

The Rural Outreach Center Inc.
Financial Statements
As of December 31, 2022 and 2021
Together With
Independent Auditor's Report

THE RURAL OUTREACH CENTER INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Rural Outreach Center, Inc.
East Aurora, New York 14052

Opinion

We have audited the accompanying financial statements of The Rural Outreach Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 referred to above present fairly, in all material respects, the financial position of The Rural Outreach Center, Inc. as of December 31, 2022, 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 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.

Prior Period Financial Statements

The financial statements of The Rural Outreach Center, Inc. as of December 31, 2021 were audited by other auditors whose report dated October 12, 2022 expressed an unmodified opinion on those statements.

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 The Rural Outreach Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 The Rural Outreach Center, 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 Center, 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.

Allied CPAs, P.C.

Amherst, New York
November 4, 2023

THE RURAL OUTREACH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,245,604	\$ 2,586,384
Receivables:		
Accounts receivable	-	30,097
Grants receivable	-	169,037
Current portion of promises to give	156,783	412,500
Client loans receivable	3,631	1,975
Prepaid expenses	14,546	17,070
TOTAL CURRENT ASSETS	<u>2,420,564</u>	<u>3,217,063</u>
<u>NONCURRENT ASSETS</u>		
Promises to give, net of current portion	153,500	273,000
Beneficial interest in assets held by others	130,373	139,441
TOTAL NONCURRENT ASSETS	<u>283,873</u>	<u>412,441</u>
Capital assets, net of depreciation	<u>3,479,323</u>	<u>793,009</u>
TOTAL ASSETS	<u>\$ 6,183,760</u>	<u>\$ 4,422,513</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 655,004	\$ 283,677
Accrued expenses	9,747	16,300
Deferred revenues	148,984	-
TOTAL CURRENT LIABILITIES	<u>813,735</u>	<u>299,977</u>
<u>NET ASSETS</u>		
Without donor restrictions	3,662,101	1,576,615
With donor restrictions	1,707,924	2,545,921
TOTAL NET ASSETS	<u>5,370,025</u>	<u>4,122,536</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,183,760</u>	<u>\$ 4,422,513</u>

The accompanying notes are an integral
part of the financial statements.

THE RURAL OUTREACH CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUE AND SUPPORT</u>			
Service Income	\$ 113,112	\$ -	\$ 113,112
Contributions	303,183	1,674,183	1,977,366
Contributions of nonfinancial assets	9,007	2,578	11,585
Grants	41,540	253,903	295,443
Special events, net	34,793	-	34,793
Misc. income	8,330	-	8,330
Interest income	-	318	318
TOTAL REVENUE AND OTHER SUPPORT	509,965	1,930,982	2,440,947
Net assets released from restriction	2,749,911	(2,749,911)	-
TOTAL REVENUE AND OTHER SUPPORT	3,259,876	(818,929)	2,440,947
<u>EXPENSES</u>			
PROGRAM SERVICES			
Program services	731,277	-	731,277
Capital projects	86,803	-	86,803
SUPPORT SERVICES			
Management and general	254,243	-	254,243
Fundraising	100,907	-	100,907
TOTAL EXPENSES	1,173,230	-	1,173,230
<u>OTHER REVENUES AND EXPENSES</u>			
Interest expenses	(1,160)	-	(1,160)
Unrealized gain (loss) on investments	-	(19,068)	(19,068)
TOTAL OTHER REVENUES AND EXPENSES	(1,160)	(19,068)	(20,228)
Changes in net assets	2,085,486	(837,997)	1,247,489
Net assets - beginning of year	1,576,615	2,545,921	4,122,536
Net assets - ending of year	\$ 3,662,101	\$ 1,707,924	\$ 5,370,025

The accompanying notes are an integral
part of the financial statements.

THE RURAL OUTREACH CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>REVENUE AND SUPPORT</u>			
Service Income	\$ 119,136	\$ -	\$ 119,136
Contributions	280,609	2,100,064	2,380,673
Contributions of nonfinancial assets	328,799	-	328,799
Grants	434,486	273,222	707,708
Special events, net	60,756	-	60,756
Interest income	-	233	233
TOTAL REVENUE AND OTHER SUPPORT	<u>1,223,786</u>	<u>2,373,519</u>	<u>3,597,305</u>
 Net assets released from restriction	 <u>1,135,778</u>	 <u>(1,135,778)</u>	 <u>-</u>
 TOTAL REVENUE AND OTHER SUPPORT	 <u>2,359,564</u>	 <u>1,237,741</u>	 <u>3,597,305</u>
<u>EXPENSES</u>			
PROGRAM SERVICES			
Program services	897,028	-	897,028
Capital projects	33,129	-	33,129
SUPPORT SERVICES			
Management and general	242,059	-	242,059
Fundraising	169,089	-	169,089
TOTAL EXPENSES	<u>1,341,305</u>	<u>-</u>	<u>1,341,305</u>
<u>OTHER REVENUES AND EXPENSES</u>			
Unrealized gain (loss) on investments	-	20,465	20,465
TOTAL OTHER REVENUES AND EXPENSES	<u>-</u>	<u>20,465</u>	<u>20,465</u>
 Changes in net assets	 1,018,259	 1,258,206	 2,276,465
 Net assets - beginning of year	 <u>558,356</u>	 <u>1,287,715</u>	 <u>1,846,071</u>
 Net assets - ending of year	 <u>\$ 1,576,615</u>	 <u>\$ 2,545,921</u>	 <u>\$ 4,122,536</u>

The accompanying notes are an integral
part of the financial statements.

THE RURAL OUTREACH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Capital Projects</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 1,433	\$ 688	\$ 4,198	\$ 7,692	\$ 14,011
Bad debt expense	-	-	1,100	-	1,100
Computer expenses	13,580	7,084	14,814	-	35,478
Depreciation	27,738	-	-	-	27,738
Employee benefits and taxes	81,804	-	10,168	746	92,718
Facilities	3,135	76,145	17,224	-	96,504
Fees	5,391	36	5,987	3,338	14,752
Insurance	-	-	19,752	-	19,752
Legal and accounting	-	-	13,000	-	13,000
Miscellaneous	-	-	338	-	338
Office expense	1,817	6	9,638	2,183	13,644
Program expenses	97,260	-	6,729	-	103,989
Professional fees	5,000	535	425	-	5,960
Salaries and wages	463,321	-	146,148	86,931	696,400
Training	20,024	49	985	17	21,075
Transportation	10,774	2,260	3,737	-	16,771
TOTAL EXPENSES	\$ 731,277	\$ 86,803	\$ 254,243	\$ 100,907	\$ 1,173,230

The accompanying notes are an integral
part of the financial statements.

THE RURAL OUTREACH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>	<u>Capital Projects</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 2,026	\$ 16,444	\$ 3,387	\$ 88,115	\$ 109,972
Bad debt expense	1,871	-	-	-	1,871
Computer expenses	13,464	-	14,369	-	27,833
Contracted service	4,174	-	3,273	-	7,447
Depreciation	26,386	-	-	-	26,386
Employee benefits and taxes	63,291	-	12,238	4,539	80,068
Facilities	17,111	6,753	37,638	-	61,502
Fees	5,044	106	7,149	2,166	14,465
Insurance	898	584	11,888	-	13,370
Legal and accounting	-	-	26,483	-	26,483
Office expense	1,633	517	12,855	1,736	16,741
Program expenses	170,327	-	3,080	35	173,442
Professional fees	39,610	8,725	5,662	36,000	89,997
Salaries and wages	506,850	-	98,007	36,348	641,205
Training	24,336	-	2,027	150	26,513
Transportation	20,007	-	4,003	-	24,010
TOTAL EXPENSES	\$ 897,028	\$ 33,129	\$ 242,059	\$ 169,089	\$ 1,341,305

The accompanying notes are an integral
part of the financial statements.

THE RURAL OUTREACH CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,247,489	\$ 2,276,465
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	27,738	26,386
Unrealized (gain) loss on investments	19,068	(20,465)
Contributions of nonfinancial assets	-	(200,000)
Changes in operating assets and liabilities:		
Accounts receivable	30,098	34,287
Grant receivable	169,037	224,678
Promises to give, net	375,217	(642,500)
Client loans receivable	(1,656)	2,036
Prepaid expenses	2,524	(3,856)
Investments	(10,000)	-
Accounts payable	(213,994)	(59,470)
Accrued payroll	(6,553)	13,808
Deferred revenues	148,984	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>1,787,952</u>	<u>1,651,369</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	<u>(2,128,732)</u>	<u>(188,617)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(2,128,732)</u>	<u>(188,617)</u>
Net change in cash and cash equivalents	(340,780)	1,462,752
Cash and cash equivalents - beginning of year	<u>2,586,384</u>	<u>1,123,632</u>
Cash and cash equivalents - end of year	<u>\$ 2,245,604</u>	<u>\$ 2,586,384</u>
Supplemental Disclosure of Non-Cash Operating and Investing Activity:		
Receipt of donated property	\$ -	\$ 200,000
Construction-in-progress in accounts payable	<u>\$ 585,321</u>	<u>\$ 265,245</u>

The accompanying notes are an integral
part of the financial statements.

THE RURAL OUTREACH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 1 - Organization

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 commenced in Fall 2021.

Note 2 – Significant Accounting Policies

Basis of Accounting

The Rural Outreach Center, Inc. uses the accrual basis of accounting for recording transactions. Under this method, revenues are recorded when earned and expenditures are recorded at the time liabilities are incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for any purpose in performing the primary objectives of the Organization. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and / or purpose restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash equivalents in financial institutions which, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes that it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Receivables

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. The allowance for doubtful accounts for the years ended December 31, 2022 and 2021 was \$6,000.

THE RURAL OUTREACH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies (Cont.)

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, 2022 and 2021.

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 \$1,100 as a bad debt expense in 2022 (\$1,871 in 2021). Management closely monitors these balances and as of December 31, 2022 and 2021, the outstanding balances are deemed collectible.

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.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost. Donated assets are recorded as contributions at their estimated fair market values at the date of donation. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Any assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions. Depreciation is computed using the straight-line method over estimated useful assets lives ranging from three to forty years. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Construction-in-progress is stated at cost, which relates to the costs of the new building not yet placed into service. No depreciation expense is recorded on construction-in-progress until such time as the relevant assets are completed and put into use.

Revenue Recognition

Revenue is provided primarily from contributions, grants, service income and special events. Revenue is recognized according to the grant contract date, when the performance obligation is satisfied, when the special events occur, or period in which a contribution is made. Contributions received are recorded as unrestricted or restricted support depending on the existence and nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

The Organization now must recognize their revenue from contracts using the following five step process: 1) Identify the contract(s) with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract, and 5) Recognize revenue as the Organization satisfies a performance obligation. The majority of the Organization's revenue is recognized at a point in time based on the date of contribution a grant period, when the performance obligation is satisfied, and when special events are held. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the Organization's contracts do not contain variable consideration and contract modifications are generally minimal.

THE RURAL OUTREACH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies (Cont.)

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.

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 governmental grants are recognized in the period the qualifying allowable expenditures are incurred.

Cost Allocation

The costs of providing the various programs and activities of the Organization have been summarized on the functional basis in the schedule of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on the effort put forth by the employee of the Organization.

Tax Status

The Organization is tax exempt status under Section 501(c)(3) of the Internal Revenue Code. As a result, the Organization is not subject to Federal or New York State income taxes on revenue generated from its not-for-profit activities. The Organization files its Return of Organization Exempt from Income Tax in the U.S. federal jurisdiction and its Annual Filing of Charitable Organizations in New York State.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 4, 2023, the date in which the financial statements were available to be issued.

THE RURAL OUTREACH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 3 – Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 2,245,604	\$ 2,586,384
Accounts receivable	-	30,097
Grants receivable	-	169,037
Promises to give	156,783	412,500
Client loans receivable	<u>3,631</u>	<u>1,975</u>
Total financial assets	<u>2,406,018</u>	<u>3,199,993</u>
Less:		
Amounts unavailable for general expenses within one year:		
Donor-restriction for the capital campaign	495,704	2,062,322
Donor-restriction for specific programs	<u>1,212,220</u>	<u>483,599</u>
Total amounts unavailable for general expenses within one year	<u>1,707,924</u>	<u>2,545,921</u>
Total financial assets available for general expenses within one year	<u>\$ 698,094</u>	<u>\$ 654,072</u>

As part of the Organization's liquidity management, it has become policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations become due.

Note 4 – 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, \$0 of which is due from related parties, board members, at December 31, 2022(\$16,300 - 2021):

	<u>2022</u>	<u>2021</u>
Amounts expected to be collected in less than one year:		
Grants receivable	\$ -	\$ 169,037
Promises to give	<u>156,783</u>	<u>412,500</u>
	<u>156,783</u>	<u>581,537</u>
Amounts expected to be collected between one and five years:		
Promises to give	<u>159,500</u>	<u>279,000</u>
	<u>159,500</u>	<u>279,000</u>
Less: discount for present value of future payments	<u>(6,000)</u>	<u>(6,000)</u>
Total	<u>\$ 310,283</u>	<u>\$ 854,537</u>

THE RURAL OUTREACH CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 5 – Conditional Promises to Give

The Organization received a conditional promise to give \$1,000,000 from a donor. Amounts received of \$333,333 have been recorded as revenue, since there is no right of return provisions. The remaining donation is conditioned upon construction progress and completion and has not been recorded as revenue as of December 31, 2022.

Note 6 – Property and Equipment

The following is a summary of the recorded values of land, building and equipment at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 200,000	\$ 200,000
Facilities and improvements	104,684	104,684
Equipment and software	134,636	38,040
Vehicles	56,630	56,630
Construction in progress	<u>3,109,289</u>	<u>491,833</u>
Total capital assets	3,605,239	891,187
Less: accumulated depreciation	<u>(125,916)</u>	<u>(98,178)</u>
Total capital assets, net of depreciation	<u>\$ 3,479,323</u>	<u>\$ 793,009</u>

Depreciation expense for the year ended October 31, 2022 was \$27,738 (\$26,386 for 2021).

Note 7 – Fair Value Measurements

Investment securities are reported at fair value according to a fair value measurement hierarchy. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect reporting entity's pricing based upon their own market assumptions. The fair value hierarchy has three levels. Level 1 inputs are quoted market prices in an active market for identical assets or liabilities. Level 2 inputs are quoted for similar assets in markets that are not active, inputs other than quoted prices that are observable, and market corroborated inputs which are derived principally from or corroborated by observable market data. Level 3 inputs are derived from valuation techniques in which one or more significant inputs are unobservable.

The Organization has determined that the fair values of its investments are based on level 2 inputs.

Note 8 – 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. Upon receipt in 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 \$130,373 at December 31, 2022 (\$139,441 - 2021) and is reported in the statement of financial position as beneficial interest in assets held by others.

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Note 8 – Beneficial Interest in Assets Held by Community Foundation and Endowment (Cont.)

The Organization's endowment net assets for the years ended December 31, 2022 and 2021 as are follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 139,441	\$ 118,976
Change in beneficial interest of assets		
held by others:		
Contribution	10,000	-
Investment income	1,235	1,067
Net realized and unrealized gains and	(19,177)	20,397
Investment fees	(1,126)	(999)
Total investment return	(9,068)	20,465
Endowment net assets, end of year	<u>\$ 130,373</u>	<u>\$ 139,441</u>

Interpretation of Relevant Law

The Board of Directors has interpreted New York State Prudent Management of Institutional Funds Act (NYPMIF A) 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 NYPMIF A 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, 2022 or 2021.

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.

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Note 8 – Beneficial Interest in Assets Held by Community Foundation and Endowment (Cont.)

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 9 – Net Assets with Donor Restrictions

The following represents a summary of the Organization's net assets with donor restriction as of December 31, 2022:

	<u>2022</u>	<u>2021</u>
Programming	\$ 1,212,220	\$ 483,599
Capital campaign	365,331	1,922,881
Endowment restricted for funding programs and services to end rural poverty, see note 7	<u>130,373</u>	<u>139,441</u>
Total	<u>\$ 1,707,924</u>	<u>\$ 2,545,921</u>

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

	<u>2022</u>	<u>2021</u>
Programming	\$ 356,771	\$ 546,581
Capital project	<u>2,393,140</u>	<u>589,197</u>
	<u>\$ 2,749,911</u>	<u>\$ 1,135,778</u>

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Note 10 – Contributed Nonfinancial Assets

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

	<u>2022</u>	<u>2021</u>
Land	\$ -	\$ 200,000
Advertising	2,578	30,000
Office expense	9,007	850
Supplies for participants	-	74,650
Professional services	-	23,299
	<u>\$ 11,585</u>	<u>\$ 328,799</u>

The Organization recognized contributed nonfinancial assets within revenue, including contributed land, building, program supplies, advertising, office supplies and professional services. Contributed professional services includes services provided by related parties, board members.

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

The Organization valued its contributed services based on an estimation of fair value. The land's estimated fair value was based on an independent real estate appraisal. The estimated fair value of facilities, program supplies, advertising and office supplies is based on the value that would be received for selling similar products in Erie County. Contributed professional services are valued and reported at the estimated fair value based on current rates for similar services.