

VALLEY OUTREACH

**Financial Statements
September 30, 2021 and 2020**

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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 statements of financial position as of September 30, 2021 and 2020, 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

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

foleykalseim.com

12415 55th Street North	210 West Butternut Avenue
Lake Elmo, MN 55042	Luck, WI 54853
651.430.3635	715.472.2700

Basis for Unmodified Opinion on September 30, 2021 Statement of Financial Position and Qualified Opinion on September 30, 2021 Changes in Net Assets and September 30, 2020 Financial Statements

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 were necessary.

Unmodified Opinion on September 30, 2021 Statement of Financial Position and Qualified Opinion on September 30, 2021 Changes in Net Assets and September 30, 2020 Financial Statements

In our opinion, except for the possible effects on the September 30, 2020 financial statements and the statements of activities and change in net assets, functional expenses, and cash flows for the year ended September 30, 2021 of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Valley Outreach as of September 30, 2021 and September 30, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Foley Kalsheim & Company, Ltd.

Lake Elmo, MN
January 24, 2022

VALLEY OUTREACH
Statements of Financial Position
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,331,870	\$ 942,823
Certificates of deposit	311,034	259,339
Pledges receivable	32,418	20,125
Inventory	72,833	168,783
Investments - St. Croix Valley Foundation	98,660	44,869
Prepaid expenses	47,684	34,066
Total current assets	<u>1,894,499</u>	<u>1,470,005</u>
FIXED ASSETS		
Building and improvements	1,667,064	1,571,949
Land	463,822	463,822
Computers, telephones, and computer software	21,002	23,818
Furniture and fixtures	18,509	18,509
Equipment	142,198	57,893
Vehicles	33,771	-
Construction in progress	-	60,793
	<u>2,346,366</u>	<u>2,196,784</u>
Less accumulated depreciation	<u>(464,943)</u>	<u>(443,642)</u>
Total fixed assets	<u>1,881,423</u>	<u>1,753,142</u>
OTHER ASSETS		
UST unemployment fund - restricted cash	<u>34,128</u>	<u>24,011</u>
Total other assets	<u>34,128</u>	<u>24,011</u>
Total assets	<u><u>\$ 3,810,050</u></u>	<u><u>\$ 3,247,158</u></u>

See accompanying notes to the financial statements.

VALLEY OUTREACH
Statements of Financial Position
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 33,195	\$ 14,237
Accrued payroll and benefits	23,704	39,808
Accrued absences	25,324	21,684
Security deposits - tenants	6,185	6,185
Deferred revenue	58,304	28,610
Current portion long-term debt PPP loan	-	69,799
Total current liabilities	<u>146,712</u>	<u>180,323</u>
LONG-TERM LIABILITIES		
Long-term debt - PPP loan	-	45,201
Total long-term liabilities	<u>-</u>	<u>45,201</u>
NET ASSETS		
Without donor restrictions		
Undesignated	2,762,036	2,653,980
Designated operating reserve	508,316	206,017
Designated capital reserve	254,390	96,643
Total without donor restrictions	<u>3,524,742</u>	<u>2,956,640</u>
With donor restrictions	138,596	64,994
Total net assets	<u>3,663,338</u>	<u>3,021,634</u>
Total liabilities and net assets	<u>\$ 3,810,050</u>	<u>\$ 3,247,158</u>

See accompanying notes to the financial statements.

VALLEY OUTREACH
Statements of Activities and Change in Net Assets
For the Years Ended September 30, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Grants	\$ 642,230	\$ 571,880
Contributions	1,052,202	1,071,287
Forgiveness of PPP loan - COVID grant	115,000	-
In-kind contributions	1,117,227	1,195,936
Program service revenue	-	225
Special events, net	137,019	142,501
Total support and revenue without donor restrictions	<u>3,063,678</u>	<u>2,981,829</u>
Net assets released from donor restrictions	<u>20,107</u>	<u>21,314</u>
EXPENSES		
Program services	2,216,525	2,011,805
Management and general	266,733	249,743
Fundraising	66,679	73,841
Total expenses	<u>2,549,937</u>	<u>2,335,389</u>
OTHER REVENUE AND EXPENSES		
Investment income, net of fees	8,764	4,893
Loss on disposal	(8,729)	-
Unrealized gain	10,754	1,585
Miscellaneous income	1,900	-
Rental income, net	21,565	15,173
Total other revenue and expenses	<u>34,254</u>	<u>21,651</u>
Change in net assets without donor restrictions	<u>568,102</u>	<u>689,405</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and grants	93,709	31,933
Net assets released from restrictions	<u>(20,107)</u>	<u>(21,314)</u>
Change in net assets with donor restrictions	<u>73,602</u>	<u>10,619</u>
CHANGE IN NET ASSETS	\$ 641,704	\$ 700,024
Beginning of year	<u>3,021,634</u>	<u>2,321,610</u>
End of year	<u><u>\$ 3,663,338</u></u>	<u><u>\$ 3,021,634</u></u>

See accompanying notes to the financial statements.

VALLEY OUTREACH
Statement of Functional Expenses
For the Year Ended September 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Donated items distributed	\$ 1,213,175	\$ -	\$ -	\$ 1,213,175
Cost of purchased inventory distributed	115,389	-	-	115,389
Client assistance-Client Financial Assistance Fund	37,363	-	-	37,363
Salaries and contracted services	570,744	74,004	57,432	702,180
Employee benefits	66,527	1,384	-	67,911
Payroll taxes	42,226	13,862	2,777	58,865
Accounting fees	-	14,600	-	14,600
Other professional fees	15,000	21,500	-	36,500
Advertising and marketing	2,976	2,902	-	5,878
Office expense	3,008	5,818	95	8,921
Supplies	15,826	4,216	-	20,042
Travel	86	-	-	86
Conferences and meetings	135	1,823	115	2,073
Depreciation	59,229	5,060	3,171	67,460
Insurance	6,401	3,353	-	9,754
Telephone	1,565	9,603	-	11,168
Postage	-	9,925	640	10,565
Equipment rental and maintenance	32,238	27,418	-	59,656
Printing and publications	5,197	16,067	843	22,107
Meals and entertainment	33	1,217	-	1,250
Utilities	15,165	1,295	812	17,272
Snow and lawn care	3,727	318	200	4,245
Facility repair and maintenance	2,772	237	148	3,157
Bank and payroll service fees	500	10,852	300	11,652
Internet/website	-	455	-	455
Dues and subscriptions	3,720	35,970	146	39,836
Volunteer/staff recognition	50	4,373	-	4,423
Vehicle expense	3,413	-	-	3,413
Miscellaneous	60	481	-	541
Total expenses	<u>\$ 2,216,525</u>	<u>\$ 266,733</u>	<u>\$ 66,679</u>	<u>\$ 2,549,937</u>

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-Client Financial Assistance 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
Vehicle expense	-	-	-	-
Miscellaneous	-	9	-	9
Total expenses	<u>\$ 2,011,805</u>	<u>\$ 249,743</u>	<u>\$ 73,841</u>	<u>\$ 2,335,389</u>

See accompanying notes to the financial statements.

VALLEY OUTREACH
Statements of Cash Flows
For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 641,704	\$ 700,024
Adjustments to reconcile change in net assets to net cash flows from operations:		
Depreciation	83,393	67,114
Loss on disposal	8,729	-
Unrealized gain	(10,754)	(1,585)
Reinvested dividends and interest, net of fees	(1,791)	(2,890)
Forgiveness of long-term debt (PPP loan)	(115,000)	-
Donated inventory, net change	95,951	(56,178)
Changes in operating assets and liabilities:		
Pledges receivable	(12,293)	1,189
Prepaid expenses	(13,618)	(17,625)
Accounts payable	18,958	(6,962)
Accrued payroll and benefits	(16,105)	8,647
Accrued absences	3,640	5,582
Security deposits	-	(3,009)
Deferred revenue	29,694	(14,445)
Net cash flows from operating activities	<u>712,508</u>	<u>679,862</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificates of deposit	(50,000)	-
Purchase of long-term fund	(42,941)	(10,000)
Purchase of fixed assets	(220,403)	(88,017)
Net cash flows from investing activities	<u>(313,344)</u>	<u>(98,017)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on long term debt	-	115,000
Net cash flows from financing activities	<u>-</u>	<u>115,000</u>
Net change in cash, cash equivalents, and restricted cash	399,164	696,845
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Beginning of year	966,834	269,989
End of year	<u>\$ 1,365,998</u>	<u>\$ 966,834</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ -	\$ -
Donated inventory received	\$ 1,117,224	\$ 1,195,762
Donated inventory distributed	(1,213,175)	(1,139,584)
Increase (decrease) in donated inventory, net	<u>\$ (95,951)</u>	<u>\$ 56,178</u>

See accompanying notes to the financial statements.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020

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 15).

Certificates of deposit

The Organization invests in certificates of deposit. Certificates held at September 30, 2021 mature in two to sixteen months and automatically renew for one year.

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.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020
(Continued)

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 allocated 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 \$1,117,227 and 1,195,936 during the years ended September 30, 2021 and 2020, respectively. In-kind contributions are as follows:

<u>Year ended September 30, 2021</u>		<u>Year ended September 30, 2020</u>	
439,884 pounds of food valued at \$1.77 per lb net of spoilage	\$ 778,594	572,659 pounds of food valued at \$1.74 per lb net of spoilage	\$ 996,427
65,499 clothing items valued at \$5.17 per item	338,630	38,556 clothing items valued at \$5.17 per item	199,335
Other in-kind contributions	<u>3</u>	Other in-kind contributions	<u>174</u>
Total	<u>\$ 1,117,227</u>		<u>\$ 1,195,936</u>

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.

We have analyzed the provisions of the FASB's ACS Topic 606, Revenue from Contracts with Customers, and have concluded that no changes are necessary to conform with the new provisions.

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.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020
(Continued)

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:

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Food	\$ 13,760	\$ 75,372
Clothing	<u>59,073</u>	<u>93,411</u>
Total	<u>\$ 72,833</u>	<u>\$ 168,783</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
Vehicles	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 \$83,393 and \$67,114 for the years ended September 30, 2021 and 2020, respectively. A portion of this depreciation was net with rental income at September 30, 2021 and 2020, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended September 30, 2021 and 2020 were \$5,878 and \$2,696, 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 two weeks of accrued vacation time from the previous year.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020
(Continued)

2. INVESTMENTS

Interest and dividend income, net of fees, from savings accounts, certificates of deposits, and investments for the years ended September 30, 2021 and 2020 was \$8,764 and \$4,893 respectively.

3. PLEDGES RECEIVABLE

Pledges receivable consist of operating funds for the Client Financial Assistance Fund and Food Shelf. At September 30, 2021 and 2020, 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, 2021 and 2020.

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 \$345 per month.

Rent expense charged to operations under the leases and related service fees amounted to \$6,258 and \$6,078 for the years ended September 30, 2021 and 2020, 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, 2021 and 2020 was 347 and 459, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Food Shelf/ Client Financial Assistance Fund	\$ 39,936	\$ 20,125
St. Croix Valley Foundation Fund	<u>98,660</u>	<u>44,869</u>
Total	<u>\$ 138,596</u>	<u>\$ 64,994</u>

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020
(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, 2021 and 2020, the operating reserve was at \$508,316 and \$206,017, 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, 2021 and 2020, the capital reserve was at \$254,390 and \$96,643, respectively.

8. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in four 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 \$648,339 and \$646,478 for years ended September 30, 2021 and 2020, 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, 2021. 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, 2021:

	<u>2021</u>	<u>2020</u>
Promissory note bearing interest at an initial rate 1.00%, payable in monthly installments of \$6,471.85 starting on November 17, 2020 through April 17, 2022. The promissory note, PPP loan, was forgiven on December 11, 2020.	\$ -	\$ 115,000
Less current maturities	<u>-</u>	<u>(69,799)</u>
Total long-term debt	<u>\$ -</u>	<u>\$ 45,201</u>

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020
(Continued)

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, 2021. The terms of those leases call for base monthly payments of \$1,085 through April 30, 2022, monthly payments of \$622 through June 30, 2022, and monthly payments of \$1,820 through October 31, 2021. In addition, the leases call for common area maintenance fees and prorated tax reimbursements. Rental income of \$78,872 and \$78,755 is reported net of related expenses and depreciation of \$57,307 and \$63,582 for the years ended September 30, 2021 and 2020, respectively.

The following is a schedule by years of future minimum rentals under the leases at September 30, 2021:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2022	\$ 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, 2021 and 2020.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020
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12. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at September 30, 2021 and 2020 as follows:

	<u>Fair Value Measurements at Reporting Using</u>	
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 2)</u>
<u>September 30, 2021</u>		
Mutual Funds		
Index Funds - St. Croix Valley Foundation	\$ 98,660	\$ 98,660
<u>September 30, 2020</u>		
Mutual Funds		
Index Funds – St. Croix Valley Foundation	\$ 44,869	\$ 44,869

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, 2021, the spendable amount from the SCVF was \$1,686.

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 \$17,556 and \$13,870 for the years ending September 30, 2021 and 2020, respectively.

15. 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, 2021 and 2020, the balance in this fund was \$34,128 and \$24,011, respectively. There were no claims that paid out from this fund for the years ending September 30, 2021 and 2020, respectively.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020
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16. 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, 2021</u>	<u>September 30, 2020</u>
<u>Revenue:</u>		
Feed the Valley	\$ 137,440	\$ 168,255
Other	<u>20,331</u>	<u>15,833</u>
Total	<u>\$ 157,771</u>	<u>\$ 184,088</u>
<u>Expenses:</u>		
Feed the Valley	\$ 16,625	\$ 36,551
Other	<u>4,127</u>	<u>5,036</u>
Total	<u>\$ 20,752</u>	<u>\$ 41,587</u>
Special events total, net	<u>\$ 137,019</u>	<u>\$ 142,501</u>

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.

	<u>2021</u>	<u>2020</u>
Financial assets at year-end	\$ 1,808,110	\$ 1,291,167
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted cash – UST fund	(34,128)	(24,011)
Donor-restricted St. Croix Valley Fdn.	(98,660)	(44,869)
Donor-restricted Food Shelf/Client Financial Assistance Fund	<u>(39,936)</u>	<u>(20,125)</u>
Financial assets available to meet cash needs for general expenditure within one year before board designations:	\$ 1,635,386	\$ 1,202,162
Less: Board designations:		
Capital reserves	(254,390)	(96,643)
Operating reserves	<u>(508,316)</u>	<u>(206,017)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 872,680</u>	<u>\$ 899,502</u>

As part of the Organization's liquidity management, it invests in cash, certificates of deposit, and a long-term investment fund.

VALLEY OUTREACH
Notes to the Financial Statements
For the Years Ended September 30, 2021 and 2020
(Continued)

18. PAYCHECK PROTECTION PROGRAM

On April 17, 2020, the Organization received loan proceeds of \$115,000 under the Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA).

The Organization met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during in October 2020. They were granted forgiveness on December 11, 2020, and the Organization recorded the amount forgiven as a PPP government grant within the support and revenue section of its statements of activities and changes in net assets.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

19. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 24, 2022, the date the financial statements were issued.