

Audited Financial Statements



September 30, 2022 and 2021

Quigley & Miron

**Operation: Care and Comfort
Audited Financial Statements
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Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors

Operation: Care and Comfort

Fairfield, California

Opinion

We have audited the accompanying financial statements of Operation: Care and Comfort (OCC), a nonprofit organization, which comprise the statements of financial position as of September 30, 2022 and 2021, 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 OCC as of September 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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 OCC's ability to continue as a going concern for one year after the date that the financial statements are issued.

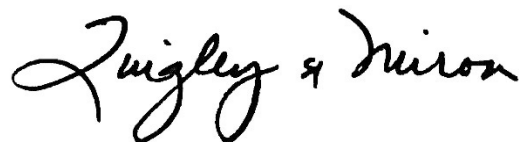
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 OCC'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 OCC'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.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California

October 15, 2023

Operation: Care and Comfort
Statements of Financial Position
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 495,348	\$ 462,464
Accounts receivable	5,470	
Program inventory—Note 4	145,725	467,033
Property and equipment, net—Note 5	1,552	821
Other assets	1,068	3,668
	<u>649,163</u>	<u>933,986</u>
Total Assets	\$ 649,163	\$ 933,986
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 43,043	\$ 18,897
	<u>43,043</u>	<u>18,897</u>
Total Liabilities	43,043	18,897
Net Assets		
Without donor restrictions	603,911	915,089
With donor restrictions—Note 6	2,209	
	<u>606,120</u>	<u>915,089</u>
Total Net Assets	606,120	915,089
Total Liabilities and Net Assets	\$ 649,163	\$ 933,986

See notes to financial statements.

Operation: Care and Comfort
Statement of Activities
Year Ended September 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Public support and revenue			
Contributions	\$ 206,298	\$ 6,334	\$ 212,632
In-kind contributions—Note 7	1,816,810		1,816,810
Special events			
Gross revenue	107,689		107,689
Less cost of direct benefits to donors	(43,834)		(43,834)
Special Events, Net	63,855		63,855
Interest income	826		826
Total Public Support and Revenue	2,087,789	6,334	2,094,123
Net assets released from restrictions	4,125	(4,125)	
Total Public Support, Revenue and Reclassifications	2,091,914	2,209	2,094,123
Expenses			
Program services			
Care packages	1,170,746		1,170,746
Tickets for Troops	739,841		739,841
Adopt a Military Family	388,336		388,336
Total Program Services	2,298,923		2,298,923
Supporting services			
Management and general	93,414		93,414
Fundraising	10,755		10,755
Total Expenses	2,403,092		2,403,092
Change in Net Assets	(311,178)	2,209	(308,969)
Net Assets at Beginning of Year	915,089		915,089
Net Assets at End of Year	\$ 603,911	\$ 2,209	\$ 606,120

See notes to financial statements.

Operation: Care and Comfort
Statement of Activities
Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Public support and revenue			
Contributions	\$ 156,539	\$ 8,919	\$ 165,458
In-kind contributions—Note 7	1,224,958		1,224,958
Special events			
Gross revenue	25,689		25,689
Less cost of direct benefits to donors	(9,403)		(9,403)
Special Events, Net	16,286		16,286
Interest income	881		881
Total Public Support and Revenue	1,398,664	8,919	1,407,583
Net assets released from restrictions	12,067	(12,067)	
Total Public Support, Revenue and Reclassifications	1,410,731	(3,148)	1,407,583
Expenses			
Program services			
Care packages	547,044		547,044
Tickets for Troops	430,227		430,227
Adopt a Military Family	134,175		134,175
Total Program Services	1,111,446		1,111,446
Supporting services			
Management and general	87,030		87,030
Fundraising	44,156		44,156
Total Expenses	1,242,632		1,242,632
Change in Net Assets	168,099	(3,148)	164,951
Net Assets at Beginning of Year	746,990	3,148	750,138
Net Assets at End of Year	\$ 915,089	\$	\$ 915,089

See notes to financial statements.

Operation: Care and Comfort
Statement of Functional Expenses
Year Ended September 30, 2022

	Program Services				Supporting Services			Total
	Care Packages	Tickets for Troops	Adopt a Military Family	Total Program Services	Management and General	Fundraising	Special Events	
Care packages and supplies	\$ 999,583	\$	\$ 296,347	\$ 1,295,930	\$	\$	\$	\$ 1,295,930
Cost of direct benefits to donors							43,834	43,834
Depreciation					282			282
Events			207	207				207
Insurance					3,529			3,529
Marketing	349		350	699	178			877
Miscellaneous					2,947	5,569		8,516
Printing	406			406				406
Professional services	50,000	50,000	40,000	140,000	71,644	5,000		216,644
Shipping and postage	45,296			45,296	1,186			46,482
Storage	23,265			23,265				23,265
Supplies	16,359	8,177	47,174	71,710	5,975	26		77,711
Telephone					2,372			2,372
Tickets for Troops		680,725	444	681,169				681,169
Travel, conferences, and meetings	35,488	939	3,814	40,241	5,301	160		45,702
Total Expenses by Function	1,170,746	739,841	388,336	2,298,923	93,414	10,755	43,834	2,446,926
Less expenses included with revenues in the statement of activities								
Cost of direct benefits to donors							(43,834)	(43,834)
Total Expenses	\$ 1,170,746	\$ 739,841	\$ 388,336	\$ 2,298,923	\$ 93,414	\$ 10,755	\$	\$ 2,403,092

See notes to financial statements.

Operation: Care and Comfort
Statement of Functional Expenses
Year Ended September 30, 2021

	Program Services				Supporting Services			Total
	Care Packages	Tickets for Troops	Adopt a Military Family	Total Program Services	Management and General	Fundraising	Special Events	
Care packages and supplies	\$ 452,204	\$	\$ 39,683	\$ 491,887	\$	\$	\$	\$ 491,887
Cost of direct benefits to donors							9,403	9,403
Depreciation					215			215
Events			240	240				240
Insurance					3,283			3,283
Marketing					386			386
Miscellaneous					4,287	6,265		10,552
Professional services	25,000	25,000	25,000	75,000	37,500	37,500		150,000
Professional fees					30,817	375		31,192
Shipping	31,010	8	8	31,026	13			31,039
Storage	20,364			20,364				20,364
Supplies	7,172	364	63,648	71,184	4,688			75,872
Telephone					2,948			2,948
Tickets for Troops		404,775		404,775				404,775
Travel, conferences, and meetings	11,294	80	5,596	16,970	2,893	16		19,879
Total Expenses by Function	547,044	430,227	134,175	1,111,446	87,030	44,156	9,403	1,252,035
Less expenses included with revenues in the statement of activities								
Cost of direct benefits to donors							\$ (9,403)	(9,403)
Total Expenses	\$ 547,044	\$ 430,227	\$ 134,175	\$ 1,111,446	\$ 87,030	\$ 44,156	\$	\$ 1,242,632

See notes to financial statements.

Operation: Care and Comfort
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flow from Operating Activities		
Change in net assets	\$ (308,969)	\$ 164,951
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	282	215
Changes in operating assets and liabilities:		
Contributions receivable	(5,470)	
Program inventory	321,308	(185,296)
Other assets	2,600	(346)
Accounts payable and accrued expenses	24,146	7,056
Deferred revenue		(1,000)
Net Cash Provided by (Used in) Operating Activities	<u>33,897</u>	<u>(14,420)</u>
Cash Flow from Investing Activities		
Purchases of property and equipment	(1,013)	
Net Cash Used in Investing Activities	<u>(1,013)</u>	
Increase (Decrease) in Cash and Cash Equivalents	32,884	(14,420)
Cash and Cash Equivalents at the Beginning of Year	<u>462,464</u>	<u>476,884</u>
Cash and Cash Equivalents at the End of Year	<u>\$ 495,348</u>	<u>\$ 462,464</u>
Supplementary Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

**Operation: Care and Comfort
Notes to Financial Statements
September 30, 2022 and 2021**

Note 1—Organization

Operation: Care and Comfort (OCC) is a volunteer-led nonprofit service organization which started in February 2003 with a care package group in San Jose, California, using the American Red Cross as its fiduciary agent. On June 16, 2010, OCC became a stand-alone 501(c)(3), and as of October 1, 2010 (inception), it became a separate reporting entity. Still based in San Jose, California, OCC now ships care packages overseas to approximately 100 "adopted" military units each month, shipping over 3,400 pounds monthly.

In 2004, OCC started working with the San Francisco Giants, the professional baseball team, on their first "Salute to the Military" game. Since then, this has become an annual event, inspiring other sports teams to follow. This was the inspiration for OCC's "Tickets for Troops" program, which continues to this day. Teams, season ticket holders, sponsors, individuals, and promoters donate tickets to OCC so troops, veterans, and their families may attend events for free. Over 25,000 tickets are now distributed annually.

In 2006, OCC provided a Thanksgiving meal to two needy families of the 129th Rescue Wing, thus founding the "Adopt a Military Family" program. Through this program, military families in need of support are anonymously adopted by civilian families, organizations and companies. Hundreds of militaries, veterans and their families are supported annually through this program during the holidays and throughout the year. OCC is also able to distribute donated goods to U.S. military bases to support military families through this program.

Operation: Care and Comfort remains an all-volunteer organization.

Note 2—Summary of Significant Accounting Policies

Basis of Accounting—OCC uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation—OCC recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of the OCC and changes therein are classified and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of OCC. These net assets may be used at the discretion of OCC's management and the 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; such restrictions that may or will be met either by actions of OCC and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit OCC to use all or part of the income earned on related investments for general or specific purposes.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of OCC's program services, which consists of the distribution of care packages and sports events tickets for military personnel, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—OCC is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, OCC has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at September 30, 2022 and 2021. Generally, OCC's information returns remain open for examination for a period of three years (federal) or four years (state of California) from the date of filing.

Cash and Cash Equivalents—OCC considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Program Inventory—Inventories are stated at the lower of cost or realizable value. Cost is determined using a standard cost per pound for all care package goods, and fair market value (ticket face value) for donated tickets. OCC uses the first in, first out (FIFO) method.

Property and Equipment—Property and equipment are recorded at cost when purchased or at estimated fair market value to the extent a fair market value could be derived at the date of donation. Depreciation of property and equipment is provided using the straight-line method over their estimated useful lives. Individual property items valued at less than \$1,000 are expensed when purchased or donated. Property and equipment at September 30, 2022 represents a tow trailer used for hauling care packages and other supplies.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Concentration of Credit Risk—Financial instruments which potentially subject OCC to concentrations of credit risk consist of cash and cash equivalents, and receivables.

OCC places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Such cash balances are normally not in excess of FDIC insurance limits.

While the OCC is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf, the OCC's management has assessed the credit risk associated with its cash deposits at September 30, 2022 and 2021 and believes it is not exposed to any significant credit risk with its cash and cash equivalents. However, due to the current risk and uncertainties affecting financial institutions (see Note 8), the potential related impact cannot be reasonably estimated at this time.

Contributions receivable consist of balances from individuals, local foundations and corporations. The Operation: Care and Comfort has determined that no allowance for potential losses due to uncollectible receivables was necessary at September 30, 2022 and 2021. Collection losses related to receivables have historically been immaterial, and management has concluded that, based on its review of balances outstanding, a valuation allowance from selected receivable balances is not necessary.

Recently Adopted Accounting Principle—In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. Additional disclosures are required regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. OCC has adopted ASU No. 2020-07 for the year ended September 30, 2022 on a retrospective basis, which resulted in no change to revenue previously reported and no effect on revenue reported for the year ended September 30, 2022.

Contributions—Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

In-Kind Contributions—Contributions of donated non-cash assets are recorded at their fair values in the period received. OCC receives care package donations in the form of clothing, personal hygiene products, electronics, calendars, and etc. from individuals, businesses, and other organizations. Donated materials are recorded at estimated fair market value at the date of the donation. OCC sorts, re-packages, and boxes these items to be shipped to military personnel stationed overseas. OCC also receives various event tickets for professional San Francisco Bay Area sports teams, performances, and other entertainment events from sport team owners and advertisers, businesses, individuals, and season ticket holders. OCC distributes these tickets to military troops, veterans, and their families. OCC recognizes contribution revenue from tickets received based on the tickets' face value. Donated tickets are expensed in the period the event occurred. Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria are not recognized.

Special event income—Special event income is recognized when such income is earned.

Advertising Expense—Advertising costs are expensed as incurred and amounted to \$877 and \$386 for the years ended September 30, 2022 and 2021.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supportive services. Expenses that are associated with more than one program or supporting service are allocated based on evaluation from management.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most sensitive estimates affecting the financial statements are the valuation of donated food, and the valuation of donated volunteer service hours.

Reclassifications—Certain amounts in 2021 have been reclassified to conform with the 2022 financial statement presentation.

Note 3—Availability and Liquidity

OCC's goal is generally to maintain financial assets to meet 365 days of operating expenses (approximately \$265,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 3—Availability and Liquidity—Continued

The following represents the availability and liquidity of the OCC's financial assets at September 30, 2022 and 2021 to cover operating expenses for the next fiscal year:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 493,139	\$ 462,464
Accounts receivable	5,470	
Current Availability of Financial Assets	<u>\$ 498,609</u>	<u>\$ 462,464</u>

Note 4—Program Inventory

Program inventory consists of undeployed care packages totaling \$145,725 and \$467,033 at September 30, 2022 and 2021, respectively.

A roll-forward of inventory activity for the years ended September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Inventory at September 30, 2021 and 2020	\$ 467,033	\$ 281,737
In-kind contribution	678,275	637,501
Goods distributed (in-kind)	(999,583)	(452,205)
Inventory at September 30, 2022 and 2021	<u>\$ 145,725</u>	<u>\$ 467,033</u>

Note 5—Property and Equipment, Net

Net property and equipment at September 30, 2022 consists of the following:

	<u>2022</u>	<u>2021</u>
Machine and equipment	\$ 2,512	\$ 1,500
Property and Equipment	2,512	1,500
Less accumulated depreciation	(960)	(679)
Property and Equipment, Net	<u>\$ 1,552</u>	<u>\$ 821</u>

For the years ended September 30, 2022 and 2021, depreciation expense totaled \$282 and \$215, respectively.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 6—Net Assets with Donor Restrictions

A roll-forward of net assets with donor restrictions activity for the year ended September 30, 2022 is as follows:

	<u>Balance at September 30, 2021</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance at September 30, 2022</u>
Adopt a Military Family Care package contributions	\$	\$ 2,500	\$ (2,500)	\$
Care packages		1,575	(1,575)	
Tickets for Troops		50	(50)	
		2,209		2,209
Totals	\$	\$ 6,334	\$ (4,125)	\$ 2,209

A roll-forward of net assets with donor restrictions activity for the year ended September 30, 2021 is as follows:

	<u>Balance at September 30, 2020</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance at September 30, 2021</u>
Care package contributions	\$	\$ 8,919	\$ (8,919)	\$
Care packages	3,148		(3,148)	
Totals	\$ 3,148	\$ 8,919	\$ (12,067)	\$

Note 7—In-Kind Contributions and Expenses

In-kind contributions for the years ended September 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Supplies	\$ 296,348	\$ 39,682
Care packages	678,275	637,501
Professional services	167,789	150,000
Tickets for Troops	674,398	397,775
Totals	\$ 1,816,810	\$ 1,224,958

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 7—In-Kind Contributions and Expenses—Continued

In-kind expenses for the years ended September 30, 2022 and 2021 are presented on the statements of functional expenses as follows:

	<u>2022</u>	<u>2021</u>
Care packages and supplies		
Care packages	\$ 999,583	\$ 452,204
Adopt a Military Family	296,347	39,683
Total Care Packages and Supplies	1,295,930	491,887
Tickets for Troops	674,398	397,775
Professional services	167,789	150,000
Totals	<u>\$ 2,138,117</u>	<u>\$ 1,039,662</u>

During the years ended September 30, 2022 and 2021, supplies, care packages, and tickets for troops are valued by management based on their current fair market price. These services were provided with no donor-imposed restrictions. Additionally, OCC recognized \$167,789 and \$150,000 of in-kind professional services during each of the years ended September 30, 2022 and 2021 for the services rendered by its President and its legal counsel.

Note 8—Risks and Uncertainties

In March 2023, subsequent to year-end, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system, however, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As of the date of this report, and as disclosed in Note 2, management does not believe OCC is exposed to any significant financial risk as a result of this crisis.

Note 9—Subsequent Events

Management evaluated all activities of the OCC through October 15, 2023, which is the date the financial statements were available to be issued, and concluded that, other than the banking crisis described in Note 8, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.