Valley Outreach

Financial Statements with
Independent Auditor's Report

September 30, 2023

Valley Outreach
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SCHUTZ CPA, LTD.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Valley Outreach

Opinion

We have audited the accompanying financial statements of Valley Outreach (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Valley Outreach as of September 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Valley Outreach and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Valley Outreach's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Valley Outreach's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Valley Outreach's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Valley Outreach's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schutz CPA, Ltd.

February 16, 2024

Valley Outreach
Statement of Financial Position
September 30, 2023
(With Comparative Totals for 2022)

Assets	2023	2022
<u>Current Assets</u>		
Cash and Cash Equivalents	$ 957,901	$ 891,212
Cash Restricted for Operating Reserve	332,675	59,516
Cash Restricted for Capital Reserve	45,398	114,806
Cash Restricted for Tenant Security Deposits	4,235	6,185
Certificates of Deposit - Current	77,223	77,031
Accounts Receivable - Grants	13,917	15,800
Pledges Receivable - Current	113,337	
Inventory - Food	13,779	4,927
Inventory - Clothing	21,378	45,965
Prepaid Expenses	79,195	61,111
Total Current Assets	1,659,038	1,276,553
<u>Property and Equipment</u>		
Land	463,822	463,822
Building and Improvements	1,827,390	1,697,482
Furniture and Fixtures	22,208	22,208
Equipment	160,714	160,714
Vehicles	33,771	33,771
Accumulated Depreciation	(665,098)	(560,288)
Net Property and Equipment	1,842,807	1,817,709
<u>Other Assets</u>		
Cash Restricted for UST Unemployment Fund	29,937	33,409
Cash Restricted for Operating Reserve		241,885
Cash Restricted for Capital Reserve		23,047
Certificates of Deposit	235,821	235,068
Pledges Receivable - Long-Term	8,000	
Investments	255,533	153,006
Total Other Assets	529,291	686,415
Total Assets	$4,031,136	$3,780,677
Liabilities		
<u>Current Liabilities</u>		
Accounts Payable	71,294	40,098
Accrued Payroll	46,202	18,036
Accrued Vacation	21,706	30,841
Accrued Expenses	26,422	16,364
Deferred Revenue	63,265	72,624
Tenant Security Deposits	4,235	6,185
Total Current Liabilities	233,124	184,148
Total Liabilities	233,124	184,148
Net Assets		
Without Donor Restriction	3,529,979	3,368,508
With Donor Restriction	268,033	228,021
Total Net Assets	3,798,012	3,596,529
Total Liabilities and Net Assets	$4,031,136	$3,780,677

See accompanying notes to financial statements.

Valley Outreach
Statement of Activities
Year Ended September 30, 2023
(With Comparative Totals for 2022)

	Without Donor Restriction	With Donor Restriction	2023 Total	2022 Total
Support and Revenue				
Grants and Contributions	$ 2,091,819	$ 90,012	$ 2,181,831	$ 1,812,385
In-Kind Donations - Food	1,343,044		1,343,044	1,530,550
In-Kind Donations - Clothing	649,019		649,019	1,098,500
Program Income	4,894		4,894	1,679
Other Income	4,172		4,172	416
Investment Income (Loss)	35,674		35,674	(43,947)
Subtotal Support and Revenue	4,128,622	90,012	4,218,634	4,399,583
Released from Restrictions	50,000	(50,000)		
Special Events	245,260		245,260	235,217
Less Special Events Direct Expenses	(50,029)		(50,029)	(33,831)
Net Special Events	195,231		195,231	201,386
Rental Income	75,236		75,236	81,104
Less Rental Expenses	(57,863)		(57,863)	(60,032)
Net Rental Income	17,373		17,373	21,072
Total Support and Revenue	4,391,226	40,012	4,431,238	4,622,041
Expenses				
Program Services	3,751,463		3,751,463	4,179,386
Management and General	227,323		227,323	375,804
Fundraising	250,969		250,969	133,900
Total Expenses	4,229,755		4,229,755	4,689,090
Change in Net Assets	161,471	40,012	201,483	(67,049)
Net Assets - Beginning of Year	3,368,508	228,021	3,596,529	3,663,578
Net Assets - End of Year	$ 3,529,979	$ 268,033	$ 3,798,012	$ 3,596,529

See accompanying notes to financial statements.

Valley Outreach
Statement of Functional Expenses
Year Ended September 30, 2023
(With Comparative Totals for 2022)

	Program Services	Management and General	Fundraising	Expenses Before Rental/ Special Event	Special Event Expenses	Rental Expenses	2023 Total Expenses	2022 Total Expenses
Client Assistance - Goods	$2,358,390			$ 2,358,390			$2,358,390	$3,012,697
Client Asssistance - Financial	71,928			71,928			71,928	61,444
Salaries	865,203	$ 62,455	$ 113,256	1,040,914		$ 4,302	1,045,216	862,417
Contracted Services	60,722	45,805	27,462	133,989	8,252		142,241	193,667
Employee Benefits	82,498	4,872	10,798	98,168			98,168	84,927
Payroll Taxes	61,076	10,946	8,602	80,624		324	80,948	65,037
Bank and Credit Card Fees		5,140		5,140	4,359		9,499	7,742
Conferences and Meetings	857	5,460	762	7,079			7,079	2,557
Depreciation	83,898	6,065	11,119	101,082		12,711	113,793	103,324
Dues and Subscriptions	15,181	13,260	10,579	39,020			39,020	39,672
Insurance	10,537	4,096	1,809	16,442		3,223	19,665	19,822
Meals and Entertainment	308	2,173	103	2,584	28,358		30,942	22,707
Miscellaneous	39	145		184	73		257	6,634
Office Equipment	7,222	8,833		16,055			16,055	26,430
Office Expense	605	12,646	2,506	15,757			15,757	14,537
Postage	21	1,675	8,918	10,614	888		11,502	7,573
Printing and Publications	5,580	1,632	26,552	33,764	2,135		35,899	24,223
Professional Services	25,669	14,438	3,332	43,439		58	43,497	47,624
Property Tax						17,757	17,757	17,674
Rent Expense		4,360		4,360			4,360	4,490
Repair and Maintenance	30,374	2,196	4,025	36,595		8,062	44,657	54,360
Supplies	11,664	6,478	14,025	32,167	5,964	121	38,252	27,337
Telephone and Communications	16,070	1,162	2,130	19,362			19,362	23,008
Travel	137	347	44	528			528	963
Utilities	37,325	2,698	4,947	44,970		11,305	56,275	36,745
Vehicle Expense	6,159	192		6,351			6,351	7,943
Volunteer and Staff Recognitions		10,249		10,249			10,249	7,399
Total Expenses	$3,751,463	$ 227,323	$ 250,969	$ 4,229,755	$ 50,029	$57,863	$4,337,647	$4,782,953

See accompanying notes to financial statements.

Valley Outreach
Statement of Cash Flows
Year Ended September 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash Flows from (to) Operating Activities		
Change in Net Assets	$ 201,483	$ (67,049)
Adjustments to Reconcile:		
Depreciation	113,793	103,324
(Gain) Loss on Investments	(35,866)	43,947
Noncash Change in Inventory	15,735	21,942
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(119,454)	16,618
Prepaid Expenses	(18,084)	(13,427)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	31,196	6,903
Accrued Payroll	28,166	(5,668)
Accrued Vacation	(9,135)	5,517
Accrued Expenses	8,108	16,363
Deferred Revenue	(9,359)	14,320
Net Cash from Operating Activities	206,583	142,790
Cash Flows (to) Investing Activities		
Purchase of Fixed Assets	(138,891)	(39,610)
Purchases of Investments	(67,606)	(96,615)
Net Cash (to) Investing Activities	(206,497)	(136,225)
Net Increase in Cash and Cash Equivalents	86	6,565
Cash and Cash Equivalents, Beginning of Year	1,370,060	1,363,495
Cash and Cash Equivalents, End of Year	$1,370,146	$ 1,370,060
Reconciliation to Statement of Financial Position:		
Cash and Cash Equivalents	$ 957,901	$ 891,212
Cash Restricted for Operating Reserve	332,675	301,401
Cash Restricted for Capital Reserve	45,398	137,853
Cash Restricted for Tenant Security Deposits	4,235	6,185
Cash Restricted for UST Unemployment Fund	29,937	33409
Total Cash and Cash Equivalents	$1,370,146	$ 1,370,060

Note 1: Nature of the Organization

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.

Note 2: Summary of Significant Accounting Policies

Financial Statement Presentation: The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Cash, Cash Equivalents, and Restricted Cash: The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Restricted cash includes cash and highly liquid financial instruments restricted for tenant security deposits, UST unemployment fund, operating, and capital reserves.

Certificates of Deposit: Certificates of deposit are recorded at cost plus accrued interest, which approximates fair market value.

Accounts Receivable: The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off against the allowance account when deemed uncollectable. At September 30, 2023, and 2022, all amounts were considered fully collectible and an allowance account was not deemed necessary.

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

Property and Equipment: Property and equipment additions of $2,500 or more are carried at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expenses as incurred.

Investments: The Organization records investments at their fair value in the statement of financial position. Net investment income/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Deferred Revenue: Deferred revenue consists of special event revenues received prior to the event date.

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

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for both operating capital reserves.

Note 2: Summary of Significant Accounting Policies (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the donor restrictions are satisfied in the reporting period in which the support is recognized.

Revenue and Revenue Recognition:

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Revenue is recognized when earned. Program fees and rental income are deferred to the applicable period in which related services are performed.

Special event revenue is recorded equal to the fair value of direct benefits to the donors and contributions income for the excess received when the event takes place.

In-kind contributions of donated goods, which include food and clothing are recorded as unrestricted support by the Organization at the estimated fair value on the date of donation.

In-kind contributions of services provided by volunteers, contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses: The costs of programs and supporting services activities have been summarized on a functional basis and natural classifications in the statement of functional expenses. Expenses 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.

Advertising Expenses: Advertising costs are expensed as they are incurred.

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.

Income Taxes: The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Note 2: Summary of Significant Accounting Policies (Continued)

Financial Instruments and Credit Risk: The Organization manages concentration risk by placing financial assets with financial institutions believed to be creditworthy. At September 30, 2023, the amounts at three separate financial institutions exceeded the FDIC insured limit of $250,000 per financial institution by a combined total of $753,277. To date, the Organization has not experienced losses in any of its accounts. Credit risk associated with grants receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations supportive of the Organization's mission. Credit risks associated with accounts receivable is considered to be limited due to high historical collection rates.

Investments are held in pooled funds managed by a community foundation which diversifies risk. Investments are exposed to various risks, such as overall market volatility. Due to the level of risk associated with investments, it is reasonably possible that changes in the values of the investments will occur in the near term and such changes could be material to the amounts reported.

Recent Accounting Guidance: During fiscal year ending September 30, 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit has received. Adoption of this standard did not have a significant impact on the financial statements.

Note 3: Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Fiscal assets at September 30,	$1,461,286	$1,850,965
Less amounts unavailable for general expenditures within one year due to:		
Donor restrictions	(268,033)	(228,021)
Restricted cash	(412,245)	(478,848)
Total financial assets available to meet cash needs for general expenditures within one year at September 30,	$ 781,008	$1,144,096

As part of the Organization's liquidity management plan both an operating reserve and a capital reserve were established. In addition, a long-term non-endowed fund was established at a local community foundation. Although, the Organization does not intend to spend from these reserves, amounts could be made available if necessary.

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 $450,000 and will be calculated each year after approval of the annual budget. At September 30, 2023, the operating reserve was $541,442 with $332,675 in money market accounts and $208,766 held in certificates of deposit. The amount available for current use is $332,675, if needed. At September 30, 2022, the operating reserve was $509,516 with $301,402 in money market accounts and $208,115 held as certificates of deposit. Of the $509,516 the amount available for current use is $59,516, if needed.

Note 3: Liquidity and Availability (Continued)

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, 2023, the capital reserve was at $149,676 with $45,398 in money market funds and $104,278 held in certificates of deposit. The amount available for current use is $122,621, if needed. At September 30, 2022, the capital reserve was at $241,837 with $137,853 in money market funds and $103,984 held in certificates of deposit. Of the $241,837 the amount available for current use is $191,837, if needed.

Note 4: Investments

The Organization established a long-term, non-endowed fund with the St. Croix Valley Foundation (SCVF) during the fiscal year ending September 30, 2016. SCVF has sole discretion as to the investment and reinvestment of the assets of the fund. The fund is to be administered in accordance with the Minnesota and Wisconsin Uniform Prudent Management of Institutional Funds Acts. The income of the fund, as determined to be 5% of the average past sixteen quarters' fund balance, can be distributed annually or be added all or in part back into the fund. However, upon request of three-fourths of the directors of Valley Outreach, the Foundation may authorize distributions in excess of the income of the fund. As of September 30, 2023, and 2022, the spendable amount from the fund were $5,245, and $3,285, respectively.

Note 5: Fair Value Measurements and Disclosures

Investments are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the assessment of the quality, risk, or liquidity profile of the asset.

Investments are held in a pooled fund at a community foundation and are under control of the community foundation. Individual assets specific to the Organization are not specifically identifiable on an open market, as such, the investments are classified within Level 3.

Note 5: Fair Value Measurements and Disclosures (Continued)

Fair value of assets measured on a recurring basis at September 30, 2023, and 2022 are as follows:

2023 Investment In:	Level 1	Level 2	Level 3	Total
St. Croix Valley Foundation	$ 0	$. .0	$255,533	$255,533

2022 Investment In:	Level 1	Level 2	Level 3	Total
St. Croix Valley Foundation	$ 0	$. .0	$153,006	$153,006

Note 6: 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; there were no claims paid in the current fiscal year. As of September 30, 2023, and 2022, the balances were $29,937, and $ $33,409, (respectively).

Note 7: Net Assets With Donor Restrictions

Net assets with donor restrictions consist of grants and contributions designated for future use by the Food Shelf/ Client Financial Assistance Fund programs and amounts held in the St. Croix Valley Foundation Fund. At September 30, 2023, and 2022, net assets with donor restrictions consisted of the following:

	2023	2022
Food Shelf/Client Financial Assistance Fund		$ 15,800
Collaboration on Mobilization	$ 15,000	62,500
St. Croix Valley Foundation Fund	253,033	149,721
Total Net Assets With Donor Restrictions	$268,033	$228,021

Note 8: Donated Goods and Services

The Organization received donated goods which include food and clothing. Donated amounts are recorded in financial statements as unrestricted support by the Organization at the estimated fair value on the date of donation. Food donations are valued at a per pound amount of $2.15, net of spoilage. Clothing items are valued on a per item basis at an average of $5.17 per item and socks and underwear at $0.46 per item. In determining the price per pound and average per item amounts, the Organization performs studies and uses price testing and the consumer price index.

The average value of one pound of donated food and per item value of donated clothing will vary from year-to-year based on the mix of product items donated. As part of determining the price, the Organization analyses and reviews the results to determine the accuracy and understand the key components of the valuations and the year-to-year changes.

In 2023, the Organization received 624,672 pounds of food at an estimated fair value of $1,343,045. In 2022, the Organization received 746,968 pounds of food at an estimated fair value of $1,530,550, net of spoilage.

In 2023, the Organization received a total of 264,905 clothing items at an estimated fair value of $690,872. In 2022, the Organization received a total of 212,476 clothing items at an estimated fair value of $1,098,500.

Contributed services are recognized for those services that improve or enhance property and equipment or for those that require specialized skills. Many other volunteers contribute service hours, for which no value has been assigned, benefitted the Organization but have not been recognized in the financial statements since they do not meet the requirements for recognition. During the years ended September 30, 2023, and 2022, the Organization benefitted from approximately 365, and 484 individuals volunteers, respectively.

Note 9: Special Events

The Organization participated in two special events each year to raise awareness about its activities and fundraise. Special events consisted of the following:

2023	Feed the Valley	Carnelian Cares	Total
Revenue	$212,430	$32,830	$245,260
Direct Expenses	(38,029)	(12,000)	(50,059)
Net Special Event Revenue	$174,401	$20,830	$195,231

2022	Feed the Valley	Carnelian Cares	Total
Revenue	$203,579	$31,638	$235,217
Direct Expenses	(26,329)	(7,502)	(33,831)
Net Special Event Revenue	$177,250	$24,136	$201,386

Note 10: Rental Income

The Organization leased a portion of its building to two tenants in 2023 and three tenants in 2022 under operating leases for office space. The terms of those leases call for base monthly payments of $910 through October 31, 2022, monthly payments of $1,975 through October 31, 2023, and monthly payments of $1,400 through October 31, 2023. In addition, the leases call for common area maintenance fees and prorated tax reimbursements.

Security deposits of $4,234 for 2023, and $6,185 for 2022 are considered restricted cash and are not held in a separate bank account.

Note 11: Operating Leases

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.

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 $400 per month.

Note 12: 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 matching contributions once they begin contributing to the plan. The Organization matches up to 3% of their gross pay. Employer contributions are immediately vested.

Employer matching contributions to the plan were $21,402 and $22,379 for the years ended September 30, 2023, and 2022, respectively.

Note 13: Subsequent Events

The Organization has evaluated subsequent events through February 16, 2024, which was the date the financial statements were available to be issued.