

**Outreach, Inc.
Union, Iowa**

FINANCIAL REPORT

December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Outreach, Inc.
Union, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Outreach, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Outreach, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 2, 2020

Outreach, Inc.
STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31	
	2019	2018
CURRENT ASSETS		
Cash	\$ 492,842	\$ 164,670
Investments	272,474	269,367
Accounts receivable	241,683	362,982
Inventory	709,955	828,713
Prepaid expenses	57,237	46,849
Total current assets	<u>1,774,191</u>	<u>1,672,581</u>
PROPERTY AND EQUIPMENT, net	<u>1,390,633</u>	<u>1,392,279</u>
INTANGIBLE ASSETS		
Shallom Farming, net	417,614	427,253
Trademark	10,000	10,000
Total intangible assets	<u>427,614</u>	<u>437,253</u>
Total assets	<u>\$3,592,438</u>	<u>\$3,502,113</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 52,471	\$ 27,383
Customer deposits	141,775	172,377
Accrued expenses	47,673	25,077
Accrued expenses, related party	61,111	72,191
Capital lease payable, related party	8,155	-
Total current liabilities	<u>311,185</u>	<u>297,028</u>
NONCURRENT LIABILITIES		
Capital lease payable, related party	28,080	-
Long-term debt, related party	500,000	500,000
Total noncurrent liabilities	<u>528,080</u>	<u>500,000</u>
Total liabilities	<u>839,265</u>	<u>797,028</u>
NET ASSETS		
Without donor restrictions	2,735,173	2,686,369
With donor restrictions	18,000	18,716
Total net assets	<u>2,753,173</u>	<u>2,705,085</u>
Total liabilities and net assets	<u>\$3,592,438</u>	<u>\$3,502,113</u>

See Notes to Financial Statements.

Outreach, Inc.
STATEMENTS OF ACTIVITIES

	<u>Year ended December 31, 2019</u>			<u>Year ended December 31, 2018</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT						
Program revenue	\$4,720,914	\$ -	\$4,720,914	\$4,660,244	\$ -	\$4,660,244
Donated meals	1,447,823	-	1,447,823	1,428,108	-	1,428,108
Cash contributions	94,246	28,481	122,727	52,774	21,438	74,212
Interest	4,700	-	4,700	6,786	-	6,786
Miscellaneous	960	-	960	359	-	359
Total revenue and support	<u>6,268,643</u>	<u>28,481</u>	<u>6,297,124</u>	<u>6,148,271</u>	<u>21,438</u>	<u>6,169,709</u>
EXPENSES						
Program services	5,755,418	-	5,755,418	5,929,803	-	5,929,803
Supporting services						
Management and general	360,933	-	360,933	430,431	-	430,431
Fundraising	88,685	-	88,685	108,897	-	108,897
Total supporting services	<u>449,618</u>	<u>-</u>	<u>449,618</u>	<u>539,328</u>	<u>-</u>	<u>539,328</u>
Total expenses	6,205,036	-	6,205,036	6,469,131	-	6,469,131
OTHER INCOME (EXPENSE)	<u>63,607</u>	<u>28,481</u>	<u>92,068</u>	<u>(320,860)</u>	<u>21,438</u>	<u>(299,422)</u>
AMORTIZATION OF INTANGIBLE ASSETS	<u>(44,000)</u>	<u>-</u>	<u>(44,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS RELEASED FROM RESTRICTIONS						
Release of purpose restrictions	<u>29,197</u>	<u>(29,197)</u>	<u>-</u>	<u>21,438</u>	<u>(21,438)</u>	<u>-</u>
CHANGE IN NET ASSETS	48,804	(716)	48,088	(299,422)	-	(299,422)
NET ASSETS						
Beginning of the year	<u>2,686,369</u>	<u>18,716</u>	<u>2,705,085</u>	<u>2,985,791</u>	<u>18,716</u>	<u>3,004,507</u>
End of year	<u>\$2,735,173</u>	<u>\$ 18,000</u>	<u>\$2,753,173</u>	<u>\$2,686,369</u>	<u>\$ 18,716</u>	<u>\$2,705,085</u>

See Notes to Financial Statements.

Outreach, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year ended December 31, 2019			
	Program services	Management and general	Fundraising	Total
Salaries and payroll taxes	\$ 636,916	\$ 80,622	\$ 88,685	\$ 806,223
Commissions	642,371	-	-	642,371
Advertising	7,368	-	-	7,368
Bad debt	-	-	-	-
Communication	-	55,289	-	55,289
Conferences and conventions	7,497	-	-	7,497
Contract labor	31,470	43,928	-	75,398
Contributions	233,948	-	-	233,948
Depreciation	44,046	11,011	-	55,057
Equipment and maintenance	27,079	29,212	-	56,291
Insurance	15,244	4,300	-	19,544
Miscellaneous	-	18,218	-	18,218
Occupancy	13,784	13,783	-	27,567
Rents and leases	25,368	25,368	-	50,736
Shipping	485,890	11,636	-	497,526
Medical missions	101,084	2,063	-	103,147
Meal ingredients and packaging	1,699,658	12,257	-	1,711,915
Donated meals	1,447,823	-	-	1,447,823
Travel and meetings	192,709	41,512	-	234,221
Professional fees	25,451	519	-	25,970
Consulting fees	80,362	1,640	-	82,002
Office supplies	-	9,575	-	9,575
Interest	<u>37,350</u>	<u>-</u>	<u>-</u>	<u>37,350</u>
Totals	<u>\$5,755,418</u>	<u>\$ 360,933</u>	<u>\$ 88,685</u>	<u>\$6,205,036</u>

See Notes to Financial Statements.

Year ended December 31, 2018

<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
\$ 782,081	\$ 98,998	\$ 108,897	\$ 989,976
571,223	—	—	571,223
29,066	—	—	29,066
—	9,406	—	9,406
—	43,600	—	43,600
13,593	—	—	13,593
24,144	33,702	—	57,846
219,240	—	—	219,240
44,200	11,050	—	55,250
49,657	53,569	—	103,226
19,587	5,524	—	25,111
—	28,603	—	28,603
13,439	13,439	—	26,878
47,755	47,755	—	95,510
510,750	12,231	—	522,981
87,842	1,793	—	89,635
1,771,762	12,777	—	1,784,539
1,428,108	—	—	1,428,108
185,114	39,876	—	224,990
36,825	752	—	37,577
61,252	1,250	—	62,502
—	16,106	—	16,106
<u>34,165</u>	<u>—</u>	<u>—</u>	<u>34,165</u>
<u>\$5,929,803</u>	<u>\$ 430,431</u>	<u>\$ 108,897</u>	<u>\$6,469,131</u>

Outreach, Inc.
STATEMENTS OF CASH FLOWS

	Year ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 48,088	\$ (299,422)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	55,057	55,250
Amortization of intangible assets	44,000	-
Bad debt	-	9,406
Changes in assets and liabilities		
Accounts receivable	121,299	(123,028)
Inventory	118,758	(110,833)
Prepaid expenses	(10,388)	3,698
Accounts payable	25,088	(24,101)
Customer deposits	(30,602)	(15,431)
Accrued expenses	22,596	11,124
Accrued expenses, related party	(11,080)	(22,754)
Net cash provided by (used in) operating activities	<u>382,816</u>	<u>(516,091)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(10,535)	(7,939)
Investment in, and receivable from, Shallom Farming	(34,361)	(75,308)
Proceeds from certificates of deposit	-	193,194
Reinvested interest from certificates of deposit	(3,107)	(4,838)
Net cash provided by (used in) investing activities	<u>(48,003)</u>	<u>105,109</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(6,641)	-
Net cash (used in) financing activities	<u>(6,641)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	328,172	(410,982)
CASH		
Beginning	<u>164,670</u>	<u>575,652</u>
Ending	<u>\$ 492,842</u>	<u>\$ 164,670</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Property and equipment purchased through capital lease	<u>\$ 42,876</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 37,350</u>	<u>\$ 34,165</u>

See Notes to Financial Statements.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Outreach, Inc. (the Organization) was founded in January, 2004 as an Iowa nonprofit corporation. The principal business activity of Outreach, Inc. is humanitarian aid and development programs focused in the areas of water, food, medicine, and education. The Organization primarily focuses its humanitarian efforts in the country of Tanzania, East Africa and specifically in the Singida Region.

The humanitarian aid and development activities are supported by food packaging events. The Organization facilitates meal packaging events which involve volunteers of all ages in the preparation of nutritional meal packages. The packaging events create nutritional meal packets which are distributed to domestic and international children and families in need.

The Organization has successfully embarked upon many development initiatives by building schools, installation of portable water systems, and construction of centers where most vulnerable children can enjoy a safe and secure environment. The Organization improves the lives of people they serve by providing clean water, nutritious meals, medical services, business development, and education for children, their families, and communities served.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

As required by the Not-for-Profit Entities Topic of the *FASB Accounting Standards Codification*, the Organization reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are those assets that have no donor-imposed stipulations. The Organization's governing board may earmark portions of its net assets without donor restrictions as board-designated for various purposes.

Net assets with donor restrictions represent contributions or other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. As donor-imposed stipulations expire, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Use of 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.

Investments

The Organization carries investments in certificates of deposit, whose costs approximate fair value, in the statements of financial position.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be written off when that determination is made.

Inventory

The Organization's inventory consists principally of food ingredients, water systems, and direct supplies used in packaging events. The Organization values its inventory at a running average of cost basis.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Major expenditures for property and equipment are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. Items of property and equipment sold, retired or otherwise disposed of are removed from the asset and related accumulated depreciation accounts and any resulting gains or losses are reflected in operations.

Depreciation is computed using straight-line and accelerated depreciation methods over the following estimated useful lives:

	<u>Years</u>
Building and improvements	40
Furnishings, fixtures, and equipment	5-20
Vehicles	5-10

Functional Allocation of Expenses

Expenditures have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Shipping Costs

The Organization classified freight billed to customers as program revenue and the related freight costs as shipping expenses.

Advertising

The Organization uses advertising to promote its programs and these costs are expensed as incurred. Advertising expense for December 31, 2019 and 2018 was \$7,368 and \$29,066, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements. The Organization is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for the years prior to 2016.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Organization recognizes program revenues from meal packaging events when the event occurs, which is same time the meal packaging ingredients are delivered to the customer in full. Packaging event sponsors provide donations to the Organization at an agreed upon rate per each meal packaged. The Organization also recognizes revenues related to wholesale meals sold upon delivery. Revenue received from providing ingredients and services for meal packaging events is recognized as without donor restrictions.

The Organization records in-kind donated meal activity on the accompanying financial statements as both revenue and an equal, offsetting, amount for expenses. The Organization has determined a value of \$.25 per packaged meal. Donated meals revenue and expenses totaled \$1,447,823 and \$1,428,108 for the years ended December 31, 2019 and 2018, respectively.

Contributions received are recorded as with or without donor-restrictions depending upon the existence and/or nature of any donor restrictions. All donor-restricted support is presented as an increase in net assets without donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities assets as net assets released from restrictions.

Credit Risk

The Organization has amounts on deposit with a financial institution in excess of FDIC insurance limits at various times throughout the year.

Change in Accounting Principle

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Organization adopted the requirements of the new guidance as of January 1, 2019, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in changes to the Organization's accounting policies for revenue recognition, previously described.

NOTE 2 INVESTMENTS

The Organization measures the fair value of financial instruments in accordance with generally accepted accounting principles, using a fair value hierarchy consisting of three input levels, generally ranging from the most objective to the most subjective. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are generally available indirect information, such as quoted prices for identical or similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. Level 3 inputs are the most subjective, are generally based on the management's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances. None of the Organization's investments were valued using Level 2 and 3 inputs at December 31, 2019 and 2018.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 INVESTMENTS (continued)

The following table presents information about the Organization's investments measured at fair value as of December 31, 2019 and 2018.

<u>Certificates of deposit</u>	<u>Level 1</u>	<u>Level 2 and 3</u>	<u>Total</u>
December 31, 2019	\$ <u>272,474</u>	\$ <u>—</u>	\$ <u>272,474</u>
December 31, 2018	\$ <u>269,367</u>	\$ <u>—</u>	\$ <u>269,367</u>

NOTE 3 PROPERTY AND EQUIPMENT

The components of property and equipment are as follows:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 284,540	\$ 284,540
Buildings	1,283,814	1,283,814
Furniture and equipment	194,507	183,972
Vehicles	<u>125,561</u>	<u>82,685</u>
	1,888,422	1,835,011
Less accumulated depreciation	<u>497,789</u>	<u>442,732</u>
Property and equipment, net	<u>\$1,390,633</u>	<u>\$1,392,279</u>

Depreciation expense for December 31, 2019 and 2018 was \$55,057 and \$55,250, respectively.

NOTE 4 INTANGIBLE ASSETS

During 2012, the President of the Organization acted as an agent with authorization from the Board of Directors to acquire shares of Shallom Farming and Plantations (T) Limited (Shallom). An aggregate investment totaling \$146,943 for the year ended December 31, 2015, equivalent in U.S. dollars, was incurred to acquire the Shallom shares. During July 2018 the purchase of the Shallom shares was finalized and approved by the necessary Tanzanian authorities, 49 shares (48 voting and 1 non-voting) are assigned to the Organization. The investment in Shallom is reported at original cost, net of amortization expense, and totaled \$417,614 and \$427,253 as of December 31, 2019 and 2018, respectively. The Organization began amortizing this asset during 2019 as the cost to establish were complete. Amortization expense is recognized over a fifteen year period with \$44,000 recognized during the year ended December 31, 2019.

Trademark asset consists of costs associated with establishing a trademark. This asset is not amortized.

The components of Shallom assets are as follows:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Shallom Shares	\$ 146,943	\$ 146,943
Shallom development costs	<u>314,671</u>	<u>280,310</u>
	461,614	427,253
Less accumulated amortization	<u>(44,000)</u>	<u>—</u>
Total	<u>\$ 417,614</u>	<u>\$ 427,253</u>

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM DEBT, RELATED PARTY

The Organization's long-term debt, related party, consists of one mortgage promissory note secured by certain real estate of the Organization. The note is with Hammer Management Systems, Inc., owned by Floyd Hammer, Outreach, Inc. President. The note's interest rate was 6.0%. The note was modified during February 2019 which extended the maturity date to February 26, 2022 and changed the interest rate terms to adjustable. The interest rate is adjusted quarterly on the first day of each quarter, to the Wall Street Journal Prime Rate plus 2%. Interest rates ranged from 6.75% to 7.50% in 2019. The balance of the note at December 31, 2019 and 2018 was \$500,000, and no principal payments are expected to be made during 2020.

NOTE 6 CONCENTRATION OF RISK

There exist certain inherent risks which are common to the Organization's mission to third world countries. Those risks include, but are not limited to, fluctuations in the availability and market price of the commodities which the Organization distributes, and the political, social, cultural and economic risks associated with the conduct of commerce, and providing mission based services, in a foreign environment.

The following table identifies the Organization's assets located in Africa:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Cash	\$ 2,267	\$ 1,354
Property and equipment, net	<u>252,390</u>	<u>263,029</u>
Totals	<u>\$ 254,657</u>	<u>\$ 264,383</u>

Management evaluates the viability of the above assets on an ongoing basis, and has determined that there is no impairment of value which should be reflected at December 31, 2019.

NOTE 7 RELATED PARTY TRANSACTIONS

Amounts included in accrued expenses due to related party for the years ended December 31, 2019 and 2018 were \$61,111 and \$72,191, respectively, and consisted of operating expenses paid on behalf of the Organization.

The Organization has executed a real estate mortgage agreement with a related party, which is addressed in Note 5. Interest expense on this mortgage totaled approximately \$36,000 and \$30,000 for the years ended December 31, 2019 and 2018, respectively, and \$2,800 was owed at December 31, 2019.

The Organization entered into a capital lease agreement with a related party, which is addressed in Note 8. Interest expense on the capital lease totaled approximately \$1,400 for the year ended December 31, 2019.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 CAPITAL LEASE PAYABLE, RELATED PARTY

The Organization's capital lease payable, related party, consists of the lease of a vehicle with Hammer Management Systems, Inc., owned by Floyd Hammer, Outreach, Inc. President. The lease expires in January 2024 and is an informal lease agreement. The original value of the lease is \$42,876 with lease terms including monthly payments of approximately \$800 and an interest rate of 4.00%. The Organization paid \$6,641 on the lease balance for the year ended December 31, 2019 for a remaining lease obligation of \$36,235. The leased assets are reported with property and equipment and are amortized over their estimated useful life. Amortization of the assets under the capital lease is included in depreciation expense. The following is a summary of property and equipment held under the capital lease at December 31, 2019:

Vehicles	\$ 42,876
Accumulated amortization	<u>4,288</u>
Net book value	<u>\$ 38,588</u>

Minimum future lease payments under the lease liability as of December 31, 2019 are as follows:

	Total required payments	Less portion representing interest	Principal portion of payments
Year ending December 31			
2020	\$ 9,424	\$ 1,270	\$ 8,155
2021	9,424	937	8,486
2022	9,424	592	8,832
2023	9,424	232	9,192
2024	<u>1,570</u>	<u>—</u>	<u>1,570</u>
Total	<u>\$ 39,266</u>	<u>\$ 3,031</u>	<u>\$ 36,235</u>

NOTE 9 DONATED SERVICES

Volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria was not met. It is impracticable to determine the fair market value of all donated services by the volunteers of Outreach, Inc. beyond those required to be recognized as income.

NOTE 10 RESTRICTIONS ON ASSETS

Net assets with donor restrictions were for the following purposes at December 31, 2019 and 2018:

	2019	2018
Dairy goat project	\$ 18,000	\$ 18,000
Hurricane relief	<u>—</u>	<u>716</u>
Totals	<u>\$ 18,000</u>	<u>\$ 18,716</u>

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 SERVICE AGREEMENT AND RETIREMENT PLAN

A professional employer organization (PEO) provides human resource administration, payroll processing and tax administration, and employee benefits to employees of the Organization. The PEO offers employee health and dental insurance, voluntary long and short-term disability coverage, basic life insurance and voluntary supplemental life insurance, flexible spending accounts and retirement plan benefits. The Organization reimburses the PEO for all salary and benefit expenses, along with a fee for its services. Worker compensation insurance is required to be maintained by the Organization, and both the Organization and the PEO are required to be insured against employment discrimination actions. The agreement continues for an initial term of one year and automatically renews for successive one year terms unless either party terminates the agreement thirty days prior to renewal. In the event of termination, the services provided by the PEO will be transferred back to the Organization.

The PEO sponsors a defined contribution multiple-employer retirement plan covering substantially all full-time employees. The Organization does not offer an employer match.

NOTE 12 LIQUIDITY

The Organization's financial assets available within one year of the statement of financial position date for expenditures and cash reserves are as follows:

	Year ended December 31	
	2019	2018
Cash	\$ 492,842	\$ 164,670
Investments	272,474	269,367
Accounts receivable	<u>241,683</u>	<u>362,982</u>
	<u>\$1,006,999</u>	<u>\$ 797,019</u>

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization does not have any cash reserve requirements and has net assets with donor restrictions of \$18,000 as of December 31, 2019.

NOTE 13 WAREHOUSE LEASE

The Organization leases warehouse space in Massachusetts to store meal packaging ingredients. The lease calls for monthly base rent payments of \$1,625, plus monthly common area maintenance charges of approximately \$600, and adjust annually, up to \$1,760 per month through June 30, 2022, the end of the lease. The Organization is responsible for the operating costs outlined in the lease. Annual lease costs are approximated following, 2020 \$28,000; 2021 \$28,400; and 2022 \$14,300.

NOTE 14 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 2, 2020, the date which financial statements were available to be issued. The global spread of the coronavirus disease (COVID-19) subsequent to December 31, 2019 has resulted in economic uncertainties, including mandated closures or the reduction of operating hours for businesses in many industries. The Organization has temporarily reduced operations in order to combat the continued spread of the disease and follow government mandated protocols. In response to the crisis, the Organization received a loan of approximately \$278,000 from the federal government's Paycheck Protection Program for payroll cost assistance. As provided under the program, the loan may be forgivable if certain expenditure thresholds are met. The continued economic impact of the disease on the Organization's operations is not known at this time.