

**VALLEY OUTREACH**  
**Financial Statements**  
**September 30, 2019 and 2018**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Valley Outreach  
Stillwater, Minnesota

I have audited the accompanying financial statements of Valley Outreach (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows 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**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Member  
Minnesota Society of Certified Public Accountants  
American Institute of Certified Public Accountants

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Outreach, as of September 30, 2019 and 2018, 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.

Lake Elmo, MN  
January 27, 2020

VALLEY OUTREACH  
Statements of Financial Position  
September 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 253,675	\$ 260,117
Certificates of deposit	256,671	313,006
Pledges receivable	21,314	26,708
Income tax receivable	-	300
Inventory	112,605	106,402
Investments - St. Croix Valley Foundation	33,061	22,250
Prepaid expenses	16,441	15,624
Total current assets	693,767	744,407
<b>FIXED ASSETS</b>		
Building and improvements	1,544,725	1,465,025
Land	463,822	463,822
Computers, telephones, and computer software	72,536	72,536
Furniture and fixtures	20,682	20,682
Equipment	57,893	51,993
	2,159,658	2,074,058
Less accumulated depreciation	(427,418)	(362,457)
Total fixed assets	1,732,240	1,711,601
<b>OTHER ASSETS</b>		
UST unemployment fund - restricted cash	16,314	8,062
Total other assets	16,314	8,062
Total assets	\$ 2,442,321	\$ 2,464,070
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 21,199	\$ 34,404
Accrued payroll and benefits	31,161	26,130
Accrued absences	16,102	16,994
Security deposits - tenants	9,194	9,194
Deferred revenue	43,055	32,814
Current portion of long-term debt	-	32,736
Total current liabilities	120,711	152,272
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	-	1,189,426
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	1,973,281	708,651
Designated operating reserve	203,891	202,506
Designated capital reserve	90,063	163,605
Total without donor restrictions	2,267,235	1,074,762
With donor restrictions	54,375	47,610
Total net assets	2,321,610	1,122,372
Total liabilities and net assets	\$ 2,442,321	\$ 2,464,070

See accompanying notes to the financial statements.

**VALLEY OUTREACH**  
**Statements of Activities and Change in Net Assets.**  
**For the Years Ended September 30, 2019 and 2018**

	2019	2018
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>SUPPORT AND REVENUE</b>		
Grants	\$ 1,641,952	\$ 453,084
Contributions	469,267	431,355
In-kind contributions	1,574,452	1,474,382
Special events, net	<u>112,258</u>	<u>120,077</u>
Total support and revenue without donor restrictions	<u>3,797,929</u>	<u>2,478,898</u>
Net assets released from donor restrictions	<u>25,360</u>	<u>52,285</u>
<b>EXPENSES</b>		
Program services	2,364,059	2,281,681
Management and general	217,924	195,368
Fundraising	<u>65,802</u>	<u>67,453</u>
Total expenses	<u>2,647,785</u>	<u>2,544,502</u>
<b>OTHER REVENUE AND EXPENSES</b>		
Miscellaneous income	-	120
Investment income	6,528	3,179
Unrealized gain	370	621
Rental income, net	<u>10,071</u>	<u>(12,201)</u>
Total other revenue and expenses	<u>16,969</u>	<u>(8,281)</u>
Change in net assets without donor restrictions	<u>1,192,473</u>	<u>(21,600)</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions and grants	32,125	36,216
Net assets released from restrictions	<u>(25,360)</u>	<u>(52,285)</u>
Change in net assets with donor restrictions	<u>6,765</u>	<u>(16,069)</u>
<b>CHANGE IN NET ASSETS</b>	\$ 1,199,238	\$ (37,669)
Beginning of year	<u>1,122,372</u>	<u>1,160,041</u>
End of year	<u>\$ 2,321,610</u>	<u>\$ 1,122,372</u>

See accompanying notes to the financial statements.

**VALLEY OUTREACH**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Donated items distributed	\$ 1,567,876	\$ -	\$ -	\$ 1,567,876
Cost of purchased inventory distributed	139,744	-	-	139,744
Client assistance-Emergency Fund	48,497	-	-	48,497
Salaries and contracted services	440,398	60,268	40,624	541,290
Employee benefits	56,867	1,782	787	59,436
Payroll taxes	33,413	7,208	3,108	43,729
Accounting fees	-	13,840	-	13,840
Other professional fees	-	7,500	-	7,500
Advertising and marketing	877	1,137	3,471	5,485
Office expense	214	5,194	-	5,408
Supplies	5,272	9,464	79	14,815
Travel	106	1,941	3	2,050
Conferences and meetings	106	11,951	-	12,057
Depreciation	22,971	2,745	1,729	27,445
Insurance	3,549	5,324	-	8,873
Telephone	682	6,635	-	7,317
Postage	45	3,686	2,742	6,473
Equipment rental and maintenance	10,828	26,700	-	37,528
Printing and publications	920	12,351	5,975	19,246
Meals and entertainment	247	4,368	59	4,674
Utilities	19,442	2,323	1,463	23,228
Snow and lawn care	2,005	240	151	2,396
Facility repair and maintenance	2,252	269	170	2,691
Bank and payroll service fees	1,104	6,557	26	7,687
Interest expense	6,342	758	477	7,577
Internet/website	-	4,675	-	4,675
Fundraising expense	-	-	150	150
Dues and subscriptions	287	16,846	4,788	21,921
Volunteer/staff recognition	15	3,942	-	3,957
Miscellaneous	-	220	-	220
<b>Total expenses</b>	<b><u>\$ 2,364,059</u></b>	<b><u>\$ 217,924</u></b>	<b><u>\$ 65,802</u></b>	<b><u>\$ 2,647,785</u></b>

See accompanying notes to the financial statements.

**VALLEY OUTREACH**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2018**

	Program Services	Management and General	Fundraising	Total
Donated items distributed	\$ 1,485,528	\$ -	\$ -	\$ 1,485,528
Cost of purchased inventory distributed	114,420	-	-	114,420
Client assistance-Emergency Fund	47,958	-	-	47,958
Salaries and contracted services	442,074	51,089	41,248	534,411
Employee benefits	47,872	5,031	2,729	55,632
Payroll taxes	34,695	5,072	3,709	43,476
Accounting fees	-	11,249	-	11,249
Other professional fees	-	331	-	331
Advertising and marketing	-	25,910	-	25,910
Office expense	70	5,794	-	5,864
Supplies	5,919	7,200	234	13,353
Travel	514	2,735	-	3,249
Conferences and meetings	275	9,996	-	10,271
Depreciation	23,218	2,774	1,748	27,740
Insurance	2,828	4,241	-	7,069
Telephone	681	6,647	-	7,328
Postage	-	2,769	1,097	3,866
Equipment rental and maintenance	12,128	23,067	-	35,195
Printing and publications	910	3,508	4,028	8,446
Meals and entertainment	710	2,765	249	3,724
Utilities	20,559	2,456	1,547	24,562
Snow and lawn care	1,922	230	145	2,297
Facility repair and maintenance	8,837	1,056	665	10,558
Bank and payroll service fees	1,537	1,846	3,165	6,548
Interest expense	23,990	2,866	1,806	28,662
Internet/website	-	1,078	-	1,078
Fundraising expense	-	-	204	204
Dues and subscriptions	4,487	10,585	4,804	19,876
Volunteer/staff recognition	-	4,488	75	4,563
Miscellaneous	549	585	-	1,134
<b>Total expenses</b>	<b>\$ 2,281,681</b>	<b>\$ 195,368</b>	<b>\$ 67,453</b>	<b>\$ 2,544,502</b>

See accompanying notes to the financial statements.



**VALLEY OUTREACH**  
**Statements of Cash Flows**  
For the Years Ended September 30, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,199,238	\$ (37,669)
Adjustments to reconcile change in net assets to net cash flows from operations:		
Depreciation	64,962	65,256
Unrealized gain	(370)	(621)
Reinvested dividends and interest, net of fees	(4,107)	(1,081)
Donated fixed asset	-	(3,073)
Donated inventory, net change	(6,203)	14,337
Changes in operating assets and liabilities:		
Pledges receivable	5,394	(4,564)
Income tax receivable	300	918
Prepaid expenses	(817)	8,175
Prepaid income taxes	-	300
Accounts payable	(13,205)	3,458
Accrued payroll	5,031	(4,386)
Accrued absences	(892)	2,096
Deferred revenue	10,241	2,250
Net cash flows from operating activities	1,259,572	45,396
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of certificates of deposit	-	(110,500)
Redemption of certificates of deposit	60,000	-
Purchase of long-term fund	(10,000)	(10,000)
Purchase of fixed assets	(85,600)	(11,059)
Net cash flows from investing activities	(35,600)	(131,559)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on notes payable	(1,222,162)	(30,347)
Net cash flows from financing activities	(1,222,162)	(30,347)
Net change in cash, cash equivalents, and restricted cash	1,810	(116,510)
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:</b>		
Beginning of year	268,179	384,689
End of year	\$ 269,989	\$ 268,179
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for taxes	\$ -	\$ -
Cash paid for interest	\$ 15,462	\$ 60,765
Donated inventory received	\$ 1,574,079	\$ 1,471,191
Donated inventory distributed	(1,567,876)	(1,485,528)
Increase (decrease) in donated inventory, net	\$ 6,203	\$ (14,337)

See accompanying notes to the financial statements.

**VALLEY OUTREACH**  
**Notes to the Financial Statements**  
**For the Years Ended September 30, 2019 and 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of activities**

Valley Outreach is a community supported and privately funded non-profit whose mission is to help people move their lives forward through basic needs services and personalized support. Clients are offered, free of charge, a range of support including food, clothing, resource navigation and case management. The target demographic is those within 200% of the federal poverty level or those in crisis.

**Cash and cash equivalents**

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash on deposit in excess of FDIC and similar insurance coverage is subject to the usual banking risks for funds in excess of those limits.

**Certificates of deposit**

The Organization invests in certificates of deposit. Certificates held at September 30, 2019 mature in six to eighteen months.

**Investments**

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Investment income or loss is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. The Organization records donated securities at their estimated market value at the date of donation. Realized and unrealized investment gains or losses are determined by comparison of specific costs of acquisition to proceeds at the time of disposal or market value at the balance sheet date, respectively.

**Adoption of Accounting Standards Update**

On August 18, 2016, the FASB issued ASU 2016-14 Not-for Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the periods presented. The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.

The changes have the following effect on net assets as of September 30, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 1,074,762	\$ -
Temporarily restricted net assets	47,610	-
Permanently restricted net assets	-	-
Net assets without donor restrictions	-	1,074,762
Net assets with donor restrictions	-	47,610
Total net assets	<u>\$ 1,122,372</u>	<u>\$ 1,122,372</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**Basis of accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, whereby revenue and support are recognized when earned and expenses are recognized when incurred.

VALLEY OUTREACH  
Notes to the Financial Statements  
For the Years Ended September 30, 2019 and 2018  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions – Net assets currently available at the discretion of the Board for use in the Organization's operations, and those resources invested in land, buildings and equipment.

Net assets with donor restrictions – Grants and other contributions with explicit donor restrictions which specify how the gifts are to be used, including net assets restricted by donors in perpetuity as endowments or irrevocable trusts. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Tax-exempt status

Valley Outreach has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provision of State law and, accordingly, is not subject to federal or state income taxes.

Functional allocation of expenses

Expenses by function have been allocated among program and supporting service classifications on the basis of direct expenses and based on the best estimates of the Organization's management. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of time and effort, as well as depreciation and occupancy which are located on a square footage basis.

In-kind contributions

In-kind contributions, which include food, clothing, and donated services, are recorded as unrestricted support by the Organization at the estimated fair value on the date of donation. The Organization received non-cash donations of \$1,574,452 and \$1,474,382 during the years ended September 30, 2019 and 2018, respectively. In-kind contributions are as follows:

<u>Year ended September 30, 2019</u>		<u>Year ended September 30, 2018</u>	
697,035 pounds of food valued at \$1.74 per lb net of spoilage	\$ 1,212,841	635,214 pounds of food valued at \$1.74 per lb net of spoilage	\$ 1,105,273
69,872 clothing items valued at \$5.17 per item	361,238	70,777 clothing items valued at \$5.17 per item	365,918
Other in-kind contributions	373	Other in-kind contributions	3,191
<b>Total</b>	<b>\$ 1,574,452</b>	<b>Total</b>	<b>\$ 1,474,382</b>

Revenue recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

**VALLEY OUTREACH**  
**Notes to the Financial Statements**  
**For the Years Ended September 30, 2019 and 2018**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

**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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allocation of expenses to the various functional expense categories and the value of in-kind donations.

**Inventory pricing method**

Inventories, which include food and clothing, are stated at lower of cost (which is determined using the average cost method) or market based on average value per pound for food and average value per item for clothing. Inventory consists of the following:

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Food	\$ 11,304	\$ 15,498
Clothing	<u>101,301</u>	<u>90,904</u>
Total	<u>\$ 112,605</u>	<u>\$ 106,402</u>

**Deferred revenue**

Deferred revenue consists of special event contributions that pertain to the following fiscal year and are conditional on the event taking place.

**Prepaid expenses**

Prepaid expenses reported on the Statement of Financial Position represent the amount of expenditures made in advance of when the economic benefit of the costs will be realized, and which will be expensed in future periods.

**Fixed assets**

Fixed assets are stated at cost when purchased. Depreciation is provided over the estimated useful lives of the assets using straight-line and accelerated methods as follows:

Building and improvements	5 to 39 years
Computers and telephones	5 to 7 years
Furniture and fixtures	7 years
Equipment	5 years
Computer software	3 years

Additions and betterments of \$2,500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense was \$64,962 and \$65,256 for the years ended September 30, 2019 and 2018, respectively. A portion of this depreciation was net with rental income at September 30, 2019 and 2018, respectively.

**Advertising**

Advertising costs are expensed as incurred. Advertising costs for the years ended September 30, 2019 and 2018 were \$5,485 and \$25,910, respectively.

VALLEY OUTREACH  
Notes to the Financial Statements  
For the Years Ended September 30, 2019 and 2018  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued compensated absences

Accrued compensated absences consist of accrued vacation time. Vacation time accrues to employees based on their term of employment. Vacation time pay is recorded as an expense and liability of the period earned. Employees may carry over a maximum of 80 hours of accrued vacation time from the previous year.

Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 27, 2020, the date the financial statements were issued.

2. INVESTMENTS

Interest and dividend income from savings accounts, certificates of deposits, and investments for the years ended September 30, 2019 and 2018 was \$6,528 and \$3,179 respectively.

3. PLEDGES RECEIVABLE

Pledges receivable consist of operating funds for the Emergency Fund and Food Shelf. At September 30, 2019 and 2018 pledges receivable are expected to be collected during the next year. Management has determined that the pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary as of September 30, 2019 and 2018.

4. OPERATING LEASES

Copier lease

The Organization has leases for two copiers that are recorded as operating leases. Both leases are month to month leases, and require a sixty-day notice to cancel. The Organization is required to pay a minimum of \$129 per month on one lease and \$50 per month on the other.

Rent expense charged to operations under the lease and the related service fees amounted to \$2,148 for both years ended September 30, 2019 and 2018, respectively.

5. DONATED SERVICES

The Organization places significant reliance on donated services by volunteers. The value of services donated by most volunteers does not meet the recognition criteria to be recorded by generally accepted accounting principles. The estimated number of volunteers who helped the Organization during the years ended September 30, 2019 and 2018 was 836 and 1,055, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets without donor restrictions represent operating funds available for future use by the Food Shelf/Emergency Fund programs and funds for fixed assets. Net assets with donor restrictions consist of the following:

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Washington County – Freezer/Cooler	\$ -	\$ 4,200
Food Shelf/Emergency Fund	21,314	21,160
St. Croix Valley Foundation Fund	<u>33,061</u>	<u>22,250</u>
<b>Total</b>	<b><u>\$ 54,375</u></b>	<b><u>\$ 47,610</u></b>

**VALLEY OUTREACH**  
**Notes to the Financial Statements**  
**For the Years Ended September 30, 2019 and 2018**  
**(Continued)**

**7. BOARD DESIGNATED FUNDS**

In October 2016, the Board approved the establishment of a board designated fund as an operating reserve. The purpose of the operating reserve is to build and maintain an adequate level of unrestricted net assets to support the Organization's day-to-day operations in the event of unforeseen shortfalls. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. The target minimum operating reserve is \$150,000 and will be calculated each year after approval of the annual budget. At September 30, 2019 and 2018, the operating reserve was at \$203,891 and \$202,506, respectively.

In October 2017, the Board approved the establishment of a board designated fund as a capital reserve. The purpose of the capital reserve is to support the Organization's capital needs and obligations accompanying building ownership. The target minimum capital reserve is \$50,000 and capital needs will be reviewed annually by the Facilities Subcommittee. At September 30, 2019 and 2018, the capital reserve was at \$90,063 and \$163,605, respectively.

**8. CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash balances in three financial institutions located in Stillwater, Minnesota and Lake Elmo, Minnesota. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the year, the Organization's cash in bank balances exceeded the FDIC insured limits. Uninsured balances amounted to \$0 for both years ended September 30, 2019 and 2018, respectively.

**9. INCOME TAXES**

The Organization has evaluated for uncertain tax positions and management has expressed there are no uncertain tax positions as of September 30, 2019. Tax returns for the past three years remain open for examination by tax jurisdictions.

**10. LONG-TERM DEBT**

Long-term debt consists of the following at September 30, 2019:

	2019	2018
Mortgage bearing interest at 4.75%, payable in monthly installments of \$7,500 (principal and interest). Matures May 15, 2025. Secured by the building.	\$ -	\$ 1,222,162
Less current maturities	-	(32,736)
<b>Total long-term debt</b>	<b>\$ -</b>	<b>\$ 1,189,426</b>

The Organization received grants throughout the year that allowed them to pay off their outstanding mortgage debt.

**11. OPERATING LEASE COMMITMENTS**

The Organization leased to three tenants under operating leases for office space located at 1901 Curve Crest Boulevard, Stillwater, Minnesota during the year ended September 30, 2019. The terms of those leases call for base monthly payments of \$1,085 through April 30, 2020, monthly payments of \$622 through June 30, 2020, and monthly payments of \$1,820 through October 31, 2020. In addition, the leases call for common area maintenance fees and prorated tax reimbursements. Rental income of

**VALLEY OUTREACH**  
**Notes to the Financial Statements**  
**For the Years Ended September 30, 2019 and 2018**  
**(Continued)**

**11. OPERATING LEASE COMMITMENTS (CONTINUED)**

\$94,084 and \$107,617 is reported net of related expenses and depreciation of \$84,013 and \$119,818 for the years ended September 30, 2019 and 2018, respectively.

The following is a schedule by years of future minimum rentals under the leases at September 30, 2019:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2020	\$ 61,582
2021	3,104

**12. FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

***Level 1 Fair Value Measurements***

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

***Level 2 Fair Value Measurements***

Inputs to the valuation methodology include; 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in inactive markets; 3) inputs other than quoted prices that are observable for the asset or liability; and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

***Level 3 Fair Value Measurement***

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at September 30, 2019 and 2018.

Fair values of assets measured on a recurring basis at September 30, 2019 and 2018 as follows:

	<u>Fair Value Measurements at Reporting Using</u>	
		<u>Quoted Prices in</u> <u>Active Markets for</u> <u>Identical Assets</u> <u>(Level 2)</u>
	<u>Fair Value</u>	
<b><u>September 30, 2019</u></b>		
Mutual Funds		
Index Funds - St. Croix		
Valley Foundation	\$ 33,061	\$ 33,061
<b><u>September 30, 2018</u></b>		
Mutual Funds		
Index Funds -- St. Croix		
Valley Foundation	\$ 22,250	\$ 22,250

**VALLEY OUTREACH**  
**Notes to the Financial Statements**  
**For the Years Ended September 30, 2019 and 2018**  
**(Continued)**

**13. ST. CROIX VALLEY FOUNDATION**

The Organization established a long-term, non-endowed fund with the St. Croix Valley Foundation (SCVF) during the fiscal year ending September 30, 2016. The Organization is entitled to an annual spendable amount which is 5% of the average past sixteen quarters' fund balance. However, upon request of ¾ of the directors of Valley Outreach, the Foundation may authorize distributions in excess of the income of the fund. As of September 30, 2019, the spendable amount from the SCVF was \$808.

**14. RETIREMENT PLAN**

During the fiscal year ending September 30, 2016, the Organization adopted a SIMPLE retirement plan covering all employees who have received at least \$5,000 in compensation during any two prior years. Employees are eligible for employer contributions once they begin contributing to the plan. The Organization matches up to 3% of their gross pay. Employer contributions are immediately vested.

Matching expense under the plan was \$12,420 and \$11,917 for the years ending September 30, 2019 and 2018, respectively.

**15. SPECIAL EVENTS**

The Organization has several special events during the year to raise awareness about its activities and also raise revenue. Special events consist of the following:

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
<b><u>Revenue:</u></b>		
Feed the Valley	\$ 146,563	\$ 147,660
Other	<u>2,379</u>	<u>5,486</u>
<b>Total</b>	<b><u>\$ 148,942</u></b>	<b><u>\$ 153,146</u></b>
<b><u>Expenses:</u></b>		
Feed the Valley	\$ 31,058	\$ 28,966
Other	<u>5,626</u>	<u>4,103</u>
<b>Total</b>	<b><u>\$ 36,684</u></b>	<b><u>\$ 33,069</u></b>
<b>Special events total, net</b>	<b><u>\$ 112,258</u></b>	<b><u>\$ 120,077</u></b>

**16. UST UNEMPLOYMENT FUND**

The Organization started an unemployment fund with an unemployment management company during the fiscal year ended September 30, 2018. The Organization has determined that the contributions to the fund are a restricted cash asset of the Organization, as upon severance the fund returns the account balance. Any unemployment claims are paid from this fund. As of September 30, 2019 and 2018, the balance in this fund was \$16,314 and \$8,062, respectively. There were no claims that paid out from this fund for the years ending September 30, 2019 and 2018, respectively.

**17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of the balance sheet, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.



VALLEY OUTREACH  
Notes to the Financial Statements  
For the Years Ended September 30, 2019 and 2018  
(Continued)

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

	<u>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 581,035	\$ 630,443
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted cash – UST fund	(16,314)	(8,062)
Restricted for mortgage payments	-	(90,000)
Donor-restricted St. Croix Valley Fdn.	(33,061)	(22,250)
Donor-restricted Food Shelf/Emergency Fund (UW)	<u>(21,314)</u>	<u>(21,160)</u>
Financial assets available to meet cash needs for general expenditure within one year before board designations:	\$ 510,346	\$ 488,971
Less: Board designations:		
Capital reserves	(90,063)	(163,605)
Operating reserves	<u>(203,891)</u>	<u>(202,506)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 216,392</u>	<u>\$ 122,860</u>

As part of the Organization's liquidity management, it invests in cash and certificates of deposit. The Organization does not have any loan commitments as of September 30, 2019.