

**Outreach, Inc.
Union, Iowa**

FINANCIAL REPORT

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Outreach, Inc.
Des Moines, Iowa

Opinion

We have audited the accompanying financial statements of Outreach, Inc. (a nonprofit organization), which comprise the 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 Outreach, 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. 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 Outreach, Inc. 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 Outreach, 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 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 Outreach, 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 Outreach, 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.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
September 8, 2022

Outreach, Inc.
STATEMENTS OF FINANCIAL POSITION

	December 31	
ASSETS	2021	2020
CURRENT ASSETS		
Cash	\$1,205,720	\$ 859,188
Investments	278,804	275,625
Accounts receivable	360,792	449,494
Inventory	1,457,114	1,038,214
Prepaid expenses	99,584	96,391
Other assets	13,089	—
Total current assets	<u>3,415,103</u>	<u>2,718,912</u>
PROPERTY AND EQUIPMENT, net	<u>1,816,554</u>	<u>2,021,964</u>
INTANGIBLE ASSETS		
Shallom Farming, net	195,000	374,614
Trademark	10,000	10,000
Total intangible assets	<u>205,000</u>	<u>384,614</u>
 Total assets	 <u>\$5,436,657</u>	 <u>\$5,125,490</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 49,103	\$ 23,200
Customer deposits	239,421	164,541
Accrued expenses	52,590	82,187
Accrued expenses, related party	19,561	40,515
Capital lease payable, related party	8,832	8,487
Disaster relief loan	12,283	19,000
Total current liabilities	<u>381,790</u>	<u>337,930</u>
NONCURRENT LIABILITIES		
Capital lease payable, related party	10,763	19,593
Long-term debt, related party	500,000	500,000
Disaster relief loan	478,723	480,900
Deferred compensation	375,012	375,012
Total noncurrent liabilities	<u>1,364,498</u>	<u>1,375,505</u>
Total liabilities	<u>1,746,288</u>	<u>1,713,435</u>
NET ASSETS		
Without donor restrictions	3,672,369	3,394,055
With donor restrictions	18,000	18,000
Total net assets	<u>3,690,369</u>	<u>3,412,055</u>
 Total liabilities and net assets	 <u>\$5,436,657</u>	 <u>\$5,125,490</u>

See Notes to Financial Statements.

Outreach, Inc.
STATEMENTS OF ACTIVITIES

	<u>Year ended December 31, 2021</u>			<u>Year ended December 31, 2020</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	\$4,287,699	\$ –	\$4,287,699	\$6,129,174	\$ –	\$6,129,174
Donated meals	144,239	–	144,239	71,600	–	71,600
Cash contributions	74,741	37,106	111,847	138,262	9,019	147,281
Paycheck Protection Program grant	333,220	–	333,220	278,115	–	278,115
Employee Retention Tax Credit	203,059	–	203,059	–	–	–
Interest	5,867	–	5,867	8,050	–	8,050
Miscellaneous	895	–	895	31,794	–	31,794
Total revenue and support	<u>5,049,720</u>	<u>37,106</u>	<u>5,086,826</u>	<u>6,656,995</u>	<u>9,019</u>	<u>6,666,014</u>
EXPENSES						
Program services	4,088,617	–	4,088,617	5,391,753	–	5,391,753
Supporting services						
Management and general	411,141	–	411,141	430,851	–	430,851
Fundraising	93,258	–	93,258	141,528	–	141,528
Total supporting services	<u>504,399</u>	<u>–</u>	<u>504,399</u>	<u>572,379</u>	<u>–</u>	<u>572,379</u>
Total expenses	<u>4,593,016</u>	<u>–</u>	<u>4,593,016</u>	<u>5,964,132</u>	<u>–</u>	<u>5,964,132</u>
NET OPERATING INCOME	<u>456,704</u>	<u>37,106</u>	<u>493,810</u>	<u>692,863</u>	<u>9,019</u>	<u>701,882</u>
AMORTIZATION OF INTANGIBLE ASSETS	<u>(215,496)</u>	<u>–</u>	<u>(215,496)</u>	<u>(43,000)</u>	<u>–</u>	<u>(43,000)</u>
NET ASSETS RELEASED FROM RESTRICTIONS						
Release of purpose restrictions	<u>37,106</u>	<u>(37,106)</u>	<u>–</u>	<u>9,019</u>	<u>(9,019)</u>	<u>–</u>
CHANGE IN NET ASSETS	278,314	–	278,314	658,882	–	658,882
NET ASSETS						
Beginning of the year	3,394,055	18,000	3,412,055	2,735,173	18,000	2,753,173
End of year	<u>\$3,672,369</u>	<u>\$ 18,000</u>	<u>\$3,690,369</u>	<u>\$3,394,055</u>	<u>\$ 18,000</u>	<u>\$3,412,055</u>

See Notes to Financial Statements.

Outreach, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year ended December 31, 2021			
	Program services	Management and general	Fundraising	Total
Salaries and payroll taxes	\$ 669,763	\$ 84,780	\$ 93,258	\$ 847,801
Commissions	421,981	-	-	421,981
Deferred compensation	-	-	-	-
Advertising	9,770	-	-	9,770
Bad debt	-	1,452	-	1,452
Communication	-	70,650	-	70,650
Conferences and conventions	1,664	-	-	1,664
Contract labor	19,382	27,056	-	46,438
Depreciation	196,061	49,015	-	245,076
Equipment and maintenance	42,859	46,234	-	89,093
Insurance	21,211	5,983	-	27,194
Miscellaneous	-	16,106	-	16,106
Occupancy	18,166	18,166	-	36,332
Rents and leases	26,281	26,281	-	52,562
Shipping	442,945	10,607	-	453,552
Medical missions	93,868	1,916	-	95,784
Meal ingredients and packaging	1,551,396	11,188	-	1,562,584
Donated meals	156,063	-	-	156,063
Travel and meetings	47,763	19,736	-	67,499
Professional fees	67,924	491	-	68,415
Consulting fees	254,260	5,189	-	259,449
Office supplies	-	16,291	-	16,291
Interest	47,260	-	-	47,260
Totals	<u>\$4,088,617</u>	<u>\$ 411,141</u>	<u>\$ 93,258</u>	<u>\$4,593,016</u>

See Notes to Financial Statements.

Year ended December 31, 2020

<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
\$ 720,169	\$ 91,161	\$ 100,277	\$ 911,607
604,987	—	—	604,987
296,260	37,501	41,251	375,012
4,618	—	—	4,618
—	6,291	—	6,291
—	61,586	—	61,586
4,787	—	—	4,787
35,456	49,493	—	84,949
68,106	17,027	—	85,133
32,740	35,319	—	68,059
18,266	5,152	—	23,418
—	18,096	—	18,096
14,504	14,504	—	29,008
18,720	18,720	—	37,440
507,975	12,165	—	520,140
121,920	2,488	—	124,408
2,493,596	17,983	—	2,511,579
71,600	—	—	71,600
67,935	14,634	—	82,569
27,291	557	—	27,848
254,262	5,189	—	259,451
—	22,985	—	22,985
<u>28,561</u>	<u>—</u>	<u>—</u>	<u>28,561</u>
<u>\$5,391,753</u>	<u>\$ 430,851</u>	<u>\$ 141,528</u>	<u>\$5,964,132</u>

Outreach, Inc.
STATEMENTS OF CASH FLOWS

	Year ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 278,314	\$ 658,882
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	245,076	85,133
Amortization of intangible assets	215,496	43,000
Bad debt	1,452	6,291
Donated trust account	(13,089)	-
Reinvested interest from certificates of deposit	(3,179)	(3,151)
Changes in assets and liabilities		
Accounts receivable	88,702	(214,102)
Inventory	(418,900)	(328,259)
Prepaid expenses	(3,193)	(39,154)
Accounts payable, net of property and equipment	25,903	(48,139)
Customer deposits	74,880	22,766
Accrued expenses	(29,597)	34,514
Accrued expenses, related party	(20,954)	(20,596)
Deferred compensation liability	-	375,012
Net cash provided by operating activities	440,911	572,197
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(39,666)	(697,596)
Investment in, and receivable from, Shallom Farming	(37,334)	-
Net cash (used in) investing activities	(77,000)	(697,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	499,900
Payments on long-term debt	(8,894)	-
Payments on capital lease	(8,485)	(8,155)
Net cash provided by (used in) financing activities	(17,379)	491,745
INCREASE IN CASH	346,532	366,346
CASH		
Beginning	859,188	492,842
Ending	\$1,205,720	\$ 859,188
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 47,260	\$ 50,544

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, 2021 and 2020 was \$9,770 and \$4,618, 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 2018.

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, and also for, providing ingredients and services for meal packaging events. All of the above revenue is determined to be program revenue and not subject to 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 \$156,063 and \$71,600 for the years ended December 31, 2021 and 2020, 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.

Paycheck Protection Program Grant

In April 2020 and January 2021, the Organization received proceeds of \$278,115 and \$333,220, respectively, under the Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under the provisions of the CARES Act, the award is forgivable, as long as the proceeds are used for eligible purposes. The Organization accounted for the PPP award pursuant to FASB Accounting Standards Codification (ASC) Topic 958 Not-for-Profit Entities Revenue Recognition, and recorded the proceeds of the award as a conditional grant. The Organization has concluded it has substantially met all requirements of the award for forgiveness and has therefore recognized the award in revenue for the years ended December 31, 2021 and 2020.

Deferred Compensation

The Organization has an obligation of \$375,012 for the years ended December 31, 2021 and 2020 related to unpaid compensation for consulting services provided by the Organization's officers. The obligation has been presented as a noncurrent liability on the statements of financial position.

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, 2021 and 2020.

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, 2021 and 2020.

<u>Certificates of deposit</u>	<u>Level 1</u>	<u>Level 2 and 3</u>	<u>Total</u>
December 31, 2021	\$ <u>278,804</u>	\$ <u>—</u>	\$ <u>278,804</u>
December 31, 2020	\$ <u>275,625</u>	\$ <u>—</u>	\$ <u>275,625</u>

NOTE 3 PROPERTY AND EQUIPMENT

The components of property and equipment are as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Land	\$ 284,540	\$ 284,540
Buildings	1,374,864	1,341,085
Furniture and equipment	781,350	776,463
Vehicles	<u>179,789</u>	<u>189,973</u>
	2,620,543	2,592,061
Less accumulated depreciation	<u>803,989</u>	<u>570,097</u>
Property and equipment, net	<u>\$1,816,554</u>	<u>\$2,021,964</u>

Depreciation expense for December 31, 2021 and 2020 was \$245,076 and \$85,133, respectively.

NOTE 4 INTANGIBLE ASSETS AND LITIGATION

The Organization acquired shares of Shallom Farming and Plantations (T) Limited (Shallom) an entity whose operations exist solely in Tanzania. 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 \$195,000 and \$374,614 as of December 31, 2021 and 2020, respectively.

The Organization is currently engaged in litigation with leadership of Shallom utilizing the court system, and subject to the judicial process, governed by the laws of Tanzania. The litigation centers on, among other matters, certain amounts that are owed to the Organization. The ultimate outcome of the lawsuit is unknown and resolution is expected to occur by the end of 2022. Management of the Organization has decided to reduce the reported cost of the Shallom, through amortization, to \$195,000 during the year ended December 31, 2022 to reflect the value of the intangible asset.

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

The components of Shallom assets are as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Shallom Shares	\$ 146,943	\$ 146,943
Shallom development costs	<u>350,553</u>	<u>314,671</u>
	497,496	461,614
Less accumulated amortization	<u>(302,496)</u>	<u>(87,000)</u>
Total	<u>\$ 195,000</u>	<u>\$ 374,614</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 2018 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%. The interest rate for 2021 was 5.25%. The balance of the note at December 31, 2021 and 2020 was \$500,000, and no principal payments are expected to be made during 2022.

NOTE 6 DISASTER RELIEF LOAN

The Organization received proceeds of \$500,000 from a financial institution under the Economic Injury and Disaster Loan Program (EIDL) administered by the Small Business Administration (SBA) of the United States Department of Treasury. The EIDL provides loans to qualifying businesses for the purpose of meeting financial obligations and operating expenses that could have been met had a government declared disaster not occurred. The disaster relief loan bear's interest at 2.75% annually and has a maturity date of May 2050. Payments on the loan agreement began in April 2021 with monthly payments of \$2,136.

Future principal payments of the loan as of December 31, 2021, follows:

Year ending December 31

2022	\$ 12,283
2023	12,625
2024	12,977
2025	13,338
2026	13,710
Thereafter	<u>426,073</u>
Total	<u>\$ 491,006</u>

NOTE 7 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>2021</u>	<u>2020</u>
Cash	\$ 2,267	\$ 2,267
Property and equipment, net	232,956	242,549
Shallom Farming, net	<u>195,000</u>	<u>374,614</u>
Totals	<u>\$ 430,223</u>	<u>\$ 619,430</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, 2021.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 RELATED PARTY TRANSACTIONS

Amounts included in accrued expenses due to related party for the years ended December 31, 2021 and 2020 were \$19,561 and \$40,515, 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 \$26,000 and \$27,000 for the years ended December 31, 2021 and 2020, respectively, and \$2,200 was owed at December 31, 2021.

The Organization entered into a capital lease agreement with a related party, which is addressed in Note 9. Interest expense on the capital lease totaled approximately \$900 and \$1,300 for the year ended December 31, 2021 and 2020, respectively.

The Organization reported approximately \$375,000 related to unpaid consulting expense at December 31, 2021.

NOTE 9 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 \$8,485 on the lease balance for the year ended December 31, 2021 for a remaining lease obligation of \$19,595. 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, 2021:

Vehicles	\$ 42,876
Accumulated amortization	<u>21,438</u>
Net book value	<u>\$ 21,438</u>

Minimum future lease payments under the lease liability as of December 31, 2021 are as follows:

	<u>Total required payments</u>	<u>Less portion representing interest</u>	<u>Principal portion of payments</u>
Year ending December 31			
2022	\$ 9,424	\$ 592	\$ 8,832
2023	9,424	233	9,191
2024	<u>1,572</u>	<u>—</u>	<u>1,572</u>
Total	<u>\$ 20,420</u>	<u>\$ 825</u>	<u>\$ 19,595</u>

NOTE 10 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.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 RESTRICTIONS ON ASSETS

Net assets with donor restrictions were for the following purposes at December 31, 2021 and 2020:

Dairy goat project \$ 18,000

NOTE 12 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 13 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:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash	\$1,205,720	\$ 859,188
Investments	278,804	275,625
Accounts receivable	<u>360,792</u>	<u>449,494</u>
	<u>\$1,845,316</u>	<u>\$1,584,307</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, 2021 and 2020.

NOTE 14 CONCENTRATION OF SUPPORT

For the year ended December 31, 2020, one customer accounted for approximately \$2,500,000 of the Organization's program revenue. This amount exceeded 10% of the Organization's total revenue for the year ended December 31, 2020.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 15 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 estimated to be \$14,300 in 2022.

NOTE 16 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 8, 2022, the date which financial statements were available to be issued. There were no subsequent events that required accrual or disclosure.