VALLEY OUTREACH

Financial Statements
September 30, 2020 and 2019

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FOLEY
KALSEIM
& COMPANY, LTD.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Valley Outreach
Stillwater, Minnesota

We have audited the accompanying financial statements of Valley Outreach (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on September 30, 2020.

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Basis for Qualified Opinion

Valley Outreach was unable to perform a physical inventory count for the year ended September 30, 2020, due to COVID-19 safety concerns for volunteers and staff who would be performing the counts. As a result, we were unable to obtain sufficient audit evidence for food and clothing inventory amounts as of September 30, 2020. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Prior Period Financial Statements

The financial statements of Valley Outreach as of September 30, 2019, were audited by another auditor whose report dated January 27, 2020, expressed an unmodified opinion on those statements.

Qualified Opinion on September 30, 2020

In our opinion, except for the possible effects on the September 30, 2020 financial statements of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Outreach, as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Foley Kalstein & Company, Ltd.

Lake Elmo, MN
January 25, 2021

VALLEY OUTREACH
Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 942,823	$ 253,675
Certificates of deposit	259,339	256,671
Pledges receivable	20,125	21,314
Inventory	168,783	112,605
Investments - St. Croix Valley Foundation	44,869	33,061
Prepaid expenses	34,066	16,441
Total current assets	1,470,005	693,767
FIXED ASSETS		
Building and improvements	1,571,949	1,544,725
Land	463,822	463,822
Computers, telephones, and computer software	23,818	72,536
Furniture and fixtures	18,509	20,682
Equipment	57,893	57,893
Construction in progress	60,793	-
	2,196,784	2,159,658
Less accumulated depreciation	(443,642)	(427,418)
Total fixed assets	1,753,142	1,732,240
OTHER ASSETS		
UST unemployment fund - restricted cash	24,011	16,314
Total other assets	24,011	16,314
Total assets	$ 3,247,158	$ 2,442,321
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 14,237	$ 21,199
Accrued payroll and benefits	39,808	31,161
Accrued absences	21,684	16,102
Security deposits - tenants	6,185	9,194
Deferred revenue	28,610	43,055
Current portion long-term debt - PPP loan	69,799	-
Total current liabilities	180,323	120,711
LONG-TERM LIABILITIES		
Long-term debt - PPP loan	45,201	-
Total long-term liabilities	45,201	-
NET ASSETS		
Without donor restrictions		
Undesignated	2,653,980	1,973,281
Designated operating reserve	206,017	203,891
Designated capital reserve	96,643	90,063
Total without donor restrictions	2,956,640	2,267,235
With donor restrictions	64,994	54,375
Total net assets	3,021,634	2,321,610
Total liabilities and net assets	$ 3,247,158	$ 2,442,321

See accompanying notes to the financial statements.

VALLEY OUTREACH
Statements of Activities and Change in Net Assets
For the Years Ended September 30, 2020 and 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Grants	$ 571,880	$ 1,641,952
Contributions	1,071,287	469,267
In-kind contributions	1,195,936	1,574,452
Program service revenue	225	-
Special events, net	142,501	112,258
Total support and revenue without donor restrictions	2,981,829	3,797,929
Net assets released from donor restrictions	21,314	25,360
EXPENSES		
Program services	2,011,805	2,364,059
Management and general	249,743	216,361
Fundraising	73,841	65,802
Total expenses	2,335,389	2,646,222
OTHER REVENUE AND EXPENSES		
Investment income, net of fees	4,893	4,965
Unrealized gain	1,585	370
Rental income, net	15,173	10,071
Total other revenue and expenses	21,651	15,406
Change in net assets without donor restrictions	689,405	1,192,473
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and grants	31,933	32,125
Net assets released from restrictions	(21,314)	(25,360)
Change in net assets with donor restrictions	10,619	6,765
CHANGE IN NET ASSETS	$ 700,024	$ 1,199,238
Beginning of year	2,321,610	1,122,372
End of year	$ 3,021,634	$ 2,321,610

See accompanying notes to the financial statements.

VALLEY OUTREACH
Statement of Functional Expenses
For the Year Ended September 30, 2020

	Program Services	Management and General	Fundraising	Total
Donated items distributed	$ 1,139,584	$ -	$ -	$ 1,139,584
Cost of purchased inventory distributed	93,385	-	-	93,385
Client assistance-Emergency Fund	37,225	-	-	37,225
Salaries and contracted services	527,142	80,970	59,119	667,231
Employee benefits	61,825	77	-	61,902
Payroll taxes	40,140	10,407	2,897	53,444
Accounting fees	-	13,160	-	13,160
Other professional fees	-	18,000	-	18,000
Advertising and marketing	-	2,696	-	2,696
Office expense	660	7,317	311	8,288
Supplies	10,965	7,795	-	18,760
Travel	232	252	-	484
Conferences and meetings	800	674	209	1,683
Depreciation	46,244	3,950	2,475	52,669
Insurance	6,250	2,889	-	9,139
Telephone	3,284	8,857	-	12,141
Postage	-	5,754	849	6,603
Equipment rental and maintenance	15,278	27,237	-	42,515
Printing and publications	5,012	15,535	1,871	22,418
Meals and entertainment	110	2,587	-	2,697
Utilities	15,322	1,309	820	17,451
Snow and lawn care	3,885	332	208	4,425
Facility repair and maintenance	2,269	194	121	2,584
Bank and payroll service fees	61	11,852	-	11,913
Internet/website	-	370	-	370
Dues and subscriptions	2,040	23,862	4,961	30,863
Volunteer/staff recognition	92	3,658	-	3,750
Miscellaneous	-	9	-	9
Total expenses	$ 2,011,805	$ 249,743	$ 73,841	$ 2,335,389

See accompanying notes to the financial statements.

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

	Program Services	Management and General	Fundraising	Total
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	4,994	26	6,124
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
Total expenses	$ 2,364,059	$ 216,361	$ 65,802	$ 2,646,222

See accompanying notes to the financial statements.

VALLEY OUTREACH
Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 700,024	$ 1,199,238
Adjustments to reconcile change in net assets to net cash flows from operations:		
Depreciation	67,114	64,962
Unrealized gain	(1,585)	(370)
Reinvested dividends and interest, net of fees	(2,890)	(4,107)
Donated inventory, net change	(56,178)	(6,203)
Changes in operating assets and liabilities:		
Pledges receivable	1,189	5,394
Income tax receivable	-	300
Prepaid expenses	(17,625)	(817)
Accounts payable	(6,962)	(13,205)
Accrued payroll and benefits	8,647	5,031
Accrued absences	5,582	(892)
Security deposits	(3,009)	-
Deferred revenue	(14,445)	10,241
Net cash flows from operating activities	679,862	1,259,572
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemption of certificates of deposit	-	60,000
Purchase of long-term fund	(10,000)	(10,000)
Purchase of fixed assets	(88,017)	(85,600)
Net cash flows from investing activities	(98,017)	(35,600)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on long term debt	115,000	-
Payments on notes payable	-	(1,222,162)
Net cash flows from financing activities	115,000	(1,222,162)
Net change in cash, cash equivalents, and restricted cash	696,845	1,810
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Beginning of year	269,989	268,179
End of year	$ 966,834	$ 269,989
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ 15,462
Donated inventory received	$ 1,195,762	$ 1,574,079
Donated inventory distributed	(1,139,584)	(1,567,876)
Increase (decrease) in donated inventory, net	$ 56,178	$ 6,203

See accompanying notes to the financial statements.

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, cash equivalents, and restricted cash
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. Restricted cash consists of the UST unemployment fund (see note 16).

Certificates of deposit
The Organization invests in certificates of deposit. Certificates held at September 30, 2020 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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $1,195,936 and $1,574,452 during the years ended September 30, 2020 and 2019, respectively. In-kind contributions are as follows:

Year ended September 30, 2020		Year ended September 30, 2019	
572,659 pounds of food valued at $1.74 per lb net of spoilage	$ 996,427	697,035 pounds of food valued at $1.74 per lb net of spoilage	$ 1,212,841
38,556 clothing items valued at $5.17 per item	199,335	69,872 clothing items valued at $5.17 per item	361,238
Other in-kind contributions	174	Other in-kind contributions	373
Total	$ 1,195,936		$ 1,574,452

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Note: The Organization was unable to perform an inventory count at September 30, 2020 due to COVID-19 safety concerns for staff and volunteers (refer to audit report opinion.) Inventory consists of the following:

	September 30, 2020	September 30, 2019
Food	$ 75,372	$ 11,304
Clothing	93,411	101,301
Total	$ 168,783	$ 112,605

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 $67,114 and $64,962 for the years ended September 30, 2020 and 2019, respectively. A portion of this depreciation was net with rental income at September 30, 2020 and 2019, respectively.

Advertising
Advertising costs are expensed as incurred. Advertising costs for the years ended September 30, 2020 and 2019 were $2,696 and $5,485, respectively.

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.

2. INVESTMENTS

Interest and dividend income, net of fees, from savings accounts, certificates of deposits, and investments for the years ended September 30, 2020 and 2019 was $4,893 and $4,965 respectively.

3. PLEDGES RECEIVABLE

Pledges receivable consist of operating funds for the Emergency Fund and Food Shelf. At September 30, 2020 and 2019, 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, 2020 and 2019.

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.

Parking lot lease
The Organization has a lease for a parking lot space with a neighboring business. The lease is on a month to month basis and requires a thirty-day notice to cancel. The Organization is required to pay $330 per month.

Rent expense charged to operations under the leases and related service fees amounted to $6,078 and $5,903 for the years ended September 30, 2020 and 2019, 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, 2020 and 2019 was 459 and 836, 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:

	September 30, 2020	September 30, 2019
Food Shelf/Emergency Fund	$ 20,125	$ 21,314
St. Croix Valley Foundation Fund	44,869	33,061
Total	$ 64,994	$ 54,375

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, 2020 and 2019, the operating reserve was at $206,017 and $203,891, 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

7. BOARD DESIGNATED FUNDS (CONTINUED)

be reviewed annually by the Facilities Subcommittee. At September 30, 2020 and 2019, the capital reserve was at $96,643 and $90,063, 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 $646,478 and $0 for years ended September 30, 2020 and 2019, 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, 2020. 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, 2020:

Promissory note bearing interest at an initial rate of 1.00%, payable in monthly installments of $6,471.85 starting on November 17, 2020 through April 17, 2022. The promissory note has an option to apply for forgiveness of certain costs incurred during the 24-week period beginning on the date of first disbursement of this promissory note.	$ 115,000
Less current maturities	(69,799)
Total long-term debt	$ 45,201

Future maturities of long-term debt are as follows:

Year ending September 30:	
2021	$ 69,799
2022	45,201
	$ 115,000

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, 2020. The terms of those leases call for base monthly payments of $1,085 through April 30, 2021, monthly payments of $622 through June 30, 2021, 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 $78,755 and $94,084 is reported net of related expenses and depreciation of $63,582 and $84,013 for the years ended September 30, 2020 and 2019, respectively.

11. OPERATING LEASE COMMITMENTS (CONTINUED)

The following is a schedule by years of future minimum rentals under the leases at September 30, 2020:

Year Ending September 30,	Amount
2021	$ 27,438

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, 2020 and 2019.

Fair values of assets measured on a recurring basis at September 30, 2020 and 2019 as follows:

	Fair Value Measurements at Reporting Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 2)
September 30, 2020		
Mutual Funds		
Index Funds - St. Croix Valley Foundation	$ 44,869	$ 44,869
September 30, 2019		
Mutual Funds		
Index Funds – St. Croix Valley Foundation	$ 33,061	$ 33,061

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, 2020, the spendable amount from the SCVF was $1,078.

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 $13,870 and $12,420 for the years ending September 30, 2020 and 2019, 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:

	September 30, 2020	September 30, 2019
Revenue:		
Feed the Valley	$ 168,255	$ 146,563
Other	15,833	2,379
Total	$ 184,088	$ 148,942
Expenses:		
Feed the Valley	$ 36,551	$ 31,058
Other	5,036	5,626
Total	$ 41,587	$ 36,684
Special events total, net	$ 142,501	$ 112,258

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, 2020 and 2019, the balance in this fund was $24,011 and $16,314, respectively. There were no claims that paid out from this fund for the years ending September 30, 2020 and 2019, 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.

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

	2020	2019
Financial assets at year-end	$ 1,291,167	$ 581,035
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted cash – UST fund	(24,011)	(16,314)
Donor-restricted St. Croix Valley Fdn.	(44,869)	(33,061)
Donor-restricted Food Shelf/Emergency Fund (UW)	(20,125)	(21,314)
Financial assets available to meet cash needs for general expenditure within one year before board designations:	$ 1,202,162	$ 510,346
Less: Board designations:		
Capital reserves	(96,643)	(90,063)
Operating reserves	(206,017)	(203,891)
Financial assets available to meet cash needs for general expenditures within one year	$ 899,502	$ 216,392

As part of the Organization's liquidity management, it invests in cash and certificates of deposit. The Organization had a PPP loan in the amount of $115,000 at September 30, 2020 that is not reflected in this note due to it being forgiven shortly after the fiscal year.

18. RECLASSIFICATION NOTE

The Organization has adjusted the presentation of its financial statements that effects the presentation of the investment income, net of fees. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the periods presented.

19. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 25, 2021, the date the financial statements were issued.

In March 2020, the U.S. Department of Health and Human Services declared a public health emergency for the United States in response to the virus, SARS-CoV-2, and resulting disease, COVID-19. The World Health Organization characterized the outbreak as a pandemic, and the State of Minnesota declared a Peacetime State of Emergency and enacted a stay at home policy, closing all non-essential businesses. The Organization's tenants were considered non-essential and forced to close down during this period but continued to make their rent payments.

The extent of the impact of COVID-19 on the Organization's financial performance will depend on the duration and spread of the outbreak and related governmental or other regulatory actions. The Organization applied for and received a forgivable loan through the Small Business Administrations, Payroll Protection Program. The amount of that loan was $115,000 and it was used to cover operating expenses. The loan was subsequently forgiven after the September 30, 2020 fiscal year.