

**SOS INTERNATIONAL, INC.**

**Financial Statements and  
Supplementary Information**

**Years Ended June 30, 2020 and 2019**

**SOS INTERNATIONAL, INC.**

**Financial Statements and Supplementary Information**

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**Independent Auditor's Report**

To the Board of Directors  
SOS International, Inc.  
Louisville, Kentucky

We have audited the accompanying financial statements of SOS International, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 SOS International, Inc. as of June 30, 2020 and 2019, 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.

## **Change in Accounting Principle**

As discussed in Note J to the financial statements, the Company has elected to change its policy for valuing donated supplies in 2020. Our opinion is not modified with respect to this matter.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Louisville, Kentucky  
February 17, 2021

**SOS INTERNATIONAL, INC.**

**Statements of Financial Position**

**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash	\$ 481,731	\$ 75,580
Pledges receivable	-	9,500
Donated supplies and equipment inventory	4,894,165	5,157,320
Prepaid expenses and other assets	8,725	8,326
Board restricted investments	561,647	558,150
Beneficial interest in foundation assets	44,348	42,160
Property and equipment, net	<u>755,759</u>	<u>754,586</u>
Total assets	<u>\$ 6,746,375</u>	<u>\$ 6,605,622</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 55,599	\$ 32,278
Notes payable	<u>745,358</u>	<u>549,464</u>
Total liabilities	800,957	581,742
Net assets:		
Without donor restrictions:		
Unrestricted	5,339,423	5,418,120
Board designated for quasi-endowment	<u>561,647</u>	<u>558,150</u>
	5,901,070	5,976,270
With donor restrictions	<u>44,348</u>	<u>47,610</u>
Total net assets	<u>5,945,418</u>	<u>6,023,880</u>
Total liabilities and net assets	<u>\$ 6,746,375</u>	<u>\$ 6,605,622</u>

See accompanying notes to financial statements.

SOS INTERNATIONAL, INC.

Statements of Activities

Years Ended June 30, 2020 and 2019

	2020			2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, support and gains:						
Contributions	\$ 669,779	\$ 52,510	\$ 722,289	\$ 580,096	\$ 20,000	\$ 600,096
Donated supplies and equipment	4,825,853	--	4,825,853	4,397,158	--	4,397,158
Shipping revenue	46,370	--	46,370	78,046	--	78,046
Recycling revenue	266,909	--	266,909	141,970	--	141,970
Special events, gross	32,803	--	32,803	71,068	--	71,068
Less: cost of direct benefits	<u>(15,404)</u>	<u>--</u>	<u>(15,404)</u>	<u>(29,227)</u>	<u>--</u>	<u>(29,227)</u>
Net special events	17,399	--	17,399	41,841	--	41,841
Net investment income	3,192	--	3,192	35,036	--	35,036
Gain on beneficial interest in foundation assets	--	2,188	2,188	--	1,741	1,741
Rental and other income	12,075	--	12,075	1,873	--	1,873
Net assets released from restrictions	<u>57,960</u>	<u>(57,960)</u>	<u>--</u>	<u>15,000</u>	<u>(15,000)</u>	<u>--</u>
Total revenues, support and gains	5,899,537	(3,262)	5,896,275	5,291,020	6,741	5,297,761
Expenses:						
Program services	5,784,668	--	5,784,668	4,875,804	--	4,875,804
Fundraising	110,848	--	110,848	99,214	--	99,214
Management and general	<u>79,221</u>	<u>--</u>	<u>79,221</u>	<u>83,974</u>	<u>--</u>	<u>83,974</u>
Total expenses	<u>5,974,737</u>	<u>--</u>	<u>5,974,737</u>	<u>5,058,992</u>	<u>--</u>	<u>5,058,992</u>
Increase (decrease) in net assets	<u>(75,200)</u>	<u>(3,262)</u>	<u>(78,462)</u>	<u>232,028</u>	<u>6,741</u>	<u>238,769</u>
Net assets, beginning of year, as previously reported	5,976,270	47,610	6,023,880	4,383,842	40,869	4,424,711
Prior period adjustment (Note J)	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,360,400</u>	<u>--</u>	<u>1,360,400</u>
Net assets, beginning of year, as restated	<u>5,976,270</u>	<u>47,610</u>	<u>6,023,880</u>	<u>5,744,242</u>	<u>40,869</u>	<u>5,785,111</u>
Net assets, end of year	<u>\$ 5,901,070</u>	<u>\$ 44,348</u>	<u>\$ 5,945,418</u>	<u>\$ 5,976,270</u>	<u>\$ 47,610</u>	<u>\$ 6,023,880</u>

See accompanying notes to financial statements

SOS INTERNATIONAL, INC.

Statements of Functional Expenses

Years Ended June 30, 2020 and 2019

	2020				2019			
	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Supplies and equipment shipped	\$ 5,092,277	\$ --	\$ --	\$ 5,092,277	\$ 4,101,002	\$ --	\$ --	\$ 4,101,002
Personnel	337,555	74,555	37,926	450,036	277,100	72,096	42,229	391,425
Shipping	61,807	--	--	61,807	80,940	--	--	80,940
Contract services	--	10,868	3,622	14,490	--	2,850	950	3,800
Donated services	157,258	--	--	157,258	205,030	--	--	205,030
Development and marketing	1,232	18,493	4,931	24,656	1,095	16,426	4,380	21,901
Depreciation	32,672	1,815	1,815	36,302	31,348	1,742	1,741	34,831
Insurance	11,504	--	1,277	12,781	11,324	--	1,258	12,582
Bio-Medical	3,597	--	--	3,597	2,034	--	--	2,034
Sponsorship	300	--	--	300	320	--	--	320
Travel	13,241	924	1,386	15,551	18,481	1,578	2,369	22,428
Office supplies	2,218	292	410	2,920	3,313	442	662	4,417
Professional fees	2,218	296	18,231	20,745	1,621	216	17,949	19,786
Office expense	7,190	1,022	2,369	10,581	8,484	1,122	2,896	12,502
Utilities	24,899	1,384	1,383	27,666	26,536	1,474	1,474	29,484
Repairs and maintenance	8,561	--	--	8,561	70,796	--	--	70,796
Licenses	580	--	193	773	1,004	--	334	1,338
Project expense	4,100	--	--	4,100	5,968	--	--	5,968
Interest expense	16,547	919	919	18,385	22,825	1,268	1,268	25,361
Other expense	6,912	280	4,759	11,951	6,583	--	6,464	13,047
Total expenses	<u>\$ 5,784,668</u>	<u>\$ 110,848</u>	<u>\$ 79,221</u>	<u>\$ 5,974,737</u>	<u>\$ 4,875,804</u>	<u>\$ 99,214</u>	<u>\$ 83,974</u>	<u>\$ 5,058,992</u>

See accompanying notes to financial statements

**SOS INTERNATIONAL, INC.**

**Statements of Cash Flows**

**Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (78,462)	\$ 238,769
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Sale of donated securities	6,763	4,026
Realized and unrealized gain on securities	6,481	(13,697)
Gain on beneficial interest in foundation assets	(2,188)	(1,741)
Depreciation expense	36,302	34,831
Change in assets and liabilities:		
Pledges receivable	9,500	(9,500)
Inventory	263,155	(296,885)
Prepaid expenses and other assets	(399)	400
Accounts payable and accrued expenses	<u>23,320</u>	<u>(2,198)</u>
Net cash provided by (used in) operating activities	264,472	(45,995)
Cash flows from investing activities:		
Purchase of investments	(76,755)	(43,462)
Proceeds from sale of investments	60,015	79,158
Purchase of building, furniture and equipment	<u>(37,475)</u>	<u>(42,252)</u>
Net cash used in investing activities	(54,215)	(6,556)
Cash flows from financing activities:		
Proceeds from notes payable	213,900	--
Repayment on note payables	<u>(18,006)</u>	<u>(23,105)</u>
Net cash provided by (used in) financing activities	<u>195,894</u>	<u>(23,105)</u>
Net increase (decrease) in cash	406,151	(75,656)
Cash and cash equivalents at beginning of year	<u>75,580</u>	<u>151,236</u>
Cash and cash equivalents at end of year	<u>\$ 481,731</u>	<u>\$ 75,580</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 18,385</u>	<u>\$ 25,361</u>

See accompanying notes to financial statements.



# **SOS INTERNATIONAL, INC.**

## **Notes to Financial Statements**

**Years Ended June 30, 2020 and 2019**

### **Note A – Summary of Significant Accounting Policies**

#### Nature of Activities

SOS International, Inc. (“SOS”) is a non-profit organization located in Louisville, Kentucky. The company recovers and redistributes surplus medical supplies and equipment to developing countries around the world.

SOS is supported primarily through contributions, grants and investment income.

#### Classes of Net Assets

The financial statements report amounts by class of net assets.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Organization. These net assets may be used at the discretion of the Organization’s management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The financial statements are prepared on the accrual basis of accounting.

#### Board Designated Net Assets

The board of directors of SOS has several standing board policies that affect the presentation of board designations on net assets. Bequests without donor restrictions are designated for long-term investment (quasi-endowment). The quasi-endowment fund balance totaled \$561,647 and \$558,150 at June 30, 2020 and 2019, respectively.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

# SOS INTERNATIONAL, INC.

## Notes to Financial Statements, continued

Years Ended June 30, 2020 and 2019

### Note A - Summary of Significant Accounting Policies, continued

#### Donated Supplies and Equipment Inventory

Donated supplies are weighed when they enter the warehouse and are valued at industry standard of \$16 per pound. When the inventory is sorted, they are valued as follows: (1) 75% of retail sales prices located on a publicly available website for medical supplies; and (2) 85% of used sales prices located on a publicly available website for surplus medical equipment. Items for which no comparable price can be obtained are not valued. Inventory donated by SOS to medical providers in developing countries is reported as an expense upon shipment.

#### Donated Assets

Donated investments are recorded as contributions at their fair values at the date of donation.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, SOS's cash consists of cash on deposits with banks. Cash held temporarily by a custodian for investment purposes is included in investments and is not considered to be cash equivalents.

#### Property and Equipment

Property and equipment purchases are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions 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 reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, SOS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. SOS reclassifies net assets with donor restrictions as net assets without donor restrictions at that time.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which they are recognized.

**SOS INTERNATIONAL, INC.**

**Notes to Financial Statements, continued**

**Years Ended June 30, 2020 and 2019**

**Note A - Summary of Significant Accounting Policies, continued**

Pledges Receivable

Contributions are recognized when the donor makes an unconditional promise to give. Unconditional grants due within the next year are reflected as receivables and are recorded at their net realizable value.

SOS applies the allowance method to determine uncollectible pledges. Management believes that no allowance is considered necessary at June 30, 2020 and June 30, 2019.

Accrued Vacation

Employees of SOS are entitled to paid vacation depending on years of employment. Accrued vacation is included in accounts payable and accrued expenses on the Statements of Financial Position. For the years ended June 30, 2020 and 2019, accrued vacation totaled \$31,396 and \$14,838, respectively.

In-kind Contributions

Contributions of surplus medical supplies and equipment received by SOS are recorded as revenue in the Statements of Activities and inventory in the Statements of Financial Position. In-kind contributions of surplus medical supplies and equipment recognized as revenue were \$4,825,853 and \$4,397,158 for the years ended June 30, 2020 and 2019, respectively.

Donated services are recognized as contributions in the accompanying financial statements because the volunteer services are an integral part of SOS's total program activities and SOS would need to purchase the services if they were not donated.

The fair value of donated services included as contributions in the financial statements and the corresponding expenses for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Medical supply sorting	\$ <u>157,258</u>	\$ <u>205,030</u>

SOS used [www.independentsector.org](http://www.independentsector.org), a national organization who tracks an annual dollar value for volunteer time, to estimate the dollar value of volunteer time per year. For the years ended June 30, 2020 and 2019, the rate used was \$10 per volunteer hour donated.

# SOS INTERNATIONAL, INC.

## Notes to Financial Statements, continued

### Years Ended June 30, 2020 and 2019

#### Note A - Summary of Significant Accounting Policies, continued

##### Functional Allocation of Expenses

The costs of providing program and other activities are summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among program, fundraising, and management and general expenses. The expenses that are allocated are supplies and equipment shipped, shipping, donated services, bio-medical, sponsorship, repairs and maintenance, which are allocated on the basis of full time equivalent; personnel, contract services, development and marketing, depreciation, insurance, travel, office supplies, professional fees, office expense, utilities, licenses, interest expense and other expense, which are allocated on time and effort.

##### Income Taxes

SOS is exempt from federal and state income taxes as other than a private foundation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended and, has no unrelated business income for the years ended June 30, 2020 and 2019. Accordingly, no provision for income taxes has been recorded.

Management is not aware of any uncertain tax positions. Accordingly, the financial statements do not include a provision for uncertain tax positions, and no related interest or penalties have been recorded.

##### Recent Accounting Pronouncements

During the year ended June 30, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). The Update, which requires retrospective application, addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note B).

**SOS INTERNATIONAL, INC.**

**Notes to Financial Statements, continued**

**Years Ended June 30, 2020 and 2019**

**Note A - Summary of Significant Accounting Policies, continued**

Reclassifications

Certain items presented in the prior period have been reclassified to conform to the current year presentation.

**Note B - Liquidity and Availability of Funds**

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$ 1,087,726	\$ 685,490
Less those unavailable for general expenditures within one year due to:		
Beneficial interest in foundation assets	44,348	42,160
Board-restricted to maintain as endowment	<u>561,647</u>	<u>558,150</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 481,731</u>	<u>\$ 85,180</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization invests excess cash in short-term investments, such as money market accounts. Additionally, the Organization has board-designated net assets without donor restrictions that, while the Organization does not intend to spend for these purposes other than those identified, the amounts could be made available for current operations, if necessary.

# SOS INTERNATIONAL, INC.

## Notes to Financial Statements, continued

### Years Ended June 30, 2020 and 2019

#### Note C - Donated Supplies and Equipment Inventory

Inventories at June 30, 2020 and 2019 consist of donated medical supplies and equipment as follows:

	<u>2020</u>	<u>2019</u>
Medical supplies	\$ 3,272,213	\$ 3,307,241
Medical equipment	<u>1,621,952</u>	<u>1,850,079</u>
	<u>\$ 4,894,165</u>	<u>\$ 5,157,320</u>

#### Note D - Board Designated Quasi-Endowment Fund

SOS has a quasi-endowment fund that has been restricted by its board of directors, rather than by a donor or outside agency, to be invested to provide income over a long-term but unspecified period of time. The board of directors may, upon proper board action, expend the principal of the investment fund. The fund consists of the following at June 30, 2020 and June 30, 2019.

	<u>2020</u>	<u>2019</u>
Money market fund	\$ 152,344	\$ 35,439
Mutual funds:		
Equity	195,009	367,805
Bond	<u>214,294</u>	<u>154,906</u>
	<u>\$ 561,647</u>	<u>\$ 558,150</u>

The board of directors has adopted investment and spending policies for the investment assets which attempt to provide a predictable stream of funding to support operations while seeking to maintain the purchasing power of the investments. Under these policies, assets are invested in a manner which is intended to maximize current income as well as stability of principal.

To satisfy its long-term rate-of-return objectives, SOS relies upon a total return strategy where investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SOS targets a diversified asset allocation which places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

## SOS INTERNATIONAL, INC.

### Notes to Financial Statements, continued

#### Years Ended June 30, 2020 and 2019

##### Note D - Board Designated Quasi-Endowment Fund, continued

SOS has adopted a spending policy that is intended to balance current needs for income and reinvestment for the future. Toward the end of the year, the policy generally provides for the distribution of 4.0% to 7.0% of the investment portfolio's average fair value over the prior 12 quarters through the fiscal year end preceding the fiscal year in which the distribution is planned.

Changes in board designated net assets for the periods ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Board designated quasi-endowment fund, beginning of year	\$ 558,150	\$ 584,175
Contributions	306	3,667
Distributions	(6,763)	(64,729)
Investment return:		
Interest and dividends	15,524	27,291
Net realized and unrealized gain (loss)	(6,481)	13,697
Gain on securities contribution	6,763	-
Management fees	<u>(5,852)</u>	<u>(5,951)</u>
Board designated quasi-endowment fund, end of year	<u>\$ 561,647</u>	<u>\$ 558,150</u>

##### Note E - Fair Value Measurements

The *fair value measurement* topic of the FASB Accounting Standards Codification clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires certain additional disclosures about the use of fair value measurements in order to provide more consistent and comparable information. SOS has adopted this standard for its financial assets and liabilities measured on a recurring and nonrecurring basis (ASC 820-10).

*Fair value measurement* defines fair value as the amount that would be received from selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date (an exit price) and establishes a hierarchy that prioritizes inputs to valuation techniques that are used to measure fair value:

## SOS INTERNATIONAL, INC.

### Notes to Financial Statements, continued

#### Years Ended June 30, 2020 and 2019

#### Note E - Fair Value Measurements, continued

Level 1 - unadjusted quoted market prices in active markets for identical assets. SOS's investments in mutual funds are based upon the closing market prices on the exchange where they are traded. Money market accounts consist primarily of commercial paper and other cash management instruments.

Level 2 - other significant observable inputs (including quoted market prices for similar securities, interest rates, credit risk, etc.).

Level 3 - significant unobservable inputs (including SOS's own assumptions in determining fair value).

The inputs and methodology used for valuing SOS's financial assets are not necessarily indicators of the risks associated with those assets.

The following table summarizes fair value measurement information for financial assets measured at fair value on a recurring basis at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 152,344	\$ --	\$ --	\$ 152,344
Mutual funds:				
Equity	195,009	--	--	195,009
Fixed income	214,294	--	--	214,294
Beneficial interests in foundation assets	<u>    --</u>	<u>    --</u>	<u>44,348</u>	<u>44,348</u>
	<u>\$ 561,647</u>	<u>\$ --</u>	<u>\$ 44,348</u>	<u>\$ 605,995</u>

#### Note F - Beneficial Interest in Foundation Assets

SOS established separate endowment funds with the Community Foundation of Southern Indiana and Community Foundation of Louisville during 2013, on an irrevocable basis with a one-time deposit of \$5,000 and \$25,000, respectively. Distributions from both foundations become available quarterly based upon three percent and four and one-half percent, respectively, of the funds' fair market value as determined on the prior June 30 (based upon the average of the prior twelve quarters) after fees. There were no foundation receivables, representing monies available to SOS but not yet distributed, at June 30, 2020 and 2019. The fair values, as determined by the Foundations, were as follows at June 30, 2020 and 2019:



**SOS INTERNATIONAL, INC.**

**Notes to Financial Statements, continued**

**Years Ended June 30, 2020 and 2019**

**Note F - Beneficial Interest in Foundation Assets, continued**

	<b><u>Community Foundation of Louisville</u></b>	<b><u>Community Foundation of Southern Indiana</u></b>	<b><u>Total</u></b>
Balance, July 1, 2018	\$ 34,493	\$ 5,926	\$ 40,419
Distributions	--	(208)	(208)
Interest and dividends	1,121	121	1,242
Net realized and unrealized gain	755	299	1,054
Management fees	<u>(205)</u>	<u>(142)</u>	<u>(347)</u>
Balance, June 30, 2019	36,164	5,996	42,160
Distributions	--	(173)	(173)
Interest and dividends	1,313	134	1,447
Net realized and unrealized gain	1,119	154	1,273
Management fees	<u>(217)</u>	<u>(142)</u>	<u>(359)</u>
Balance, June 30, 2020	<u>\$ 38,379</u>	<u>\$ 5,969</u>	<u>\$ 44,348</u>

**Note G - Property and Equipment**

Property and equipment consisted of the following at June 30, 2020 and 2019:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Land	\$ 225,000	\$ 225,000
Building	552,827	532,927
Equipment and vehicles	161,810	144,234
Software	<u>17,088</u>	<u>17,088</u>
	956,725	919,249
Less accumulated depreciation and amortization	<u>200,966</u>	<u>164,663</u>
	<u>\$ 755,759</u>	<u>\$ 754,586</u>

**SOS INTERNATIONAL, INC.**

**Notes to Financial Statements, continued**

**Years Ended June 30, 2020 and 2019**

**Note H - Restrictions on Net Assets**

Donor restricted net assets are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Beneficial interest in foundation assets	\$ 44,348	\$ 42,160
Restricted project expense	<u>    - -</u>	<u>    5,450</u>
	<u>\$ 44,348</u>	<u>\$ 47,610</u>

**Note I - Notes Payable**

Notes payable consist of the following:

	<u>2020</u>	<u>2019</u>
1.00%, 18 month note payable to the bank in monthly installments, of \$3,596.10, including interest, beginning November 2020 through April 2022	\$ 63,900	\$ - -
2.75%, 30 year note payable to the SBA in monthly installments, of \$641, including interest, beginning June 2021 through June 2050	150,000	- -
4.45% , 20 year note payable to a bank in monthly installments of \$4,039, including interest, secured by real estate, through May 2025. The outstanding balance at May 2025 will be re-amortized at a rate equal to the U.S. prime rate but not less than 4.00% over the remaining 10 years	<u>531,458</u>	<u>549,464</u>
	<u>\$ 745,358</u>	<u>\$ 549,464</u>

Paycheck Protection Program Loan

In March 2020, the World Health Organization declared the global novel coronavirus disease ("COVID-19") outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States.

## SOS INTERNATIONAL, INC.

### Notes to Financial Statements, continued

#### Years Ended June 30, 2020 and 2019

#### Note I - Notes Payable, continued

##### Paycheck Protection Program Loan, continued

In April 2020, the Organization received a Paycheck Protection Program (“PPP”) loan under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) of \$63,900. The loan is unsecured. Under the CARES Act, subject to limitations and further amendment, this loan may be partially or fully forgiven depending on the Organization making qualified payments and otherwise being eligible for loan forgiveness under guidance issued by the Small Business Administration (“SBA”).

##### Economic Impact Disaster Loan

In June 2020, the Organization received an Economic Impact Disaster Loan (“EIDL”) under the CARES Act of \$150,000. This loan is secured by all tangible and intangible personal property of the Organization.

As of June 30, 2020, the notes payable are due as follows:

2021	\$	53,704
2022		65,348
2023		31,186
2024		32,506
2025		34,055
Thereafter		<u>528,559</u>
	\$	<u>745,358</u>

#### Note J - Change in Accounting Principle

Beginning July 1, 2018 SOS began including unsorted inventory in the inventory value and donated supplies value. Previously, unsorted supplies were not accounted for as inventory until they had been sorted and given a value. Industry standard has changed to value these supplies at \$16 per pound, which is the value SOS is using. Unsorted inventory was valued at \$1,360,400 at June 30, 2018 and \$1,407,440 at June 30, 2019. The following tables describe the effects of this change in accounting principle:

**SOS INTERNATIONAL, INC.**

**Notes to Financial Statements, continued**

**Years Ended June 30, 2020 and 2019**

**Note J - Change in Accounting Principle, continued**

	Inventory valued at:		Difference
	\$0 per pound, unsorted	\$16 per pound, unsorted	
June 30, 2018	\$ 3,500,035	\$ 4,860,435	\$ 1,360,400
June 30, 2019	3,749,880	5,157,320	1,407,440

	Revenue from donated supplies and equipment valued at:		Difference
	\$0 per pound, unsorted	\$16 per pound, unsorted	
June 30, 2018	\$ 2,779,143	\$ 4,139,543	\$ 1,360,400
June 30, 2019	2,989,718	4,397,158	1,407,440

	Expense of supplies and equipment shipped valued at:		Difference
	\$0 per pound, unsorted	\$16 per pound, unsorted	
June 30, 2019	\$ 2,740,602	\$ 4,101,002	\$ 1,360,400

	Net assets without donor restrictions - unrestricted valued at:		Difference
	\$0 per pound, unsorted	\$16 per pound, unsorted	
June 30, 2018	\$ 3,799,667	\$ 5,160,067	\$ 1,360,400
June 30, 2019	4,010,680	5,418,120	1,407,440

**Note K - Subsequent Events**

Management has evaluated subsequent events through February 17, 2021, which is the date the financial statements were available to be issued.

As of the date the financial statements were available to be issued, the Organization's operations have changed. The volunteers have not been allowed into the building to help sort. Since this is a large part of their organization, there are many unsorted supplies in the warehouse and containers are not being shipped. Management believes the effects of this reduction in operations has not materially affected the Organization's financial statements. As of the date of this report, the Organization has not submitted the PPP loan forgiveness application.

## **Supplementary Information**

**SOS INTERNATIONAL, INC.**

**Schedules of Activities - Before/After Donated Items and Services**

**Years Ended June 30, 2020 and 2019**

	<u><b>2020</b></u>	<u><b>2019</b></u>
Revenues, support and gains:		
Contributions	\$ 565,031	\$ 395,066
Shipping revenue	46,370	78,046
Recycling revenue	266,909	141,970
Special events, net	17,399	41,841
Investment income, net	3,192	35,036
Gain on beneficial interest in foundation assets	2,188	1,741
Other income	<u>12,075</u>	<u>1,873</u>
Total revenues, support and gains	913,164	695,573
Expenses:		
Program	535,133	569,772
Fundraising	110,848	99,214
Management and general	<u>79,221</u>	<u>83,974</u>
Total expenses	<u>725,202</u>	<u>752,960</u>
Increase (decrease) in net assets - before donated items and services	187,962	(57,387)
Donated items and services:		
Donated supplies and equipment received	4,825,853	4,397,158
Donated supplies and equipment shipped	<u>(5,092,277)</u>	<u>(4,101,002)</u>
Total donated items and services, net	<u>(266,424)</u>	<u>296,156</u>
Increase (decrease) in net assets - after donated items and services	<u>\$ (78,462)</u>	<u>\$ 238,769</u>

See independent accountant's audit report.