

**NATIVE SEEDS/SOUTHWESTERN ENDANGERED
ARIDLAND RESOURCES CLEARING HOUSE, INC.**

YEAR ENDED SEPTEMBER 30, 2022

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

YEAR ENDED SEPTEMBER 30, 2022

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Independent Auditors' Report

Board of Directors and Management
Native Seeds/Southwestern Endangered Aridland Resources Clearing House, Inc.
Tucson, Arizona

Qualified Opinion

We have audited the accompanying financial statements of Native Seeds/Southwestern Endangered Aridland Resources Clearing House, Inc., which comprise the statement of financial position as of September 30, 2022, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Native Seeds/Southwestern Endangered Aridland Resources Clearing House, Inc. as of September 30, 2022, 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 Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence about the amount recognized for cost of goods sold because we did not observe inventory at the beginning of the year as we were not engaged to perform an audit at that time. We were unable to obtain sufficient appropriate evidence on the value of retail bulk seed at year end as sufficient records were not maintained for this inventory at the time of our observation.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Native Seeds/Southwestern Endangered Aridland Resources Clearing House, 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 qualified 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 Native Seeds/Southwestern Endangered Aridland Resources Clearing House, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Native Seeds/Southwestern Endangered Aridland Resources Clearing House, 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 Native Seeds/Southwestern Endangered Aridland Resources Clearing House, 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.

BeachFleischman PLLC

Tucson, Arizona
February 27, 2023

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2022

ASSETS

Current assets:	
Cash and cash equivalents	\$ 381,533
Accounts receivable	808
Inventory	290,348
Prepaid expenses	<u>21,729</u>
Total current assets	694,418
Property and equipment, net	1,165,243
Deposits	<u>4,079</u>
Total assets	<u>\$ 1,863,740</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Current portion of long-term debt	\$ 17,780
Accounts payable	21,412
Accrued expenses	56,418
Deferred revenue	<u>43,761</u>
Total current liabilities	139,371
Long-term debt, net of current portion	<u>189,220</u>
Total liabilities	<u>328,591</u>
Commitments	
Net assets:	
Without donor restrictions:	
Undesignated	426,906
Board designated for future reserves	150,000
Invested in property and equipment	<u>958,243</u>
Total net assets	<u>1,535,149</u>
Total liabilities and net assets	<u>\$ 1,863,740</u>

See notes to financial statements.

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2022

Revenues, support and gains:	
Retail sales	\$ 841,038
Less cost of goods sold	<u>209,824</u>
	631,214
Contributions	507,832
In-kind contributions	99,841
Grants	92,500
Membership dues	75,963
Other revenue	30,793
Investment income	13,180
Gain on sale of assets	<u>5,554</u>
	<u>1,456,877</u>
Expenses:	
Program services	1,083,071
Administration	158,878
Fundraising and membership	<u>241,063</u>
	<u>1,483,012</u>
Change in net assets	(26,135)
Net assets without donor restrictions, beginning, restated	<u>1,561,284</u>
Net assets without donor restrictions, ending	<u>\$ 1,535,149</u>

See notes to financial statements.

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2022

	Program services	Administration	Fundraising and membership	Total expenses
Salaries	\$ 572,857	\$ 101,465	\$ 136,452	\$ 810,774
Payroll taxes and employee benefits	<u>86,022</u>	<u>9,032</u>	<u>14,455</u>	<u>109,509</u>
	658,879	110,497	150,907	920,283
Advertising	9,101	-	3,034	12,135
Banking and credit card fees	27,582	885	10,002	38,469
Depreciation	45,221	4,437	5,597	55,255
Dues and subscriptions	557	99	133	789
Growout expenses	21,239	-	-	21,239
Insurance	23,789	2,962	6,750	33,501
Interest	-	12,262	-	12,262
Meetings and conferences	2,462	-	-	2,462
Miscellaneous	6,011	1,064	1,432	8,507
Office	24,245	4,292	5,775	34,312
Postage and printing	86,526	-	28,842	115,368
Professional fees	75,085	13,293	17,884	106,262
Rent	39,393	-	-	39,393
Repairs and maintenance	18,587	3,291	4,427	26,305
Taxes and licenses	-	1,128	-	1,128
Telephone and utilities	20,747	3,673	4,942	29,362
Training and development	5,618	995	1,338	7,951
Travel	<u>18,029</u>	<u>-</u>	<u>-</u>	<u>18,029</u>
	<u>\$ 1,083,071</u>	<u>\$ 158,878</u>	<u>\$ 241,063</u>	<u>\$ 1,483,012</u>

See notes to financial statements.

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2022

Cash flows from operating activities:	
Change in net assets	\$ (26,135)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	55,255
Gain on sale of assets	(5,554)
Changes in operating assets and liabilities:	
Accounts receivable	(808)
Inventory	(122,695)
Prepaid expenses	1,860
Deposits	(79)
Accounts payable	(13,410)
Accrued expenses	16,060
Deferred revenue	3,000
Net adjustments	(66,371)
Net cash used in operating activities	(92,506)
Cash flows from investing activities:	
Purchases of property and equipment	(68,807)
Proceeds from disposal of asset	8,650
Net cash used in investing activities	(60,157)
Cash flows from financing activities:	
Principal payments on long-term debt	(58,000)
Net cash used in financing activities	(58,000)
Net decrease in cash and cash equivalents	(210,663)
Cash and cash equivalents, beginning	592,196
Cash and cash equivalents, ending	\$ 381,533

See notes to financial statements.

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

1. Description of organization and summary of significant accounting policies:

Organization:

Native Seeds/Southwestern Endangered Aridland Resources Clearing House, Inc. (Native Seeds or the Organization) was incorporated in Arizona in 1983 as a nonprofit corporation whose mission is to conserve, distribute and document the adapted and diverse varieties of agricultural crops and their wild relatives of the American Southwest and Northwest Mexico. Specifically, the goals of Native Seeds are to preserve specific genetic types, promote their use and that of their wild relatives by gathering, safeguarding and distributing their seeds to farming and gardening communities as well as working to preserve knowledge about their uses. Therefore, the Organization's viability is dependent upon the strength of the national and local economies, the strength and support provided to the not-for-profit industry, and the Organization's ability to collect on its contracts.

Native Seeds' programs consist of the following:

Conservation - Conservation of rare arid lands crop seeds at the seed bank, including grow-outs at Native Seeds' farm.

Distribution - Retail seed, craft and food sales and seed donations to Native Americans; proceeds support Native Seeds' mission.

Membership and volunteers - Reaching out to the community through membership as well as volunteers.

Education - Increasing public awareness of seed stewardship through newsletters, social media, educational material, lectures, seed schools, salons and other means.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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, support and gains and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions, including those related to inputs used to recognize revenue over time. Actual results could differ materially from such estimates and assumptions.

Adoption of new accounting standard:

The Organization adopted ASU 2020-07 "Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets" to increase the transparency of contributed nonfinancial assets (gifts-in-kind) through enhancements to presentation and disclosure by providing additional qualitative and quantitative disclosures.

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2022

1. Description of business and summary of significant accounting policies (continued):

Net assets:

Net assets, support, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.
- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions at September 30, 2022.

Revenue recognition:

Retail sales:

On-line and catalog sales revenue are recognized at a point in time when the merchandise is sold or shipped.

Gift cards:

The Organization sells gift cards redeemable for goods sold through its on-line retail operations. The Organization does not charge fees on unused gift cards. Revenue from gift cards is recognized when the gift card is redeemed by the customer or the likelihood of the gift card being redeemed is remote and the Organization has no legal obligation to remit the unused balance to relevant jurisdictions as unclaimed property. The Organization estimates its gift card breakage rate based on historical redemption experience and recognizes the projected breakage over a five-year period in proportion to historical redemption trends. Because of inherent uncertainties in estimating redemption rates, it is reasonably possible that the estimates used will change within the near term.

Contributions:

Contributions are considered nonexchange transactions and are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2022

1. Description of business and summary of significant accounting policies (continued):

Revenue recognition (continued):

Grants:

The Organization receives grants from foundations and private companies for various programs and projects. Revenue related to grants are recognized as non-exchange transactions.

Membership dues:

The Organization sells annual memberships entitling the purchaser to discounts on retail purchases and a subscription to its semi-annual newsletter. Membership dues are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Organization recognizes the exchange portion of membership dues over the membership period as the benefits are transferred over time and the contribution portion immediately. Deferred revenue, membership dues at October 1, 2021 was \$27,632.

Donated goods and services:

Support arising from donated goods and services is recognized in the financial statements at its fair value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills; and
- The services would typically need to be purchased if not donated.

Although the Organization utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization, the fair value of all these services may not be reflected in the financial statements because the above criteria are not met.

Transaction price:

For exchange transactions, the transaction price is the amount of consideration the Organization expects to be entitled to in exchange for transferring goods and services to the resource provider. When a contract has a single performance obligation, the entire transaction price is attributed to that performance obligation. When a contract has more than one performance obligation, the transaction price is allocated to each performance obligation based on estimated relative standalone selling prices of the goods or services at the inception of the contract, which typically is determined using cost plus an appropriate margin.

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2022

1. Description of business and summary of significant accounting policies (continued):

Revenue recognition (continued):

Performance obligations:

Contracts that constitute exchange transactions are considered to contain a single performance obligation if the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts primarily because the Organization provides a significant service of integrating a complex set of tasks and components into a single project or capability. A series of goods or services are a single performance obligation if the goods or services are substantially the same and each distinct good or service in the series will be satisfied over time and the same method would be used to measure progress towards satisfaction.

Functional allocation of expenses:

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include salaries, payroll taxes and benefits, depreciation, insurance, general office expenses and utilities. Salaries, payroll taxes and benefits are allocated based on employee time and effort. Depreciation and insurance are allocated based on square footage. General office expenses and utilities are allocated based on employee count.

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Inventory:

Inventory is comprised of seed and program related merchandise held for sale on-line. Purchased seed and program related merchandise is stated at the lower of cost (average cost method) or net realizable value. Donated seed is recorded at its estimated selling price.

Property and equipment:

Property and equipment are stated at cost except for donated equipment, which is recorded at its fair market value at the date of gift. Property and equipment with a value of greater than or equal to \$1,000 and a useful life of more than one year is capitalized. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets of 2 to 40 years.

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2022

1. Description of business and summary of significant accounting policies (continued):

Impairment of long-lived assets:

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of those assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value of the assets. Management does not believe that there were any long-lived asset impairments for 2022.

Collections:

The Organization's seed collection consists of approximately 1,900 different accessions of traditional crops utilized as food, fiber and dye by various Native American tribes and other cultures in the Southwest region. Native Seeds employs curators to ensure the collections are protected, multiplied for seed, and preserved. The collection is not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as decreases in net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. In the normal course, collection items are not sold but rather maintained in perpetuity. However, should the Organization's Board deem it appropriate to dispose of any item, any proceeds from the disposal are used to purchase new items for the collection or for maintenance of existing items. Proceeds from de-accessions or insurance recoveries are reflected as increases in the appropriate net asset classes. No significant collection items were purchased or deaccessioned during the year ended September 30, 2022.

Advertising:

Advertising costs are expensed as incurred.

Shipping and handling:

Amounts billed to customers for shipping and handling are included as a component of sales. Costs incurred by the Organization for shipping and handling are included in program expenses. Total cost of shipping and handling was \$91,844 for 2022.

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2022

1. Description of business and summary of significant accounting policies (continued):

Tax exempt status:

The Organization is exempt from income taxes under both federal Internal Revenue Code Section 501(c)(3) and Arizona income tax laws, and is classified as other than a private foundation under Internal Revenue Code Section 509(a)(2). Income from certain activities not directly related to the Organization's tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income.

From time to time, the Organization may be subject to penalties and interest assessed by various taxing authorities, which will be classified as administration, if they occur.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to September 30, 2022 through February 27, 2023, the date that the financial statements were available to be issued. Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

2. Liquidity and availability of financial assets:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions, or internal designations.

Cash and cash equivalents	\$ 381,533
Accounts receivable	<u>808</u>
Total financial assets	382,341
Board designated for reserves	<u>(150,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 232,341</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. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of \$100,000 and Board designated reserves of \$150,000, which it could draw upon as needed.

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2022

3.	Inventory:		
	Merchandise	\$	75,184
	Seed, packaged		6,630
	Seed, unpackaged		<u>208,534</u>
		\$	<u>290,348</u>
4.	Property and equipment:		
	Land	\$	77,855
	Building		1,476,275
	Equipment		<u>362,386</u>
			1,916,516
	Less accumulated depreciation		<u>751,273</u>
		\$	<u>1,165,243</u>
5.	Deferred revenue:		
	Deferred memberships	\$	28,470
	Unredeemed gift certificates		15,141
	Other		<u>150</u>
		\$	<u>43,761</u>
6.	Line of credit:		

The Organization has a \$100,000 revolving line of credit with National Bank of Arizona which expires in July of 2025. The line of credit requires monthly interest only payments with any remaining principal balance due upon termination. Interest is calculated at the Wall Street Journal prime rate (6.25% at September 30, 2022) plus .1%, with a minimum rate of 4.85%. The line of credit is collateralized by the Organization's real estate. As of September 30, 2022, there was no amount outstanding on the line of credit.

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2022

7. Long-term debt:

The Organization has a note payable to National Bank of Arizona secured by real property. The note requires monthly payments of \$2,344 including interest at 5.2% through May 2025, at which time a balloon payment of approximately \$160,000 is due. As of September 30, 2022, the balance outstanding on the note was \$207,000.

Future maturities of long-term debt are as follows:

Year ending <u>September 30,</u>	
2023	\$ 17,780
2024	18,726
2025	<u>170,494</u>
	<u>\$ 207,000</u>

8. Board designated reserves:

At September 30, 2022, the Board of Directors designated \$150,000 of net assets for future reserves.

9. Operating leases:

The Organization leases retail space and equipment under noncancelable operating leases that expire at various dates through March 2025. Lease expense for retail space and equipment for the year ended September 30, 2022 was \$39,393.

Future minimum lease payments under noncancelable operating leases are as follows:

Year ending <u>September 30,</u>	
2023	\$ 20,523
2024	9,568
2025	<u>1,256</u>
	<u>\$ 31,347</u>

NATIVE SEEDS/SOUTHWESTERN ENDANGERED ARIDLAND RESOURCES CLEARING HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2022

10. Statement of cash flows:

Supplemental disclosure of cash flow information:

Cash paid for interest during 2022 was \$12,262.

11. In-kind contributions:

The Organization receives in-kind contributions of seed from partner farmers. The Organization's policy is to add contributed seed to its collection first, and any excess seed not needed for the collection is monetized through its on-line retail operations. In accordance with GAAP, no amount is recorded for seed added to the Organization's collection. Contributed seed added to retail inventory is recorded at fair market value based upon estimated selling price for similar items. During the year ended September 30, 2022, the Organization received seed totaling \$99,841 for retail operations.

12. Concentrations:

For the year ended September 30, 2022, one donor comprised 20% of contribution revenue.

13. Related party transactions:

During 2022, contributions from board members totaled \$19,500.

14. Restatement:

The Organization has restated inventory and net assets in the amount of \$100,303 at September 30, 2021. The amount has been recorded as an increase in the change in net assets for 2021 and a restatement of the beginning net assets for 2022. There was no effect on the change in net assets for 2022.

15. Pending pronouncement:

In February 2016, the FASB issued ASU 2016-02 "Leases." ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, along with additional qualitative and quantitative disclosures. ASU 2016-02 is effective for reporting periods beginning after December 15, 2021, with early adoption permitted. Management is currently evaluating the effect that this standard will have on the financial statements.