

**THE RURAL OUTREACH CENTER INC.**

**FINANCIAL STATEMENTS**  
*(Audited)*

**DECEMBER 31, 2020 AND 2019**

# **THE RURAL OUTREACH CENTER INC.**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

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, 2020 and 2019, 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.

### **Basis for Opinion**

We conducted our audits 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 The Rural Outreach Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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.

### **Auditor's Responsibility 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, including omissions, 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 The Rural Outreach, Inc.'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 The Rural Outreach Inc.'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.

*Philipps and Brooks CPAs P.C.*

PHILIPPS AND BROOKS CPAs, P.C.

East Aurora, New York

August 17, 2021

**THE RURAL OUTREACH CENTER INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2020 AND 2019**

<b><u>ASSETS</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Cash	\$ 834,102	\$ 297,927
Restricted Cash	289,530	-
Accounts Receivable	64,384	34,591
Grants Receivable, Current Portion	254,015	-
Promises to Give, Current Portion	13,950	25,200
Client Loans Receivable	4,011	5,263
Prepaid Expenses	13,214	7,795
Total Current Assets	<u>1,473,206</u>	<u>370,775</u>
Grants Receivable	139,700	-
Promises to Give, Net	29,050	-
Beneficial Interest in Assets Held by Others	118,976	106,580
Property and Equipment, Net	<u>165,533</u>	<u>108,613</u>
Total Assets	<b><u>\$ 1,926,465</u></b>	<b><u>\$ 585,968</u></b>

**LIABILITIES AND NET ASSETS**

**Liabilities:**

Accounts Payable	77,902	9,021
Accrued Payroll Liabilities	2,492	58
Refundable Advances	-	102,167
Total Current Liabilities	<u>\$ 80,394</u>	<u>\$ 111,246</u>

**Net Assets:**

Without Donor Restrictions	558,356	49,005
With Donor Restrictions	<u>1,287,715</u>	<u>425,717</u>
Total Net Assets	<u>1,846,071</u>	<u>474,722</u>
Total Liabilities and Net Assets	<b><u>\$ 1,926,465</u></b>	<b><u>\$ 585,968</u></b>

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



**THE RURAL OUTREACH CENTER INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	For the year ended December 31, 2020			For the year ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	2020 Total	Without Donor Restrictions	With Donor Restrictions	2019 Total
<b>Revenue and Other Support</b>						
Service Income	\$ 147,825	\$ -	\$ 147,825	\$ 128,631	\$ -	\$ 128,631
Contributions of Cash	384,976	314,156	699,132	158,232	84,665	242,897
Contributions of Nonfinancial Assets	53,684	-	53,684	26,000	-	26,000
Grants	225,308	1,121,339	1,346,647	56,929	176,845	233,774
Paycheck Protection Program Grant	72,970	-	72,970	-	-	-
Special Events, Net	12,931	-	12,931	31,494	-	31,494
Investment Earnings, Net	-	123	123	-	5,906	5,906
Change in Beneficial Interest in Assets Held by Community Foundation	-	12,396	12,396	-	6,580	6,580
Net Assets Released from Restriction for Operations	520,407	(520,407)	-	241,938	(241,938)	-
Net Assets Released from Restriction for Purchase of Property and Equipment	65,609	(65,609)	-	25,000	(25,000)	-
Total Revenue and Other Support	<u>1,483,710</u>	<u>861,998</u>	<u>2,345,708</u>	<u>668,224</u>	<u>7,058</u>	<u>675,282</u>
<b>Expenses</b>						
Program Services	682,032	-	682,032	491,357	-	491,357
Capital Project	9,331	-	9,331	2,703	-	2,703
General and Administrative	170,996	-	170,996	111,763	-	111,763
Fundraising	112,000	-	112,000	107,338	-	107,338
Total Expenses	<u>974,359</u>	<u>-</u>	<u>974,359</u>	<u>713,161</u>	<u>-</u>	<u>713,161</u>
Change in Net Assets	509,351	861,998	1,371,349	(44,937)	7,058	(37,879)
<b>Net Assets, Beginning of Year</b>	<u>49,005</u>	<u>425,717</u>	<u>474,722</u>	<u>93,942</u>	<u>418,659</u>	<u>512,601</u>
<b>Net Assets, End of Year</b>	<u>\$ 558,356</u>	<u>\$ 1,287,715</u>	<u>\$ 1,846,071</u>	<u>\$ 49,005</u>	<u>\$ 425,717</u>	<u>\$ 474,722</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, 2020 AND 2019**

	2020					2019				
	Program Services	Capital Related	General and Administrative	Fund Raising	2020 Total	Program Services	Capital Related	General and Administrative	Fund Raising	2019 Total
Advertising	\$ 12,623	\$ -	\$ 15,776	5,576	\$ 33,975	\$ 145	\$ -	\$ 7,383	\$ 7,117	\$ 14,645
Bad Debt Expense	937	-	-	-	937	100	-	-	-	100
Computer-related	13,926	-	6,292	-	20,218	-	-	7,902	-	7,902
Contracted Service	2,701	-	294	-	2,995	-	-	-	-	-
Depreciation	20,689	-	-	-	20,689	14,547	-	-	-	14,547
Employee Benefits and Taxes	61,859	319	13,423	5,177	80,778	45,229	-	5,408	4,767	55,403
Facilities	27,132	-	6,784	2,122	36,038	19,854	-	3,592	4,458	27,904
Fees	1,069	110	2,999	22	4,200	466	-	2,523	300	3,289
Insurance	622	-	7,853	588	9,063	-	-	9,325	-	9,325
Legal and Accounting	-	-	18,492	-	18,492	-	-	7,345	-	7,345
Office Expense	319	-	11,288	700	12,307	2,129	-	6,056	-	8,185
Program Expenses	122,600	-	877	-	123,477	81,069	-	358	-	81,427
Professional Fees	-	6,871	-	64,875	71,746	-	2,703	-	43,197	45,900
Salaries and Wages	393,626	2,031	85,416	32,940	514,013	313,426	-	55,538	47,500	416,464
Training	16,557	-	1,000	-	17,557	8,795	-	3,703	-	12,498
Transportation	7,372	-	502	-	7,874	5,597	-	2,631	-	8,229
<b>Total Expenses</b>	<b>\$ 682,032</b>	<b>\$ 9,331</b>	<b>\$ 170,996</b>	<b>\$ 112,000</b>	<b>\$ 974,359</b>	<b>\$ 491,357</b>	<b>\$ 2,703</b>	<b>\$ 111,763</b>	<b>\$ 107,338</b>	<b>\$ 713,161</b>

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 1,371,349	\$ (37,879)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Earnings on Beneficial Interest in Assets Held by Others	(12,396)	(6,580)
Depreciation Expense	20,689	14,547
Contributions Received for Capital Project, Net of Costs Expensed	(235,991)	(131,557)
Contributions of Nonfinancial Assets	(12,000)	-
Decrease (Increase) in Assets:		
Accounts Receivable	(29,793)	(7,471)
Grants Receivable	(393,715)	-
Promises to Give, Net	(17,800)	68,845
Client Loans Receivable	1,252	130
Prepaid Expenses	(5,420)	(7,795)
Increase (Decrease) in Liabilities:		
Accounts Payable	68,881	4,423
Accrued Payroll Liabilities	2,434	(2,760)
Refundable Advances	(102,167)	102,167
Net Cash Provided (Used) by Operating Activities	<u>655,323</u>	<u>(3,930)</u>
<b>Cash Flows from Investing Activities:</b>		
Disbursements for Property and Equipment and Construction in Progress	(65,609)	(30,371)
Transfer of Endowment to Recipient Entity	-	(100,000)
Net Cash Used in Investing Activities	<u>(65,609)</u>	<u>(130,371)</u>
<b>Cash Flows from Financing Activities:</b>		
Contributions Received for Capital Project, Net of Costs Expensed	<u>235,991</u>	<u>131,557</u>
Net Cash Provided by Financing Activities	<u>235,991</u>	<u>131,557</u>
<b>Net (Decrease) Increase in Cash and Restricted Cash</b>	<b>825,705</b>	<b>(2,744)</b>
<b>Cash and Restricted Cash, Beginning of Year</b>	<u>297,927</u>	<u>300,671</u>
<b>Cash and Restricted Cash, End of Year</b>	<u><u>\$ 1,123,632</u></u>	<u><u>\$ 297,927</u></u>
<b>Supplemental Disclosure of Non-Cash Investing Activity:</b>		
Receipt of Donated Property	<u>\$ 12,000</u>	<u>\$ -</u>
<b>Reconciliation of Cash and Restricted Cash to the Statement of Financial Position</b>		
Cash	834,102	297,927
Restricted Cash	289,530	-
<b>Cash and Restricted Cash, End of Year</b>	<u><u>\$ 1,123,632</u></u>	<u><u>\$ 297,927</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. (the Organization) is a New York nonprofit organization established to provide an inviting, centralized facility where those in need in the rural areas of southern Erie County and the surrounding communities can receive acute assistance when dealing with sudden traumatic events and receive empowerment and training programs to elevate their status, moving individuals and families from instability and dependency to stability and self-sufficiency. The Rural Outreach Center, Inc. provides access to social workers who can work with individuals and families to access available social services and partner to offer services that generally are not readily available to the geographically dispersed rural population.

A \$4.2 million capital campaign is underway to fund the Organization's construction of a 9,600 square foot building to meet the increasing needs of the community. Construction is scheduled to commence in Fall 2021.

*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.

*Accounting Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

*Concentration of Credit Risk* - The Organization maintains its cash in bank deposit accounts which may exceed the FDIC insured limits of \$250,000 per financial institution. On December 31, 2020, the Organization had cash balances in excess of federally insured limits of approximately \$875,000. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk related to cash.

*Restricted Cash* – In accordance with a grant agreement, cash is restricted for use to improve the Organization's data collection systems.

*Accounts Receivable* - Accounts receivable represents amounts due for service income, substantially from a local government. 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, 2020 and 2019.

*Grant Receivables and Promises to Give* – Grants and pledges receivable are recognized at fair market value as revenues in the period in which there is sufficient evidence that an unconditional promise was received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional grants and promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of estimated cash flows beyond one year. The Organization maintains an allowance for uncollectable grants and pledges based on collection experience and an evaluation of individual donors. All accounts are deemed fully collectible at December 31, 2020 and 2019.

*Client Loans Receivable* – Client loans receivable are short-term loans to clients for various specified purposes that the Organization deems necessary and proper. The loans were approved by the Board and each have specific repayment terms. The Organization wrote off \$937 as a bad debt expense in 2020 (\$100 in 2019). Management closely monitors these balances and as of December 31, 2020 and 2019, the outstanding balances are deemed collectible.



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

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

*Beneficial Interest in Assets Held by Others* - The Organization established an endowment fund that is perpetual in nature, naming itself as beneficiary, under the Community Foundation for Greater Buffalo (CFGB). The Organization granted variance power to the CFGB, which allows the CFGB to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CFGB's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the CFGB for the Organization's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

*Property and Equipment* - Property and equipment are recorded at cost and depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from three to fifteen years. Depreciation expense was \$20,689 for the year ended December 31, 2020 (\$14,547-2019). Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures determined to represent additions and betterments are capitalized.

*Net Asset Presentation* - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor or grantor-imposed 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.

*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, long-lived assets placed in service, or other events specified by the donor. Other explicit 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, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

*Service Income* - Service income is recognized as the performance obligation is satisfied, in accordance with the terms of the programs and in the period the service is provided. Cost reimbursement government grants are recognized in the period the qualifying allowable expenditures are incurred.

*Contributions and Grants* - Contributions and grants are recorded as revenue when an unconditional promise to give has been made. Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Amounts collected for conditional promises in advance of meeting the conditions are reflected in the statement of financial position as refundable advances.

*Contributions of Non-Financial Assets* - The Organization receives in-kind contributions of tangible assets which are recognized at fair value when received. The Organization also receives donations of time and services. Donated services are recorded in the financial statements only to the extent those services create or enhance a nonfinancial asset or meet the following criteria: the service requires specialized skills, the service is provided by individuals who possess the skills, and the service would typically be purchased if not contributed. Volunteer efforts, donated to help carry out the Organization's mission, are not reflected in the accompanying statement of activities because they do not meet the necessary criteria for recognition under U.S. GAAP.



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

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

*Paycheck Protection Program Grant* – The Organization received a Paycheck Protection Program (PPP) loan and has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification Topic 958-605, *Revenue Recognition*.

*Functional Allocation of Expenses* - The costs of providing programs and supporting activities have been summarized on a natural basis in the statement of activities. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas, including depreciation, and occupancy and maintenance have been allocated based on estimates of time and effort of the underlying functions.

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

*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 2019, 2018 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

*Reclassifications* - Certain amounts in the 2019 financial statements have been reclassified for comparative purposes to conform with presentation in the 2020 financial statements.

*New Accounting Pronouncements* – During the year ended December 31, 2020, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which requires that contributed nonfinancial assets be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires disclosure regarding measurement of contributed nonfinancial assets and the amount of those contributed assets used in an organization's programs. The Organization's financial statements and disclosures are updated accordingly.

The Accounting Standards Codification's Topic 606, *Revenue from Contracts with Customers*, requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. The Organization adopted the requirements of ASC 606 as of January 1, 2019 and adoption of the guidance had no material effect on the financial position or results of operations of the Organization.

During the year ended December 31, 2019, the Organization also adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the determination of whether a grant or contract is a contribution or exchange transaction subject to other guidance. Refundable Advances, reflecting the receipt of assets in advance of meeting the performance obligations, are recorded on the Organization's financial statements in accordance with ASU 2018-08.



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

**NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:**

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

	<u>2020</u>	<u>2019</u>
Current financial assets:		
Cash	\$ 834,102	\$ 297,927
Restricted cash	289,530	-
Accounts receivable	64,384	34,591
Grants receivable	254,015	-
Promises to give	13,950	25,200
Client loans receivable	<u>4,011</u>	<u>5,263</u>
	1,459,992	362,981
Less amounts unavailable for general expenditure in one year due to:		
Restricted by grantor	(289,530)	-
Donor-restriction for the capital campaign	(376,217)	(202,095)
Donor-restriction for specific programs	<u>(467,195)</u>	<u>(103,686)</u>
Financial assets available for general expenditure	\$ <u><b>327,050</b></u>	\$ <u><b>57,200</b></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization strives to obtain grants, both unrestricted and restricted for specific programs, to cover necessary program operation. Further, the Organization's endowment permits an annual appropriation for expenditure to fund programs and services.

**NOTE 3 – GRANTS RECEIVABLE AND PROMISES TO GIVE:**

Pledges from individuals and grants from foundations are recorded at their estimated net present value, discounted to reflect the time value of money. Discount rates used are based on the rates reflected at the time of the gift. Unconditional grants receivable and promises to give consisted of the following at December 31, \$4,900 of which is due from related parties, board members, at December 31, 2020 (\$15,000 – 2019):

	<u>2020</u>	<u>2019</u>
Amounts expected to be collected in less than one year:		
Grants receivable	\$ 254,015	\$ -
Promises to give	<u>13,950</u>	<u>25,200</u>
	267,965	25,200
Amounts expected to be collected between one and five years:		
Grants receivable	139,700	-
Promises to give	<u>29,050</u>	<u>-</u>
	168,750	-
Less: Discount for present value of future payments	<u>-</u>	<u>-</u>
	\$ <u><b>436,715</b></u>	\$ <u><b>25,200</b></u>

See accompanying Independent Auditor's Report.



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

**NOTE 4: FAIR VALUE MEASUREMENTS:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The method described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The beneficial interest in assets held by CFGB is valued at the fair value of the Organization's share of the investment pool as of the measurement date. The investment pool is based on quoted net asset values of underlying investments held by the investment pool adjusted by an asset charge. The beneficial interest in assets held by CFGB is measured at fair value on a recurring basis as Level 2 within the fair value hierarchy at \$118,976 as of December 31, 2020 (\$106,580- 2019).

**NOTE 5- PROPERTY AND EQUIPMENT:**

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Facilities and improvements	\$ 104,684	\$ 92,684
Equipment and software	36,397	10,402
Vehicles	56,630	56,630
Construction-in-progress	<u>39,614</u>	<u>-</u>
	237,325	159,716
Less: Accumulated depreciation	<u>(71,792)</u>	<u>(51,103)</u>
	<u>\$ 165,533</u>	<u>\$ 108,613</u>

**NOTE 6 - REFUNDABLE ADVANCES:**

The Organization was awarded grants in 2019 which included measurable performance-related barriers, to be measured at a set point in time in 2020, and that included right of return provisions if the Organization did not meet the barriers. The barriers had not been substantially met by December 31, 2019 and accordingly revenue was not recognized in 2019. The Organization collected \$102,167 in cash for these conditional contributions which was recorded as refundable advances at December 31, 2019. Expenses amounting to \$107,081 had been incurred related to these grants during the year ended December 31, 2019 as the Organization worked to meet the barriers. The barriers were met in 2020 and revenue was then recognized. There are no conditional promises to give nor refundable advances in 2020.



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

**NOTE 7 – BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION AND ENDOWMENT:**

The Organization holds an endowment which is donor-restricted for funding programs and services provided by the Organization to end rural poverty. During 2019, the Organization transferred its \$100,000 endowment to the CFGB, designating itself as the beneficiary. Under the terms of the agreement, distributions will be permitted in any amount up to and including the full balance of the fund with proper authorization from the Organization. The endowment fund has a value of \$118,976 at December 31, 2020 (\$106,580 – 2019) and is reported in the statement of financial position as beneficial interest in assets held by others.

***Changes in endowment net assets for the years ended December 31, 2020 and 2019:***

	<u>2020</u>	<u>2019</u>
Endowment net assets, January 1	\$ 106,580	\$ 100,000
Change in beneficial interest of assets held by others:		
Investment income	697	435
Net realized and unrealized gains	12,690	6,569
Fees	(991)	(424)
Endowment net assets, December 31	<u>\$ 118,976</u>	<u>\$ 106,580</u>

***Interpretation of Relevant Law***

The Board of Directors has interpreted New York State Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the historical dollar value of the corpus of endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions the original value of gifts donated to the endowment and the original value of subsequent gifts to the endowment. Net appreciation and investment income of the invested assets are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies would result from unfavorable market fluctuations that occur after the investment of donor restricted contributions and continued appropriation for certain programs that would be deemed prudent by the Organization. There were no such deficiencies as of December 31, 2020 or 2019.

***Return Objectives, Risk Parameters, and Strategies Employed for Achieving Objectives***

Subject to the intent donors expressed in gift instruments, the CFGB, in managing and investing its institutional funds, considers its purposes and the purposes of its institutional funds, and complies with all legal requirements, including, but not limited to, Article 5-A of the New York Not-for-Profit Corporation Law.

The overall financial objective of the CFGB is to provide a level of support consistent with purchasing power being maintained or enhanced over time. The primary investment objective or asset objective is to attain an average annual real total return (net of investment management fees) of at least 5.25% over the long term. Real total return is the sum of capital appreciation (or loss) and current income (dividends and interest) plus the Consumer Price Index. In addition, CFGB monitors manager performance against market benchmark indices for each asset class used and seeks to out-perform this market benchmark over rolling three to five-year periods net of all investment management fees.

The CFGB relies on a strategy in which investment returns are achieved through long-term asset allocation and portfolio diversification, seeking to earn the most efficient rate of return possible.



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

**NOTE 7 – BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION AND ENDOWMENT**  
**cont'd.:**

***Spending Policy***

Several factors are considered in establishing the spending policy, as enumerated in the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and NYPMIFA, including the preservation of the endowment funds, the purposes of the organization and the fund, general economic conditions, possible effects of inflation or deflation, expected total return from income and appreciation of investments, other resources of the organization, the organization's investment policy, and alternatives to spending from the endowment fund and the possible effects of those alternatives.

Subject to the intent of donors expressed in gift instruments, the CFGB will appropriate for expenditure or accumulate so much of an endowment fund as the CFGB determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Currently, the CFGB has determined that, in order to achieve its overall financial objective, 5.25% of the trailing twenty quarter average market value of each fund's portfolio will be appropriated from endowment funds for each calendar year. Distributions will be permitted in any amount provided two of the Organization's officers of the Board, or one officer and the Executive Director of the Organization, have made the request.

**NOTE 8 –NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets were restricted for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Programming	\$ 756,725	\$ 103,686
Capital campaign	412,014	215,451
Endowment restricted for funding programs and services to end rural poverty, see Note 7	<u>118,976</u>	<u>106,580</u>
	<b>\$ 1,287,715</b>	<b>\$ 425,717</b>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Programming	\$ 468,300	\$ 228,110
Capital project	<u>117,716</u>	<u>38,828</u>
	<b>\$ 586,016</b>	<b>\$ 266,938</b>

**NOTE 9 - CONTRIBUTED NONFINANCIAL ASSETS:**

For the years ended December 31, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2020</u>	<u>2019</u>
Facilities	\$ 12,000	\$ -
Food	24,212	-
Supplies for participants	5,472	-
Professional services	<u>12,000</u>	<u>26,000</u>
	<b>\$ 53,684</b>	<b>\$ 26,000</b>

See accompanying Independent Auditor's Report.



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

**NOTE 9 - CONTRIBUTED NONFINANCIAL ASSETS *cont'd.*:**

The Organization recognized contributed nonfinancial assets within revenue, including a contributed building, food, supplies for participants, such as personal care supplies and internet access, and professional services. Contributed professional services includes services provided by related parties, board members. Nonfinancial assets did not have donor-imposed restrictions.

The contributed space, food, and supplies were utilized for basic human needs and covid relief programs.

In valuing facilities, food, and supplies, the Organization estimated the fair value on the basis of estimates of values that would be received for selling similar products in Erie County. Contributed services are valued and reported at the estimated fair value based on current rates for similar services.

**NOTE 10 - PAYCHECK PROTECTION PROGRAM GRANT:**

The Organization entered into a U. S. Small Business Administration ("SBA") Note Payable agreement (the "Note") with a bank in the amount of \$72,970 on April 10, 2020. Under the Paycheck Protection Program ("PPP"), the Note had a fixed interest rate of 1%, a maturity date two years from the date of the funding of the loan and no payments were due on the loan for six months. Pursuant to the terms of the Note, the Note is forgivable if the Organization spends the funding on payroll costs, rent and utilities costs and generally maintains its full-time equivalent level of staffing over a defined time period. The Organization accounted for the PPP funding as a conditional grant in the financial statements. As of December 31, 2020, the Organization believes it has met the substantial requirements for forgiveness of the loan and as such has recorded grant revenue of \$72,970 during the year ended December 31, 2020. Subsequent to year end, the bank forgave the loan.

**NOTE 11 - COMMITMENTS:**

The Organization leases space under a non-cancelable operating lease agreement. The monthly payment required under the lease is \$974 and the lease expires in January 2023. Rent expense under operating leases, including month-to-month leases, amounted to \$15,500 during the year ended December 31, 2020 (\$8,400 - 2019).

The Organization entered into a software license commitment which requires annual fees of approximately \$6,700 through the subscription period ending August 2023.

Future minimum commitments for space and software are payable as follows for the years ending December 31:

2021	\$	18,137
2022		18,394
2023		5,560
	\$	<u>42,091</u>

**NOTE 12 – SUBSEQUENT EVENTS:**

In connection with the preparation of the financial statements, management has evaluated events subsequent to December 31, 2020 through August 17, 2021, which is the date the financial statements were available to be issued.

In May 2021, the Organization took ownership of 7.3 acres of land in consideration of one dollar. The land is estimated to have a fair value of approximately \$100,000, which is based on recent comparable sale prices in the region. The donation is conditioned upon the Organization constructing a building on the property by Spring 2026. The donor of the land is a church of which the Organization's Executive Director is the pastor and the donation includes provisions that the Organization will lease space in the new building to the church.