PHOENIX ALTERNATIVES, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Phoenix Alternatives, Inc.
White Bear Lake, Minnesota

Opinion

We have audited the accompanying financial statements of Phoenix Alternatives, Inc. (a nonprofit organization), which comprise thOPe statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phoenix Alternatives, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Phoenix Alternatives, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Phoenix Alternatives, 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 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 GAAS 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 GAAS, 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 Phoenix Alternatives, 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 Phoenix Alternatives, 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.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

May 4, 2022

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FINANCIAL STATEMENTS

PHOENIX ALTERNATIVES, INC.
STATEMENTS OF FINANCIAL POSITION **Statement 1**
December 31, 2021 and 2020

	2021	2020
Assets:		
Current assets:		
Cash and cash equivalents	$1,717,795	$1,451,321
Accounts receivable	442,823	228,215
Employee retention credits receivable	598,176	-
Prepaid expenses	81,189	47,063
Total current assets	2,839,983	1,726,599
Property and equipment:		
Land	544,166	544,166
Land improvements	125,727	125,727
Buildings	3,160,515	3,331,710
Vehicles	203,753	203,753
Furniture and equipment	274,479	289,057
Leasehold improvements	274,600	274,600
Total	4,583,240	4,769,013
Less: accumulated depreciation	(2,584,041)	(2,698,183)
Total property and equipment	1,999,199	2,070,830
Other assets:		
Investment in joint venture	1,101,959	782,997
Total assets	$5,941,141	$4,580,426
Liabilities and net assets:		
Current liabilities:		
Accounts payable	$102,434	$128,328
Accrued wages	180,819	123,712
Accrued PTO	96,930	82,013
Refundable advance	-	241,681
Other accrued expenses	43,717	91,557
Total current liabilities	423,900	667,291
Net assets:		
Without donor restrictions:		
Designated for operating reserves	990,000	990,000
Undesignated	4,517,908	2,901,802
Total without donor restrictions	5,507,908	3,891,802
With donor restrictions	9,333	21,333
Total net assets	5,517,241	3,913,135
Total liabilities and net assets	$5,941,141	$4,580,426

The accompanying notes are an integral part of these financial statements.

PHOENIX ALTERNATIVES, INC.
STATEMENTS OF ACTIVITIES **Statement 2**
For The Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Program service revenue	$5,000,469	$ -	$5,000,469	$2,553,305	$ -	$2,553,305
Vocational income	148,346	-	148,346	94,338	-	94,338
Grant revenue	61,500	-	61,500	48,250	-	48,250
Donations	129,821	-	129,821	107,656	-	107,656
COVID-19 funding	2,071,546	-	2,071,546	1,482,981	-	1,482,981
Miscellaneous income	5,563	-	5,563	250	-	250
Interest income	4,505	-	4,505	13,062	-	13,062
Increase (decrease) in investment in joint venture - Newtrax	318,962	-	318,962	(63,219)	-	(63,219)
Total revenues	7,740,712	0	7,740,712	4,236,623	0	4,236,623
Net assets released from restrictions	12,000	(12,000)	-	38,315	(38,315)	-
Operating expenses:						
Program services	5,083,333	-	5,083,333	3,403,740	-	3,403,740
Management and general	1,053,273	-	1,053,273	1,087,426	-	1,087,426
Total expenses	6,136,606	0	6,136,606	4,491,166	0	4,491,166
Change in net assets	1,616,106	(12,000)	1,604,106	(216,228)	(38,315)	(254,543)
Net assets - beginning of year	3,891,802	21,333	3,913,135	4,108,030	59,648	4,167,678
Net assets - end of year	$5,507,908	$9,333	$5,517,241	$3,891,802	$21,333	$3,913,135

The accompanying notes are an integral part of these financial statements.

PHOENIX ALTERNATIVES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES **Statement 3**

For The Years Ended December 31, 2021 and 2020

	2021			
	Program Services		Management	
	DT&H	Vocational	and General	Total
Expenses:				
Salaries	$2,121,225	$111,401	$576,184	$2,808,810
Employee benefits	307,956	-	32,643	340,599
Payroll taxes	148,633	8,881	(12,287)	145,227
Professional fees	22,832	-	155,397	178,229
Service contracts	107,506	469	57,232	165,207
Supplies	72,185	674	5,672	78,531
Telephone	31,278	-	10,299	41,577
Postage	530	-	619	1,149
Trash	25,637	-	-	25,637
Utilities	56,052	-	-	56,052
Rent	104,192	-	63,076	167,268
Transportation	1,698,066	-	607	1,698,673
Depreciation	124,352	-	10,947	135,299
Insurance	22,452	-	515	22,967
Training	15,387	-	6,623	22,010
Dues	120	-	15,332	15,452
Staffing costs	32,250	-	93,049	125,299
Maintenance and repairs	52,427	-	13,609	66,036
Miscellaneous	10,425	8,403	23,756	42,584
Total expenses	$4,953,505	$129,828	$1,053,273	$6,136,606

	2020			
	Program Services		Management	
	DT&H	Vocational	and General	Total
Expenses:				
Salaries	$1,440,214	$64,546	$529,000	$2,033,760
Employee benefits	344,823	-	32,448	377,271
Payroll taxes	88,213	5,659	125,766	219,638
Professional fees	10,517	-	156,993	167,510
Service contracts	73,819	-	53,821	127,640
Supplies	47,805	-	31,557	79,362
Telephone	15,116	-	4,011	19,127
Postage	973	-	870	1,843
Trash	19,844	-	-	19,844
Utilities	43,719	-	-	43,719
Rent	101,881	-	61,537	163,418
Transportation	901,263	-	3,351	904,614
Depreciation	107,317	-	7,121	114,438
Insurance	21,861	-	-	21,861
Training	12,986	-	5,089	18,075
Dues	120	-	13,262	13,382
Staffing costs	8,433	-	22,123	30,556
Maintenance and repairs	35,785	-	20,636	56,421
Miscellaneous	53,883	4,963	19,841	78,687
Total expenses	$3,328,572	$75,168	$1,087,426	$4,491,166

The accompanying notes are an integral part of these financial statements.

PHOENIX ALTERNATIVES, INC.

STATEMENTS OF CASH FLOWS **Statement 4**

For The Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$1,604,106	($254,543)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	135,299	114,438
(Increase) decrease in investment in joint venture	(318,963)	63,218
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(214,608)	284,363
(Increase) decrease in employee retention credits receivable	(598,176)	-
(Increase) decrease in prepaid expenses	(34,126)	24,546
Increase (decrease) in accounts payable	(25,894)	(6,424)
Increase (decrease) in accrued wages	57,107	(27,415)
Increase (decrease) in accrued PTO	14,917	(2,998)
Increase (decrease) in refundable advance	(241,681)	241,681
Increase (decrease) in other accrued expenses	(47,840)	68,330
Net cash provided by operating activities	330,141	505,196
Cash flows from investing activities:		
Purchases of property and equipment	(63,667)	(118,497)
Payments received on notes receivable	-	39,637
Net cash used in investing activities	(63,667)	(78,860)
Net increase in cash and cash equivalents	266,474	426,336
Cash and cash equivalents at beginning of year	1,451,321	1,024,985
Cash and cash equivalents at end of year	$1,717,795	$1,451,321

The accompanying notes are an integral part of these financial statements.

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF OPERATIONS

Phoenix Alternatives, Inc. (PAI) is a not-for-profit corporation that provides day and employment services to adults with developmental disabilities. PAI has five licenses in Minnesota. Client referrals originate from multiple sources.

B. COVID-19 PANDEMIC

The COVID-19 pandemic was a significant event in fiscal years 2021 and 2020. PAI's programs were suspended by the MN Department of Human Services beginning mid-March 2020 and began to slowly reopen in mid-June 2020. As a result, PAI was unable to bill for any program services for 12 weeks and was operating at below typical program levels into the fiscal year ending December 31, 2021. During 2021 and 2020, PAI received grant funding and relief from two PPP loans, Federal HHS Provider Relief Grants under phases I-IV, Employee Retention Credits, and other grants from state and local governments to help to offset the loss of program revenue. Additionally, PAI received a Phase 4 Federal HHS Provider Relief Grant of $618,007 during 2022.

C. BASIS OF PRESENTATION

Net assets, revenues, 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 (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for future expansion.

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. PAI reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

As of December 31, 2021 and 2020, PAI did not have any restrictions that were perpetual in nature.

D. ESTIMATES

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

E. CASH AND CASH EQUIVALENTS

PAI considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

F. ACCOUNTS RECEIVABLE

Accounts receivable are reported at the amount PAI expects to collect on balances outstanding at year end. PAI monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. PAI considers all accounts receivable to be collectible; accordingly, no allowance for doubtful accounts is provided.

G. PROPERTY AND DEPRECIATION

Property and equipment are recorded at original cost. Additions, improvements or major renewals, with a cost greater than $5,000, are capitalized. Any gains or losses on property and equipment retirements are reflected in the current year operations.

Depreciation is computed using the straight-line method, starting the month following the purchase, based on the recommended useful lives from the Department of Human Services, as follows:

Land improvements	5 - 15 years
Building shell	40 years
Building components	3 – 15 years
Vehicles	5 years
Furniture and equipment	3 – 5 years
Leasehold improvements	3 – 6 years

Depreciation expense for 2021 and 2020 was $135,299, and $114,438 respectively.

H. INVESTMENT IN JOINT VENTURE

PAI records its investment in joint venture using the equity method based on the joint venture's fiscal year end of June 30.

I. REVENUE RECOGNITION

PAI's program service revenue is derived from daily program services including habilitation and transportation services. Substantially all program service revenue is funded by state and county agencies. Program service revenue is recognized at a point in time, when the services are provided.

Vocational income is derived from paid work opportunities for clients as part of their vocational training plan. This work is derived from customers contracting with PAI to fulfill contracted work deliverables. Vocational income is recognized at a point in time, when the services are provided.

Grants and donations are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give with a measurable performance or other barrier and right of return, are recognized as revenue without donor restrictions as the conditions on which they depend are met. Amounts received in advance of incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

During 2021 and 2020, PAI received several COVID-19 related grants and recognized revenue without donor restrictions of $2,071,546 and $1,482,981, respectively. In 2021, this revenue consists of PPP forgiveness of $763,903, HHS Provider Relief Fund revenue of $224,648, Employee Retention Credit (ERC) revenue of $1,063,429, and other governmental grants of $19,566. In 2020, this revenue consists of PPP forgiveness of $759,700, HHS Provider Relief Fund revenue of $504,348 and other governmental grants of $218,933. See Note 9 for treatment of the PPP loans and Note 10 for the treatment of ERC.

At December 31, 2021 and 2020, there were refundable advances of $0 and $241,681 related to Provider Relief Funds received that would be recognized as revenue in future fiscal year.

J. INCOME TAX STATUS

PAI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. PAI would be liable for income taxes on the net income of any unrelated revenue producing activities. PAI has had no material unrelated business income activity.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes PAI has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

K. CONCENTRATION OF CREDIT RISK

PAI has bank balances at various financial institutions which may at times exceed federally insured limits.

L. FUNCTIONAL EXPENSE ALLOCATION

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Licensing and trade organization membership dues, staff recognition and recruitment, and advertising are allocated based on FTE staffing percentages per site, determined at the time of the annual budget preparation. Fundraising expenses are considered to be immaterial and are included with management and general.

Note 2 LIQUIDITY AND AVAILABILITY

The following represents PAI's financial assets available to meet cash needs for general expenditures within one year of December 31:

	2021	2020
Cash and cash equivalents	$1,717,795	$1,451,321
Accounts receivable	442,823	228,215
Less: temporarily restricted net assets	(9,333)	(21,333)
	$2,151,285	$1,658,203

At December 31, 2021 and 2020, PAI's board has designated $990,000 of net assets without donor restrictions for operating reserves. This board designated amount has not been excluded from the calculation above as it could be undesignated by future board action. Temporarily restricted amounts have been excluded above at December 31, 2021 and 2020, respectively, as they are not considered to be available for general expenditures.

PAI structures its financial assets to be available as its general expenses, liabilities and obligations come due. As part of its liquidity management plan, PAI invests excess cash in short-term CDs and money market funds. As described in Note 3, PAI also maintains a committed line of credit of $250,000, which could be drawn upon in the event of an unanticipated liquidity need.

Note 3 LINE OF CREDIT

PAI has a line of credit with MidCountry Bank to assist with the timing of cash flows. The maximum amount available as of December 31, 2021 was $250,000 with a variable interest rate of prime rate +1% and an expiration date of May 28, 2023. The effective interest rate was 4.25% at December 31, 2021 and 2020. It is secured by all assets of PAI. As of December 31, 2021 and 2020, there was an outstanding balance of $0.

Note 4 NET ASSETS

Net assets were released from grant restrictions by incurring expenses satisfying the restricted purpose.

	2021	2020
Satisfaction of grant restrictions	$12,000	$38,315

Net assets with donor restrictions at December 31 are composed of:

	2021	2020
Cares Van	$9,333	$21,333

Note 5 LEASE COMMITMENTS

PAI has an operating lease agreement for its office space for one of its sites that expires on May 31, 2027. The monthly lease payments range from $5,293 to $9,062.65 over the remaining term of the lease. PAI also pays its share of operating expenses on the leased property.

Beginning July 1, 2015, PAI leases its business office from Newtrax, Inc. (see Note 8) that is under automatic annual renewals unless 90 day written notice is provided. Monthly payments increase 2.5% annually at June 30. Payments at June 30, 2021 and June 30, 2020 were and $5,321 and $5,191, respectively. PAI also pays its share of operating expenses on the leased property.

Future minimum lease payments required under the leases are as follows for the years ended December 31:

	Third Party	Newtrax	Total
2022	$81,598	$31,927	$113,525
2023	99,258	-	99,258
2024	103,228	-	103,228
2025	107,358	-	107,358
2026	111,652	-	111,652
Thereafter	47,503	-	47,503
Total	$550,597	$31,927	$582,524

Total rent expense was $167,268 and $163,418 for 2021 and 2020, respectively. Rent expense related to the Newtrax lease was $63,076 and $61,748 for 2021 and 2020, respectively.

Note 6 CONTRACTS

PAI has contracted with Ramsey County and Washington County to provide day training and habilitation services. For these services, PAI is paid either a one-half day or full-day rate per client. Rates charged are subject to public policy rate settings and interpretations. The Ramsey County contract is in effect through September 14, 2023. The Washington County contract is in effect through December 31, 2022.

Note 7 INVESTMENT IN JOINT VENTURE

PAI, along with Merrick, Inc. (together, "the Members") created Newtrax, Inc. (Newtrax). Newtrax is a charitable, 501(c)(3) Minnesota corporation with the mission to increase the potential of each member organization to advance their charitable mission more effectively and with greater efficiency. Newtrax began its operations on November 7, 2011; currently supporting both Merrick and PAI's daily client transportation obligations and IT services.

Each of the Members has 50% equity and voting interests.

PAI's investment in Newtrax was $1,101,959 and $782,997 at December 31, 2021 and 2020, respectively.

PAI has contracted with Newtrax for transportation and IT services. The contract is through June 30, 2022. Expenses related to this contract were $1,697,077 and $931,426 in 2021 and 2020, respectively. Newtrax also provided other miscellaneous services (admin, supplies) to PAI during 2021 and 2020. Expenses related to these services were $136,659 and $85,029, respectively. PAI has outstanding accounts payable to Newtrax of $68,485 and $77,782 as of December 31, 2021 and 2020, respectively.

PAI leases its business office from Newtrax (see Note 5).

Condensed financial information for Newtrax is as follows:

	Statements of Financial Position June 30	
	2021	2020
Current assets	$1,357,059	$664,905
Property and equipment	1,491,475	1,946,135
Other assets	33,702	24,468
Total assets	$2,882,236	$2,635,508
Liabilities	$678,147	$1,069,373
Net assets	2,204,059	1,566,135
Total liabilities and net assets	$2,882,206	$2,635,508

	Statements of Activities For the Year Ended June 30	
	2021	2020
Revenues and gains	$4,881,749	$3,823,993
Expenses	(4,243,825)	(3,950,431)
Change in net assets	637,924	(126,438)
Net assets - beginning of year	1,566,135	1,692,573
Net assets - end of year	$2,204,059	$1,566,135

	Statements of Cash Flows For the Year Ended June 30	
	2021	2020
Net cash provided by operating activities	$812,894	$70,217
Net cash used in investing activities	3,781	(94,680)
Net cash provided by (used in) financing activities	128,356	(40,342)
Net increase (decrease) in cash and cash equivalents	945,031	(64,805)
Cash and cash equivalents - beginning of year	46,839	111,644
Cash and cash equivalents - end of year	$991,870	$46,839

Note 8 UNEMPLOYMENT TRUST

PAI self-insures for Minnesota unemployment via the First Nonprofit Unemployment Savings Program (FNP). PAI's unemployment savings balance, per contract, would be fully refunded to PAI upon payment of all outstanding unemployment claims. PAI also has an excess loss insurance policy through FNP that covers claims in excess of approximately $100,000 through $250,000.

At December 31, 2021 and 2020, funds held by FNP were $34,585 and $29,214, respectively, which are reported within prepaid expenses. At December 31, 2021 and 2020, PAI had recorded an estimated claims liability of $26,717 and $79,557, respectively, which are reported within other accrued expenses.

Note 9 PAYCHECK PROTECTION PROGRAM LOANS

On April 12, 2020, PAI entered into an unsecured loan agreement with MidCountry Bank for $759,700, through the U.S. Small Business Administration (SBA) pursuant to the Paycheck Protection Program (PPP) created by section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The loan proceeds are to be used for payroll costs, payments on mortgage interest, rent, utilities, and interest on other debt obligations, with at least 60% of the amount to be used for payroll costs. PAI elected to account for this loan as a conditional contribution under FASB ASC 958-605 and has recognized the full amount as revenue in 2020. PAI received full forgiveness from the SBA on December 30, 2020.

On February 24, 2021, PAI obtained a second draw PPP loan with MidCountry Bank for $763,903, subject to the terms noted above. PAI elected to account for this loan as a conditional contribution under FASB ASC 958-605 and has recognized the full amount as revenue in 2021. PAI received full forgiveness from the SBA on October 5, 2021.

Loan forgiveness is subject to a six-year audit period.

Note 10 EMPLOYEE RETENTION CREDIT

On March 27, 2020, CARES Act was signed into law providing numerous tax provisions and other stimulus measures, including an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERC. An entity is eligible for the employee retention credit (ERC) if it either (1) fully or partially suspended operations during any calendar quarter due to orders from an appropriate government authority limiting business activities due to COVID-19; or (2) experienced a significant decline in gross receipts during the calendar quarter.

PAI accounted for the Employee Retention Credit as a conditional contribution under FASB ASC 958-605. During the year ended December 31, 2021, PAI recognized ERC revenue of $1,063,429. A current receivable in the amount of $598,176 is included in the statements of financial position as of December 31, 2021.

Note 11 SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 4, 2022, the date that the financial statements were available to be issued.

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