
	<u>703,435</u>
Less accumulated depreciation	141,317
Property and equipment, net	<u>\$ 562,118</u>

Depreciation expense for the year ended April 30, 2021 is \$27,420.

NOTE E – DEFERRED REVENUE (CONTRACT LIABILITY)

At April 30, 2021, deferred revenue consists of sponsorships for the Clinic's main fundraising event which was postponed due to the coronavirus pandemic.

NOTE F – MORTGAGE PAYABLE

To finance the purchase of the condominium office suite in December 2014, the Clinic entered into a promissory note with a financial institution for the principal sum of \$480,000, collateralized by a mortgage on the office condominium suite. The note is payable in monthly installments of \$2,928, including principal and interest at 4%, until December 15, 2021, at which time the remaining principal balance plus accrued interest is due. The mortgage was paid in full on December 10, 2021. Interest expense incurred for the year ended April 30, 2021 totaled \$14,670. Interest expense includes amortization of debt issuance costs of \$87. The aggregate maturity is:

2022	344,239
Less unamortized debt issuance costs	(51)
	<u>\$ 344,188</u>

NOTE G – CARES ACT PAYCHECK PROTECTION PROGRAM

During the year ended April 30, 2021, the Organization received two loans under the Paycheck Protection Program, totaling \$98,067, which was created as part of the relief efforts related to COVID-19 (see Note K) and administered by the Small Business Administration. On December 27, 2020, the Economic Aid to Hard Hit Small Businesses, Non-Profits, and Venues Act was passed into law which provides for

Light of the World Clinic, Inc.

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2021

NOTE G – CONTINUED

automatic forgiveness for organizations that received loans totaling \$150,000 or less. The proceeds from the loan have been included in grants and donations on the statement of activities. The Organization received formal notification of forgiveness of the first loan on January 27, 2021, and for the second loan on August 30, 2021.

NOTE H – DONATED SERVICES, MATERIALS AND FACILITIES

Donated materials and services are reflected at their estimated fair market value, or donor's basis, whichever is lower, at the date of contribution. The Clinic receives contributions of materials and medical services. Total in-kind contributions for the year ended April 30, 2021, are as follows:

Services of medical professionals	\$ 511,444
Medical supplies, pharmaceuticals	<u>206,771</u>
Total	<u>\$ 718,215</u>

Contributions of medical services and supplies are recorded as both income and expense in the statement of activities. Contributions of pharmaceuticals are recorded as income in the statement of activities and as inventory in the statement of financial position.

The Organization also receives a significant number of donated services from unpaid volunteers who assist in the Clinic with general administrative duties, fundraising, and eligibility and referral. The Clinic estimates the value of these services for the year at \$73,000. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

NOTE I – RELATED PARTY TRANSACTIONS

The Clinic is renting a portion of the office condominium suite to a member of the Board of Directors and Medical Director of the Clinic for \$1,800 per month including sales tax. Rental income for the year ended April 30, 2021 was \$20,278.

NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The

Light of the World Clinic, Inc.

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2021

NOTE J – CONTINUED

following table reflects the Organization's financial assets (cash and cash-equivalents and receivables) as of April 30, 2021, reduced by amounts not available for general expenditures within one year.

Total financial assets	\$908,848
Less those unavailable for general expenditure within one year due to purpose restriction	<u>-0-</u>
Financial assets to meet cash needs for general expenditures within one year	<u>\$908,848</u>

NOTE K – COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

Financial instruments that potentially subject the Clinic to concentrations of credit risk are cash, time deposits and receivables. The Clinic invests its excess cash in deposits with major financial institutions and the carrying value approximates fair value. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At April 30, 2021, the Clinic had approximately \$498,000 in excess of federally insured limits. Light of the World Clinic, Inc. has not experienced any losses related to these investments.

Receivables are primarily from governmental institutions arising from cost reimbursement contracts. The Organization believes it is not exposed to any significant credit risk related to the receivables from cost reimbursement contracts.

Legal matters

The Clinic is engaged in legal proceedings incidental to its normal business activities. In the opinion of management, none of these proceedings are material in relation to the Clinic's financial position.

Global Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. declared states of emergency and ordered the closure of the physical location of non-essential businesses for various periods of time. The Clinic transitioned to primarily telehealth appointments with in person visits limited to lab work and picking up medications from March 24, 2020 to June 1, 2020.

Light of the World Clinic, Inc.

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2021

NOTE K – CONTINUED

On June 1, 2020 they resumed in person visits with safety precautions and continued with telehealth visits. It is anticipated that these impacts will continue for some time. Future potential impacts may include disruptions or restrictions on employees' ability to work and impairment of the Organization's ability to obtain contributions and volunteers. The future effects of these issues are unknown.