

Audited Financial Statements

Hanger Charitable Foundation

*For the Years Ended December 31, 2022 and 2021
With Independent Auditor's Report*

Hanger Charitable Foundation

Audited Financial Statements

For the Years Ended December 31, 2022 and 2021

Contents

Independent Auditor's Report.....	1-2
Audited Financial Statements:	
Statements of Financial Position.....	4
Statements of Activities	5
Statements of Functional Expenses.....	6-7
Statements of Cash Flows	8
Notes to Financial Statements.....	9-14

Independent Auditor's Report

To the Board of Directors of
Hanger Charitable Foundation
Austin, Texas

Opinion

We have audited the accompanying financial statements of Hanger Charitable Foundation (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 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 Hanger Charitable Foundation as of December 31, 2022 and 2021, 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. 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional 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 the Foundation'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 the Foundation'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.



Austin, Texas
July 21, 2023

Audited Financial Statements

Hanger Charitable Foundation
Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets:		
Cash and cash equivalents	\$ 382,586	\$ 683,284
Receivables	15,290	11,500
Receivable - related party	891,070	-
Total current assets	1,288,946	694,784
Total assets	\$ 1,288,946	\$ 694,784
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 500	\$ 23,480
Payable - related party	57,649	54,987
Total current liabilities	58,149	78,467
Net Assets:		
Without donor restrictions	1,230,797	616,317
Total net assets	1,230,797	616,317
Total liabilities and net assets	\$ 1,288,946	\$ 694,784

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

Hanger Charitable Foundation

Statements of Activities

For the Years Ended December 31, 2022 and 2021

	2022	2021
Support and Revenues:		
Contributions	\$ 1,154,863	\$ 258,273
Total support and revenues	1,154,863	258,273
Expenses:		
Program services	500,017	410,484
Management and general	22,850	23,000
Fundraising	17,516	39,329
Total expenses	540,383	472,813
Total change in net assets	614,480	(214,540)
Net assets, beginning of the year	616,317	830,857
Net assets, end of the year	\$ 1,230,797	\$ 616,317

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

Hanger Charitable Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Grants	Education Scholarship	Total Program Services	Management and General	Fundraising	Total
Payroll	\$ 135,785	\$ 16,974	\$ 152,759	\$ 5,092	\$ 11,881	\$ 169,732
Grants	267,258	80,000	347,258	-	4,289	351,547
Professional fees	-	-	-	11,470	-	11,470
Other expense	-	-	-	2,475	1,346	3,821
Database outsourcing	-	-	-	1,964	-	1,964
Bank fees	-	-	-	1,849	-	1,849
Total expenses	<u>\$ 403,043</u>	<u>\$ 96,974</u>	<u>\$ 500,017</u>	<u>\$ 22,850</u>	<u>\$ 17,516</u>	<u>\$ 540,383</u>
Percentage of total expenses	<u>75%</u>	<u>18%</u>	<u>93%</u>	<u>4%</u>	<u>3%</u>	<u>100%</u>

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

Hanger Charitable Foundation

Statement of Functional Expenses

For the Year Ended December 31, 2021

	Grants	Education Scholarship	Total Program Services	Management and General	Fundraising	Total
Payroll	\$ 71,112	\$ 24,565	\$ 95,677	\$ 9,051	\$ 24,566	\$ 129,294
Grants	193,000	120,000	313,000	-	-	313,000
Other expense	-	31	31	161	14,763	14,955
Professional fees	-	-	-	10,785	-	10,785
Database outsourcing	-	1,573	1,573	1,954	-	3,527
Bank fees	-	203	203	1,049	-	1,252
Total expenses	\$ 264,112	\$ 146,372	\$ 410,484	\$ 23,000	\$ 39,329	\$ 472,813
Percentage of total expenses	56%	31%	87%	5%	8%	100%

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

Hanger Charitable Foundation

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 614,480	\$ (214,540)
(Increase) decrease in operating assets:		
Receivables	(3,790)	4,000
Receivable - related party	(891,070)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(64,467)	23,380
Payable - related party	44,149	33,197
Net cash used in operating activities	<u>(300,698)</u>	<u>(153,963)</u>
Change in cash and cash equivalents	(300,698)	(153,963)
Cash and cash equivalents, beginning of the year	<u>683,284</u>	<u>837,247</u>
Cash and cash equivalents, end of the year	<u>\$ 382,586</u>	<u>\$ 683,284</u>

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

Hanger Charitable Foundation

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

The Hanger Charitable Foundation (the “Foundation”) was founded in 2009 by Hanger, Inc. (“Hanger”), the nation’s leading patient-care provider and distributor of orthotic, prosthetic, and rehabilitative solutions.

The mission of the Foundation is to support 501(c)(3) organizations that help people with physical challenges live life as fully as possible. The goals of the Foundation are to positively impact the lives of those in need, invest in the communities in which Hanger employees live and work, and engage Hanger employees in charitable efforts.

The mission and goals are achieved through monetary contributions, in-kind donations, and volunteerism. The Foundation deploys funds to organizations that benefit people with physical challenges in need in the United States with a focus on the following types of activities:

- Awareness and prevention of diseases that adversely affect physical ability (ex. diabetes, peripheral vascular disease, multiple sclerosis).
- Rehabilitation and support services for related illnesses or trauma (ex. stroke, sports injuries, combat related injuries).
- Patient advocacy initiatives focused on advancing policy changes that positively impact patients.
- Athletic programs and events for individuals with physical challenges.

Contributions in 2022 were impacted by a one-time donation of approximately \$880,000 from Hanger, Inc. Only smaller incremental amounts were received in 2021.

Hanger’s heritage of charitable giving dates back to the company’s founding in 1861. For many years, Hanger clinicians and employees consistently and generously donated millions of dollars in free care and financial contributions to a variety of causes, including hardship cases in their own communities. In 2009, Hanger formalized and increased its philanthropic work by establishing the non-profit organization, the Hanger Charitable Foundation.

The Foundation was incorporated on September 16, 2008, in the State of Delaware. The Foundation was formally known as the “Hanger Ivan. R Sabel Foundation.” During 2015, the Foundation changed its business name to the “Hanger Charitable Foundation”. With the renaming, the focus of the Foundation changed from providing international overseas relief to supporting charitable organizations in the United States that help people with physical challenges live life as fully as possible.

Hanger Charitable Foundation

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958). Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions – These types of net assets are not subject to donor-imposed stipulations. This also includes net assets with Board designations for specific purposes, since these Board designations may be reversed by the Board of Directors at any time in the future.

Net assets with donor restrictions – These types of net assets are subject to donor-imposed stipulations, which limit their use by the Foundation, either permanently or temporarily, to a specific purpose and/or the passage of time. When a donor 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 donor restrictions.

Hanger Charitable Foundation

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Receivables

Receivables are recognized as revenues when the donor's commitment is received. Pledges are recognized at the estimated present value of the future net cash flows, net of allowances. The Foundation has not set up an allowance for uncollectible pledges as of December 31, 2022 and 2021, because management estimates that the pledges are collectible, and write-offs are historically unusual and small.

Fair Value of Financial Instruments

The Foundation follows FASB ASC 820, *Fair Value Measurements and Disclosures*, which relates to the Foundation's financial assets and liabilities carried at fair value and the associated fair value disclosures. FASB ASC 820 defines fair value, expands related disclosure requirements, and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There are three levels of inputs to fair value measurements – Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs.

The Foundation's financial instruments consist principally of cash and cash equivalents, receivables, receivable – related party, accounts payable, and payable - related party. The Foundation believes all of the financial instruments' recorded values approximate current market values.

Contributions

Contributions received are recorded as an increase in net assets without donor restrictions. All contributions are considered to be available for use without donor restriction unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor 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 donor restrictions.

Hanger Charitable Foundation

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various promotional programs and other activities of the Foundation have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. Payroll costs are allocated based on estimated time spent by the employees for each function.

Federal Income Taxes

Hanger Charitable Foundation is a nonprofit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3), except to the extent of unrelated business income, if any.

The most significant tax positions of the Foundation are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). Management has determined that the Foundation had no UBIT for the years ended December 31, 2022 and 2021, and therefore no provision has been included in these financial statements for any Federal income tax liability. All significant tax positions have been considered by management and it has been determined that it is more likely than not that all positions would be sustained upon examination by taxing authorities.

The Foundation is required to file Form 990 (Return of Organization Exempt from Income Tax), which is subject to examination by the Internal Revenue Service (IRS) generally up to three years from the later of the original due date or the date the tax return was filed. The Forms 990 for the years ended December 31, 2021, 2020, and 2019 are open to examination by the IRS as of December 31, 2022.

Date of Management's Review

These financial statements considered subsequent events through July 21, 2023, the date the financial statements were available to be issued.

Hanger Charitable Foundation

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

Note 2 – Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to credit risk principally consist of cash and cash equivalents. To minimize the risk, the Foundation places its temporary cash investments with high credit quality financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Effective January 1, 2013, deposit insurance coverage by the FDIC changed to \$250,000 per bank per entity for all interest bearing and non-interest bearing accounts. As of December 31, 2022 and 2021, the Foundation had \$146,086 and \$442,784, respectively, of uninsured balances. The Foundation has not experienced any losses in these accounts in the past.

Note 3 – Related Party Transactions

The Foundation received funding from Hanger during the years ended December 31, 2022 and 2021. The contributions represented 76% and 5%, respectively, of the Foundation's total support and revenues for the years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, the Foundation had an outstanding receivable from Hanger totaling \$891,070 and \$0, respectively.

Hanger records all shared personnel expenses in Hanger's accounting records and then allocates the cost to the Foundation based on the personnel's allocation of time. The Foundation reimburses Hanger for all costs associated with the use of the employees including, but not limited to, salaries, payroll taxes, and employee benefits incurred by Hanger on behalf of the Foundation. As of December 31, 2022 and 2021, the Foundation had an outstanding payable to Hanger totaling \$57,649 and \$54,987, respectively.

Note 4 – Net Assets With Donor Restrictions

The Foundation did not have any net assets with donor restrictions activity during the year ended December 31, 2022.

The Foundation had the following net assets with donor restrictions activity for the year ended December 31, 2021:

	Beginning Balance	Additions	Released from Donor Restrictions	Ending Balance
Empowerment Grants	\$ -	\$ 13,000	\$ (13,000)	\$ -
Empowerment Grants – Camp No Limits	-	1,050	(1,050)	-
Diversity Scholarships Program	-	2,500	(2,500)	-
Total	\$ -	\$ 16,550	\$ (16,550)	\$ -

Hanger Charitable Foundation

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

Note 5 – Liquidity and Availability of Financial Assets

The Foundation's working capital and cash flows have seasonal variations during the year attributable to the timing of contributions.

The following reflects the Foundation's financial assets as of the statements of financial position date, reduced by amounts not available for general use within one year of the statements of financial position date because of contractual or donor-imposed restrictions or internal Board designations. Amounts available include donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Foundation's Board of Directors approves that action.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 382,586	\$ 683,284
Receivable – related party collectible in less than one year	891,070	-
Receivables collectible in less than one year	15,290	11,500
	<hr/>	<hr/>
Total financial assets	1,288,946	694,784
With Board designations	-	-
With donor restrictions	-	-
	<hr/>	<hr/>
Financial Assets Available to Meet Cash Needs For Expenditures Within One Year	\$ 1,288,946	\$ 694,784