

THE RURAL OUTREACH CENTER INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017 (*Audited*) AND 2016 (*Compiled*)

THE RURAL OUTREACH CENTER INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position, December 31, 2017 and 2016	3
Statements of Activities, for the Years Ended December 31, 2017 and 2016	4
Statements of Cash Flows, for the Years Ended December 31, 2017 and 2016	5
Notes to the Financial Statements	6-8
Supplemental Information	
Schedule I - Statements of Functional Expenses, for the Years Ended December 31, 2017	9
Schedule II- Statements of Functional Expenses, for the Years Ended December 31, 2016	10

PHILIPPS^{and}BROOKS

CPAs, P.C.

Certified Public Accountants

76 Riley Street
East Aurora, New York 14052

o 716.652.9373

f 716.652.0043

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Rural Outreach Center Inc.

We have audited the accompanying financial statements of The Rural Outreach Center Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017, and the related statements of activities 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 of 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Rural Outreach Center Inc, as of December 31, 2017 and the change 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.

The accompanying 2016 financial statements were previously compiled by us and we did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses on page 9 and 10 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PHILIPPS AND BROOKS CPAs, P.C.

East Aurora, New York
March 28, 2018

THE RURAL OUTREACH CENTER INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 127,969	\$ 115,979
Client Loan Receivable	3,263	350
Promises to Give, Net	157,331	
Property and Equipment, Net	<u>101,736</u>	<u>60,476</u>
Total Assets	<u>\$ 390,299</u>	<u>\$ 176,805</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts Payable	463	-
Payroll Liabilities	<u>209</u>	
Total Liabilities	<u>\$ 673</u>	<u>\$ -</u>
Net Assets:		
Unrestricted	182,432	157,253
Temporarily Restricted	207,194	19,552
Permanently Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>389,626</u>	<u>176,805</u>
Total Liabilities and Net Assets	<u>\$ 390,299</u>	<u>\$ 176,805</u>

See accompanying Independent Auditor's Report and notes to the financial statements.

THE RURAL OUTREACH CENTER INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

<u>Unrestricted Net Assets:</u>	<u>2017</u>	<u>2016</u>
Revenue and Other Support		
Public Donations	\$ 291,786	\$ 128,197
Government Grant	0	5,000
Fundraising	38,977	57,767
Interest Income	4	-
Total Unrestricted Revenue	<u>330,767</u>	<u>190,964</u>
 Expenses		
Program Services	167,063	98,785
Fundraising	62,117	3,418
General and Administrative	95,960	53,924
Total Expenses	<u>325,140</u>	<u>156,127</u>
 Increase in Unrestricted Net Assets	5,627	34,837
 <u>Temporarily Restricted Net Assets:</u>		
Increase in Temporarily Restricted Net Assets	<u>207,194</u>	<u>-</u>
 <u>Permanently Restricted Net Assets:</u>		
Increase in Permanently Restricted Net Assets	<u>-</u>	<u>-</u>
 Increase in Net Assets	<u>212,822</u>	<u>34,837</u>
 Net Assets, Beginning of Year	<u>176,804</u>	<u>141,967</u>
 Net Assets, End of Year	<u><u>\$ 389,626</u></u>	<u><u>\$ 176,804</u></u>

See accompanying Independent Auditor's Report and notes to the financial statements.

THE RURAL OUTREACH CENTER INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 212,822	\$ 34,837
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Depreciation Expense	7,096	5,895
Decrease (Increase) in Assets:		
Client Loan Receivable	(2,914)	450
Promises to Give, Net	(157,331)	-
Increase (Decrease) in Liabilities:	673	-
Net Cash Provided by (Used in) Operating Activities	<u>60,346</u>	<u>41,182</u>
Cash Flows from Investing Activities:		
Acquisition of Equipment	<u>(48,356)</u>	-
Net Cash Provided by (Used in) Investing Activities	<u>(48,356)</u>	-
Cash Flows from Financing Activities:		
Net Cash Provided by Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	11,990	41,182
Cash and Cash Equivalents, Beginning of Year	<u>115,979</u>	<u>74,797</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 127,969</u></u>	<u><u>\$ 115,979</u></u>

See accompanying Independent Auditor's Report and notes to the financial statements.

THE RURAL OUTREACH CENTER INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities – The Rural Outreach Center, Inc. is a New York nonprofit organization established to provide an inviting, centralized facility where those in need in our rural areas can receive acute assistance when dealing with sudden traumatic events and empowerment and training programs to elevate their status, working to move individuals and families from instability and dependency to stability and self-sufficiency. The Rural Outreach Center, Inc. provides access to a social worker who can work with individuals and families to access available social services and also partners to offer services that generally are not readily available to the geographically dispersed rural population. Local groups provide volunteers and support for the Rural Outreach Center, Inc.

Financial Statement Presentation - The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Basis of Accounting - The Organization's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned, and expenses and purchases of assets are recognized when the obligation is incurred.

The Organization follows the provisions Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made," and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations." Under these provisions, net assets and revenues, expenses, gain and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted Net Assets:* Net assets that are not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets:* Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- *Permanently Restricted Net Assets:* Net assets subject to donor-imposed stipulations that the Organization maintains them permanently. Generally, the donors of these assets permit the Organization to use all of the income earned on related investments for general or specific purposes.

Fixed Assets and Depreciation - Fixed assets are recorded at cost and depreciation is calculated using the modified accelerated cost recovery system and the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$7,096 at the year-end December 31, 2017 (\$5,894-2016). Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures determined to represent additions and betterments are capitalized. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment have been depreciated using either the Straight Line Depreciation or the Modified Accelerated Cost Recovery System (MACRS) over estimated useful lives ranging from five to thirty years. In 2017 the Organization adopted the policy of using straight line depreciation over estimated useful lives ranging from five to thirty years, in accordance with generally accepted accounting principles.

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 is classified by the Internal Revenue Service as other than a private foundation. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2016, 2015 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

See accompanying Independent Auditor's Report.

**THE RURAL OUTREACH CENTER INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-cont'd

Promises to Give – Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Public Support - The Rural Outreach Center, Inc. considers all contributions, gifts and bequests to be available for unrestricted use unless specifically restricted by the donor.

Investments - The Organization adopted SFAS No. 124, "Accounting for Certain Investments Held By Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Functional Allocation of Expenses - The cost of providing the Organization's programs and supporting services have been summarized on a functional basis in the statement of functional expenses.

Cash Equivalents – The Rural Outreach Center, Inc. considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Donated Services- Not all amounts have been reflected in the financial statements for donated services since an objective basis for measuring the value of these services is not available.

Advertising Costs – The Organization expenses advertising costs as they are incurred.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

The following is a schedule of the *Unconditional Promises to Give* receivables:

		< One Year Total	Long Term				> One Year Total
Pledge Year	Amount	2018	2019	2020	2021	2022	
2017	\$150,000	\$114,500	\$14,500	\$11,000	\$5,000	\$5,000	\$35,500

Present Value *Rate = 4%

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$114,500	\$13,942	\$10,170	\$4,445	\$4,274
	2 Years*	3 Years*	4 Years*	5 Years*

Total Promises to Give	\$150,000
Less: Allowance for Uncollectible Promises Receivable	<u>(2,669)</u>
Net, Pledges Receivable	<u>\$147,331</u>

See accompanying Independent Auditor's Report.

**THE RURAL OUTREACH CENTER INC.
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3- PROPERTY, EQUIPMENT AND IMPROVEMENTS:

Property and equipment and improvements consist of the following:

	<u>2017</u>	<u>2016</u>
Trailer	\$ 77,307	\$ 57,993
Equipment	22,644	3,140
Vehicles	<u>29,394</u>	<u>19,856</u>
	129,345	80,989
Less: Accumulated Depreciation	<u>(27,609)</u>	<u>(20,513)</u>
	<u>\$ 101,736</u>	<u>\$ 60,476</u>

NOTE 4 – SUBSEQUENT EVENTS:

In connection with the preparation of the financial statements, management has evaluated events subsequent to December 31, 2017 through March 28, 2018, which is the date the financial statements were available to be issued. There are no subsequent events that would result in a liability to the organization.

THE RURAL OUTREACH CENTER INC.
SCHEDULE I - STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>2017 Total</u>
Accounting	\$ -	\$ 2,963	\$ -	\$ 2,963
Advertising	163	6,887	512	7,562
Bank Fees	-	742	-	742
Charity Registration	-	75	-	75
Computer Maintenance	-	4,261	-	4,261
Depreciation	7,096	-	-	7,096
Education/Training	2,370	-	-	2,370
Fees/Permits	449	247	-	696
Insurance	155	7,353	-	7,509
Miscellaneous	-	1,112	-	1,112
Payroll Taxes	1,415	9,904	-	11,319
Professional Fees	-	22,831	45,219	68,050
Program Expenses	52,329	467	-	52,797
Rent and Utilities	5,802	-	-	5,802
Office Expense	-	6,319	-	6,319
Payroll Processing	-	503	-	503
Repair & Maintenance	1,440	4,544	-	5,985
Salary & Benefits	93,122	26,416	-	119,538
Special Events	-	866	16,387	17,253
Transportation	2,721	469	-	3,190
Total Expenses	\$ <u>167,063</u>	\$ <u>95,960</u>	\$ <u>62,117</u>	\$ <u>325,140</u>

See accompanying Independent Auditor's Report and notes to the financial statements.

THE RURAL OUTREACH CENTER INC.
SCHEDULE I - STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>2016 Total</u>
Accounting	\$ -	\$ 3,050	\$ -	\$ 3,050
Advertising	6,704	-	2,301	9,005
Bank Fees	101	-	-	101
Charity Registration	-	75	-	75
Computer Maintenance	-	2,183	-	2,183
Depreciation	5,894	-	-	5,894
Education/Training	1,068	-	-	1,068
Fees/Permits	257	226	-	483
Insurance	7,227	-	-	7,227
Payroll Taxes	4,546	-	-	4,546
Professional Fees	9,380	40,755	-	50,135
Program Expenses	12,154	1,077	1,000	14,231
Rent and Utilities	2,080	5,322	-	7,402
Office Expense	24	1,235	118	1,376
Payroll Processing	472	-	-	472
Salary	46,667	-	-	46,667
Transportation	2,212	-	-	2,212
Total Expenses	\$ <u>98,785</u>	\$ <u>53,924</u>	\$ <u>3,418</u>	\$ <u>156,127</u>

See accompanying Independent Auditor's Report and notes to the financial statements.