

THE RURAL OUTREACH CENTER INC.

FINANCIAL STATEMENTS
(Audited)

DECEMBER 31, 2018 AND 2017

THE RURAL OUTREACH CENTER INC.

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PHILIPPS and BROOKS

CPAs, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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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, 2018 and 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 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 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, 2018 and 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.

PHILIPPS AND BROOKS CPAs, P.C.

East Aurora, New York
April 22, 2019

**THE RURAL OUTREACH CENTER INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017**

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 300,671	\$ 127,969
Accounts Receivable	27,120	-
Client Loan Receivable	5,393	3,263
Promises to Give, Net	94,045	157,331
Property and Equipment, Net	<u>92,788</u>	<u>101,736</u>
Total Assets	<u>\$ 520,017</u>	<u>\$ 390,299</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts Payable	4,598	463
Payroll Liabilities	<u>2,818</u>	<u>209</u>
Total Liabilities	<u>\$ 7,416</u>	<u>\$ 673</u>
Net Assets:		
Without Donor Restrictions	93,942	182,432
With Donor Restrictions	<u>418,659</u>	<u>207,194</u>
Total Net Assets	<u>512,601</u>	<u>389,626</u>
Total Liabilities and Net Assets	<u>\$ 520,017</u>	<u>\$ 390,299</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, 2018 AND 2017

<u>Change in Net Assets Without Donor Restrictions:</u>	<u>2018</u>	<u>2017</u>
Revenue and Other Support		
Public Donations	\$ 113,751	\$ 291,786
Government Grant	-	-
Fundraising	28,219	38,977
Interest Income	44	4
	<u>142,013</u>	<u>330,767</u>
Net assets released from Restriction	<u>267,799</u>	<u>-</u>
	409,812	330,767
Expenses		
Program Services	344,717	167,063
Fundraising	24,656	62,117
General and Administrative	128,929	95,960
Total Expenses	<u>498,302</u>	<u>325,140</u>
Decrease in Net Assets without Donor Restrictions	(88,489)	5,627
 <u>Change in Net Assets With Donor Restrictions:</u>		
Public Donations	312,891	207,194
Government Grant	61,559	-
Fundraising	104,813	-
	<u>479,264</u>	<u>207,194</u>
Net Assets Released from Restriction	<u>(267,799)</u>	<u>-</u>
Change in Net Assets with Donor Restrictions	<u>211,465</u>	<u>207,194</u>
Increase in Net Assets	<u>122,975</u>	<u>212,822</u>
Net Assets, Beginning of Year	<u>389,626</u>	<u>176,804</u>
Net Assets, End of Year	<u>\$ 512,601</u>	<u>\$ 389,626</u>

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

**THE RURAL OUTREACH CENTER INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

	2018				2017			
	Program Services	General and Administrative	Fund Raising	2018 Total	Program Services	General and Administrative	Fund Raising	2017 Total
Accounting	\$ -	\$ 6,350	\$ -	\$ 6,350	\$ -	\$ 2,963	\$ -	\$ 2,963
Advertising	262	5,342	993	6,597	163	6,887	512	7,562
Bad Debt Expense	-	4,449	-	4,449	-	-	-	-
Bank Fees	-	1,253	-	1,253	-	742	-	742
Capital Campaign	-	-	23,647	23,647	-	-	-	-
Charity Registration	-	125	-	125	-	75	-	75
Computer Maintenance	-	6,659	-	6,659	-	4,261	-	4,261
Counseling	1,080	-	-	1,080	-	-	-	-
Depreciation	8,947	-	-	8,947	7,096	-	-	7,096
Education/Training	3,813	1,288	-	5,101	2,370	-	-	2,370
Facilities and Equipment	5,755	16,146	-	21,900	-	-	-	-
Fees/Permits	225	562	-	787	449	247	-	696
Grant Writer	-	18,000	-	18,000	-	-	-	-
Insurance	-	8,583	-	8,583	155	7,353	-	7,509
Miscellaneous	-	714	-	714	-	1,112	-	1,112
Payroll Taxes	74	21,261	-	21,335	1,415	9,904	-	11,319
Professional Fees	-	-	-	-	-	22,831	45,219	68,050
Program Expenses	82,261	553	-	82,814	52,329	467	-	52,797
Rent and Utilities	-	-	-	-	5,802	-	-	5,802
Office Expense	126	8,658	16	8,800	-	6,319	-	6,319
Payroll Processing	-	-	-	-	-	503	-	503
Repair & Maintenance	-	-	-	-	1,440	4,544	-	5,985
Salary & Benefits	237,296	27,541	-	264,837	93,122	26,416	-	119,538
Special Events	1,080	370	-	1,450	-	866	16,387	17,253
Transportation	3,798	1,076	-	4,873	2,721	469	-	3,190
Total Expenses	\$ 344,717	\$ 128,929	\$ 24,656	\$ 498,302	\$ 167,063	\$ 95,960	\$ 62,117	\$ 325,140

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 122,975	\$ 212,822
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	8,947	7,096
Decrease (Increase) in Assets:		
Accounts Receivable	(27,120)	-
Client Loan Receivable	(2,130)	(2,914)
Promises to Give, Net	63,287	(157,331)
Increase (Decrease) in Liabilities:	<u>6,743</u>	<u>673</u>
Net Cash Provided by (Used in) Operating Activities	<u>172,702</u>	<u>60,346</u>
 Cash Flows from Investing Activities:		
Acquisition of Equipment	<u>-</u>	<u>(48,356)</u>
Net Cash Provided by (Used in) Investing Activities	-	(48,356)
 Cash Flows from Financing Activities:		
Net Cash Provided by Financing Activities	<u>-</u>	<u>-</u>
 Net Increase (Decrease) in Cash	 172,702	 11,990
 Cash and Cash Equivalents, Beginning of Year	 <u>127,969</u>	 <u>115,979</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 300,671</u>	 <u>\$ 127,969</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.

New Accounting Pronouncement - During the year ended December 31, 2018, the Organization elected to adopt the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016- 14—Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016- 14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

The 2017 financial statements have been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14. As a result, previously reported unrestricted net assets have been renamed net assets without donor restrictions and previously reported temporarily restricted have been renamed net assets with donor restrictions, restricted by purpose or time.

Accounts Receivable –Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. There is one remaining payment from a grant provided by Erie County, New York, which was received in the first quarter 2019. Management closely monitors outstanding balances and establishes an allowance for doubtful accounts based on history of past write-offs, collections and current conditions. Accounts receivable is deemed fully collectible at December 31, 2018 and 2017.

Client Loan Receivable –These are short-term loans to clients from the organization for various specified purposes that the Organization deemed necessary and proper. The loans were approved by the Board and each had specific terms. The Organization deemed \$4,449 to be written off as a bad debt expense in 2018. The Organization is phasing out this program. Management closely monitors these balances and as of December 31, 2018, \$5,393 are deemed collectible.

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

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 \$8,947 at the year-end December 31, 2018 (\$7,096-2017). 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 net assets with donor restrictions to net assets without donor restrictions. 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 2018 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.

Functional Allocation of Expenses - Most expenses are charged directly to program services, management and general, or fundraising based on specific identification.

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 2017, 2016 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

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—Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. Unrealized and realized gains and losses on these investments are reported in the consolidated statement of revenues and expenses without donor restrictions and the consolidated statement of changes in net assets

Cash and 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. For purposes of the consolidated statement of cash flows, cash equivalents includes cash on hand and in banks. Restricted cash is combined with cash and cash equivalents for purposes of the consolidated statement of cash flows.

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.

See accompanying Independent Auditor's Report.

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

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

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

Pledge Year	Amount	< One Year Total	Long Term				> One Year Total
		2019	2020	2021	2022	2023	
2018	\$95,400	\$74,400	\$11,000	\$5,000	\$5,000	-0-	\$21,000

Present Value *Rate = 4%

<u>2019</u> \$74,400	<u>2020</u> \$10,577 1 Years*	<u>2021</u> \$4,623 2 Years*	<u>2022</u> \$4,445 4 Years*
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Total Promises to Give	\$95,400
Less: Allowance for Uncollectible Promises Receivable	(1,355)
Net, Pledges Receivable	<u>\$94,045</u>

NOTE 3- PROPERTY, EQUIPMENT AND IMPROVEMENTS:

Property and equipment and improvements consist of the following:

	<u>2018</u>	<u>2017</u>
Trailer	\$ 77,307	\$ 77,307
Equipment	22,644	22,644
Vehicles	29,394	29,394
	<u>129,345</u>	<u>129,345</u>
Less: Accumulated Depreciation	<u>(36,557)</u>	<u>(27,609)</u>
	<u>\$ 92,788</u>	<u>\$ 101,736</u>

NOTE 4 – RESTRICTIONS ON NET ASSETS:

Net assets with donor restrictions of \$418,659 at the end of 2018 comprise of \$141,701, the balance of Foundation grants that were restricted for specific programs of the Organization. The remaining \$276,957 are funds that are restricted by donors as a result of the Organization's capital building campaign.

NOTE 5 – SUBSEQUENT EVENTS:

In connection with the preparation of the financial statements, management has evaluated events subsequent to December 31, 2018 through April 22, 2019, 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.

See accompanying Independent Auditor's Report.