

**Outreach, Inc.
Union, Iowa**

FINANCIAL REPORT

December 31, 2023 and 2022

CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS | 3-4 |
| FINANCIAL STATEMENTS | |
| Statements of financial position | 5 |
| Statements of activities | 6 |
| Statements of functional expenses | 7-8 |
| Statements of cash flows | 9 |
| Notes to financial statements | 10-18 |

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, 2023 and 2022, 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, 2023 and 2022, 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 CPA LLP
Denman CPA LLP

West Des Moines, Iowa
September 19, 2024

Outreach, Inc.
STATEMENTS OF FINANCIAL POSITION

| ASSETS | December 31 | |
|--------------------------------------|------------------------|------------------------|
| | 2023 | 2022 |
| CURRENT ASSETS | | |
| Cash | \$ 318,548 | \$ 273,329 |
| Investments | 712,380 | 1,486,091 |
| Accounts receivable | 496,474 | 337,562 |
| Inventory | 1,502,375 | 1,536,571 |
| Prepaid expenses | 26,963 | 86,767 |
| Other assets | <u>12,979</u> | <u>11,187</u> |
| Total current assets | <u>3,069,719</u> | <u>3,731,507</u> |
| OPERATING RIGHT-OF-USE ASSETS | <u>94,166</u> | <u>131,591</u> |
| PROPERTY AND EQUIPMENT, net | <u>2,179,679</u> | <u>1,629,122</u> |
| INTANGIBLE ASSETS | | |
| Shallow Farming, net | 95,000 | 195,000 |
| Trademark | <u>10,000</u> | <u>10,000</u> |
| Total intangible assets | <u>105,000</u> | <u>205,000</u> |
| Total assets | <u>\$5,448,564</u> | <u>\$5,697,220</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 21,707 | \$ 154,134 |
| Customer deposits | 378,020 | 294,357 |
| Accrued expenses | 91,425 | 49,135 |
| Accrued expenses, related party | 107,124 | 58,141 |
| Lease liability, right-of-use | 38,502 | 37,087 |
| Disaster relief loan | <u>12,594</u> | <u>12,253</u> |
| Total current liabilities | <u>649,372</u> | <u>605,107</u> |
| NONCURRENT LIABILITIES | | |
| Lease liability, right-of-use | 59,066 | 97,568 |
| Long-term debt, related party | 500,000 | 500,000 |
| Disaster relief loan | 466,604 | 479,473 |
| Deferred compensation | <u>275,012</u> | <u>275,012</u> |
| Total noncurrent liabilities | <u>1,300,682</u> | <u>1,352,053</u> |
| Total liabilities | <u>1,950,054</u> | <u>1,957,160</u> |
| NET ASSETS | | |
| Without donor restrictions | 3,480,510 | 3,722,060 |
| With donor restrictions | <u>18,000</u> | <u>18,000</u> |
| Total net assets | <u>3,498,510</u> | <u>3,740,060</u> |
| Total liabilities and net assets | <u>\$5,448,564</u> | <u>\$5,697,220</u> |

See Notes to Financial Statements.

Outreach, Inc.
STATEMENTS OF ACTIVITIES

| | <u>Year ended December 31, 2023</u> | | | <u>Year ended December 31, 2022</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 | \$5,758,043 | \$ – | \$5,758,043 | \$6,319,540 | \$ – | \$6,319,540 |
| Donated meals | 101,655 | – | 101,655 | 53,151 | – | 53,151 |
| Cash contributions | 149,920 | 9,015 | 158,935 | 83,123 | 184,699 | 267,822 |
| Employee Retention Tax Credit | – | – | – | 62,550 | – | 62,550 |
| Investment return | 45,402 | – | 45,402 | 10,930 | – | 10,930 |
| Gain on sale of assets | – | – | – | 58,170 | – | 58,170 |
| Miscellaneous | 20,892 | – | 20,892 | 3,664 | – | 3,664 |
| Total revenue and support | <u>6,075,912</u> | <u>9,015</u> | <u>6,084,927</u> | <u>6,591,128</u> | <u>184,699</u> | <u>6,775,827</u> |
| EXPENSES | | | | | | |
| Program services | 6,194,031 | – | 6,194,031 | 6,107,044 | – | 6,107,044 |
| Supporting services | | | | | | |
| Management and general | 576,107 | – | 576,107 | 502,548 | – | 502,548 |
| Fundraising | 150,420 | – | 150,420 | 116,544 | – | 116,544 |
| Total supporting services | <u>726,527</u> | <u>–</u> | <u>726,527</u> | <u>619,092</u> | <u>–</u> | <u>619,092</u> |
| Total expenses | <u>6,920,558</u> | <u>–</u> | <u>6,920,558</u> | <u>6,726,136</u> | <u>–</u> | <u>6,726,136</u> |
| NET OPERATING INCOME (EXPENSE) | <u>(844,646)</u> | <u>9,015</u> | <u>(835,631)</u> | <u>(135,008)</u> | <u>184,699</u> | <u>49,691</u> |
| AMORTIZATION OF INTANGIBLE ASSET | (100,000) | – | (100,000) | – | – | – |
| OTHER CHANGES IN NET ASSETS | | | | | | |
| Excess of fair value in net assets obtained in acquisition of Numana, Inc. | 694,081 | – | 694,081 | – | – | – |
| NET ASSETS RELEASED FROM RESTRICTIONS | | | | | | |
| Release of purpose restrictions | 9,015 | (9,015) | – | 184,699 | (184,699) | – |
| CHANGE IN NET ASSETS | (241,550) | – | (241,550) | 49,691 | – | 49,691 |
| NET ASSETS | | | | | | |
| Beginning of the year | <u>3,722,060</u> | <u>18,000</u> | <u>3,740,060</u> | <u>3,672,369</u> | <u>18,000</u> | <u>3,690,369</u> |
| End of year | <u>\$3,480,510</u> | <u>\$ 18,000</u> | <u>\$3,498,510</u> | <u>\$3,722,060</u> | <u>\$ 18,000</u> | <u>\$3,740,060</u> |

See Notes to Financial Statements.

Outreach, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES

| | Year ended December 31, 2023 | | | |
|--------------------------------|-------------------------------------|-----------------------------------|--------------------|--------------------|
| | Program services | Management and general | Fundraising | Total |
| Salaries and payroll taxes | \$1,080,293 | \$ 136,746 | \$ 150,420 | \$1,367,459 |
| Commissions | 794,174 | — | — | 794,174 |
| Advertising | 4,523 | — | — | 4,523 |
| Credit losses | — | 2,123 | — | 2,123 |
| Communication | — | 87,526 | — | 87,526 |
| Conferences and conventions | 12,726 | — | — | 12,726 |
| Contract labor | 34,368 | 47,974 | — | 82,342 |
| Depreciation | 171,977 | 42,994 | — | 214,971 |
| Equipment and maintenance | 72,149 | 77,831 | — | 149,980 |
| Insurance | 37,010 | 10,439 | — | 47,449 |
| Miscellaneous | — | 25,643 | — | 25,643 |
| Occupancy | 22,789 | 22,789 | — | 45,578 |
| Rents and leases | 38,068 | 38,068 | — | 76,136 |
| Shipping | 567,094 | 13,580 | — | 580,674 |
| Medical missions | 73,175 | 1,493 | — | 74,668 |
| Meal ingredients and packaging | 2,699,100 | 19,465 | — | 2,718,565 |
| Donated meals | 129,390 | — | — | 129,390 |
| Travel and meetings | 113,442 | 24,437 | — | 137,879 |
| Professional fees | 32,733 | 668 | — | 33,401 |
| Consulting fees | 231,525 | 4,725 | — | 236,250 |
| Office supplies | — | 19,606 | — | 19,606 |
| Interest | 79,495 | — | — | 79,495 |
| | \$6,194,031 | \$ 576,107 | \$ 150,420 | \$6,920,558 |
| Totals | | | | |

See Notes to Financial Statements.

Outreach, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES (continued)

| | Year ended December 31, 2022 | | | |
|--------------------------------|-------------------------------------|--|---------------------------|---------------------|
| | <u>Program services</u> | <u>Management and general</u> | <u>Fundraising</u> | <u>Total</u> |
| Salaries and payroll taxes | \$ 836,995 | \$ 105,949 | \$ 116,544 | \$1,059,488 |
| Commissions | 728,696 | - | - | 728,696 |
| Advertising | 11,494 | - | - | 11,494 |
| Credit losses | - | - | - | - |
| Communication | - | 70,575 | - | 70,575 |
| Conferences and conventions | 23,168 | - | - | 23,168 |
| Contract labor | 32,604 | 45,511 | - | 78,115 |
| Depreciation | 122,596 | 30,649 | - | 153,245 |
| Equipment and maintenance | 57,331 | 61,847 | - | 119,178 |
| Insurance | 29,192 | 8,234 | - | 37,426 |
| Miscellaneous | - | 22,351 | - | 22,351 |
| Occupancy | 23,090 | 23,090 | - | 46,180 |
| Rents and leases | 28,190 | 28,190 | - | 56,380 |
| Shipping | 653,009 | 15,638 | - | 668,647 |
| Medical missions | 130,986 | 2,673 | - | 133,659 |
| Meal ingredients and packaging | 2,919,072 | 21,051 | - | 2,940,123 |
| Donated meals | 68,949 | - | - | 68,949 |
| Travel and meetings | 171,160 | 36,870 | - | 208,030 |
| Professional fees | 27,126 | 554 | - | 27,680 |
| Consulting fees | 156,800 | 3,200 | - | 160,000 |
| Office supplies | - | 26,166 | - | 26,166 |
| Interest | <u>86,586</u> | <u>-</u> | <u>-</u> | <u>86,586</u> |
| Totals | <u>\$6,107,044</u> | <u>\$ 502,548</u> | <u>\$ 116,544</u> | <u>\$6,726,136</u> |

See Notes to Financial Statements.

Outreach, Inc.
STATEMENTS OF CASH FLOWS

| | Year ended December 31 | |
|--|-------------------------------|--------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (241,550) | \$ 49,691 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation | 214,971 | 153,245 |
| Amortization of intangible assets | 100,000 | - |
| Gain on sale of assets | - | (58,170) |
| Realized and unrealized (gains) on investments | (30,639) | (4,072) |
| Donated trust account | (1,792) | 1,902 |
| Reinvested interest from certificates of deposit | (14,763) | (3,215) |
| Changes in assets and liabilities | | |
| Accounts receivable | (161,035) | 23,230 |
| Inventory | 34,196 | (79,457) |
| Prepaid expenses | 59,804 | 12,817 |
| Accounts payable, net of property and equipment | (132,427) | 105,031 |
| Customer deposits | 83,663 | 54,936 |
| Accrued expenses | 42,290 | (3,455) |
| Accrued expenses, related party | 48,983 | 38,580 |
| Operating right-of-use assets, net of lease liability | 2,461 | 3,064 |
| Deferred compensation liability | - | (100,000) |
| Net cash flows from operating activities | <u>4,162</u> | <u>194,127</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from the sale of property and equipment | - | 105,255 |
| Purchase of property and equipment | (765,528) | (12,898) |
| Purchase of investments | (1,250,887) | (1,200,000) |
| Proceeds from sale of investments | <u>2,070,000</u> | - |
| Net cash flows from investing activities | <u>53,585</u> | <u>(1,107,643)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Disaster relief loan, net | (12,528) | 720 |
| Payments on note payable | - | (19,595) |
| Net cash flows from financing activities | <u>(12,528)</u> | <u>(18,875)</u> |
| INCREASE (DECREASE) IN CASH | 45,219 | (932,391) |
| CASH | | |
| Beginning | <u>273,329</u> | <u>1,205,720</u> |
| Ending | <u>\$ 318,548</u> | <u>\$ 273,329</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for interest | <u>\$ 58,506</u> | <u>\$ 77,592</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 marketable securities and certificates of deposit, whose costs approximate fair value, in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

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 credit losses has been established. If accounts become uncollectible, they will be written-off as a credit loss 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.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the balance sheet. Finance leases are included in property and equipment and finance lease liabilities on the balance sheet.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Organization leases do not provide an implicit rate, the Organization has elected to use a risk-free discount rate, as measured by the applicable U.S. Treasury instrument at the date of commencement. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Short-term leases (leases with a term of 12 months or less) are recognized as expenses on the straight-line basis over the lease term and variable lease payments are recognized as expenses in the period in which the obligation for the payment is incurred.

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.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023 and 2022 was \$4,523 and \$11,494, 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 2020.

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 \$.35 per packaged meal. Donated meals revenue and expenses totaled \$129,390 and \$68,949 for the years ended December 31, 2023 and 2022, 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.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Compensation

The Organization had an obligation of \$275,012 for each of the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

The following table presents information about the Organization's investments measured at fair value as of December 31, 2023 and 2022.

| | <u>2023</u> | <u>2022</u> |
|-------------------------|-------------------|--------------------|
| Certificates of deposit | \$ 294,274 | \$ 282,019 |
| Money market | 418,106 | 194,845 |
| Fixed income | <u>—</u> | <u>1,009,227</u> |
| Total investments | <u>\$ 712,380</u> | <u>\$1,486,091</u> |

Investment return for the years ended December 31, are summarized as follows:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|------------------|------------------|
| Interest and dividends | \$ 14,763 | \$ 5,746 |
| Realized and unrealized gains | <u>30,639</u> | <u>5,184</u> |
| Total investment return | <u>\$ 45,402</u> | <u>\$ 10,930</u> |

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 PROPERTY AND EQUIPMENT

The components of property and equipment are as follows:

| | December 31 | |
|-------------------------------|--------------------|--------------------|
| | 2023 | 2022 |
| Land | \$ 450,540 | \$ 284,540 |
| Buildings | 1,822,896 | 1,354,914 |
| Furniture and equipment | 981,245 | 781,350 |
| Vehicles | <u>402,151</u> | <u>179,789</u> |
| | 3,665,478 | 2,600,593 |
| Less accumulated depreciation | <u>1,477,153</u> | <u>971,471</u> |
| Property and equipment, net | <u>\$2,179,679</u> | <u>\$1,629,122</u> |

Depreciation expense for December 31, 2023 and 2022 was \$214,971 and \$153,245, 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 \$95,000 and \$195,000 as of December 31, 2023 and 2022, 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 2024. Management of the Organization has decided to reduce the reported cost of the Shallom, through amortization, to \$95,000 to reflect the estimated 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:

| | December 31 | |
|-------------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| Shallom Shares | \$ 146,943 | \$ 146,943 |
| Shallom development costs | <u>350,553</u> | <u>350,553</u> |
| | 497,496 | 497,496 |
| Less accumulated amortization | <u>(402,496)</u> | <u>(302,496)</u> |
| Total | <u>\$ 95,000</u> | <u>\$ 195,000</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 was modified, during 2022, to extend the maturity date to February 26, 2027 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 at December 31, 2023 was 10.50%. The balance of the note at December 31, 2023 and 2022 was \$500,000, and no principal payments are expected to be made during 2024. Interest expense on the loan was \$51,246 and \$35,101 for the years ended December 31, 2023 and 2022, respectively.

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 2022 with monthly payments of \$2,136.

Future principal payments of the loan as of December 31, 2023, follows:

Year ending December 31

| | |
|------------|-------------------|
| 2024 | \$ 12,594 |
| 2025 | 12,945 |
| 2026 | 13,305 |
| 2027 | 13,676 |
| 2028 | 14,057 |
| Thereafter | <u>412,621</u> |
| Total | <u>\$ 479,198</u> |

NOTE 7 OPERATING LEASES

The Organization has entered into a lease agreement for the lease of warehouse space with remaining lease term ending June 30, 2026.

The components of rent and lease expense were as follows:

| | Year ended December 31 | |
|------------------------------|-------------------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| Operating lease cost | \$ 37,838 | \$ 37,838 |
| Short-term lease cost | <u>38,298</u> | <u>18,542</u> |
| Total rent and lease expense | <u>\$ 76,136</u> | <u>\$ 56,380</u> |

Supplemental cash flows information related to leases was as follows:

| | Year ended December 31 | |
|--|-------------------------------|------------------|
| | <u>2023</u> | <u>2022</u> |
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating leases | <u>\$ 37,500</u> | <u>\$ 36,096</u> |

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 OPERATING LEASES (continued)

Supplemental balance sheet information related to leases was as follows:

| | December 31 | |
|---|--------------------|-------------------|
| | 2023 | 2022 |
| Operating leases | | |
| Operating lease right-of-use assets | \$ <u>94,166</u> | \$ <u>131,591</u> |
| Operating lease liabilities, current portion | \$ 38,502 | \$ 37,087 |
| Operating lease liabilities, noncurrent portion | <u>59,066</u> | <u>97,568</u> |
| Total operating lease liability | <u>\$ 97,568</u> | <u>\$ 134,655</u> |
| Weighted Average Remaining Lease Term | | |
| Operating leases | 2.50 years | 3.50 years |
| Weighted Average Discount Rate | | |
| Operating leases | 0.36% | 0.36% |

The following table outlines maturities on the Organization's lease liabilities as of December 31, 2023:

Year ending December 31

| | |
|-----------------------------|------------------|
| 2024 | \$ 38,502 |
| 2025 | 39,498 |
| 2026 | <u>19,998</u> |
| Total lease payments | 97,998 |
| Less present value discount | <u>430</u> |
| Total lease liability | <u>\$ 97,568</u> |

NOTE 8 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:

| | December 31 | |
|-----------------------------|--------------------|-------------------|
| | 2023 | 2022 |
| Cash | \$ 2,267 | \$ 2,267 |
| Property and equipment, net | 217,102 | 223,610 |
| Shallom Farming, net | <u>95,000</u> | <u>195,000</u> |
| Totals | <u>\$ 314,369</u> | <u>\$ 420,877</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, 2023.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 RELATED PARTY TRANSACTIONS

Amounts included in accrued expenses, related party, for the years ended December 31, 2023 and 2022 were \$107,124 and \$58,141, respectively, and consisted of operating expenses paid by the Officers 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 \$51,000 and \$35,000 for the years ended December 31, 2023 and 2022, respectively.

The Organization reported approximately \$275,000, as deferred compensation, related to unpaid consulting expense to the Officers at December 31, 2023 and 2022.

NOTE 10 ACQUISITION OF NUMANA, INC.

During the year ended December 31, 2023, the Organization acquired Numana, Inc., a separate Kansas based nonprofit whose mission is to feed the hungry. The acquisition was completed without cost to the Organization or through the facilitation or assumption of debt. The Organization assumed control of Numana, Inc.'s assets which primarily consisted of cash, inventory, and property and equipment. The Organization also acquired the obligations of the entity which consisted of accounts payable and accrued payroll liabilities. The assets and liabilities acquired were recognized at fair value at the time of the acquisition. The operations of Numana, Inc. continue on as a program of the Organization. The excess of fair value in net assets acquired recognized by the Organization is \$694,081 as presented on the statement of activities for the year ended December 31, 2023.

NOTE 11 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 12 RESTRICTIONS ON ASSETS

Net assets with donor restrictions were for the following purposes at December 31, 2023 and 2022:

| | |
|--------------------|------------------|
| Dairy goat project | \$ <u>18,000</u> |
|--------------------|------------------|

NOTE 13 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.

Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 14 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 | |
|---------------------|-------------------------------|---------------------------|
| | <u>2023</u> | <u>2022</u> |
| Cash | \$ 318,548 | \$ 273,329 |
| Investments | 712,380 | 1,486,091 |
| Accounts receivable | <u>496,474</u> | <u>337,562</u> |
| | <u>\$1,527,402</u> | <u>\$2,096,982</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, 2023 and 2022.

NOTE 15 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 19, 2024, the date which financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.