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CHATHAM OUTREACH ALLIANCE, INC.

Financial Statements

June 30, 2020 and 2019

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The Board of Directors  
Chatham Outreach Alliance, Inc.  
Pittsboro, North Carolina

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Chatham Outreach Alliance, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 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.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 Chatham Outreach Alliance, Inc. as of June 30, 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.

*Koonce, Wooten & Haywood, L.L.P.*

Raleigh, North Carolina  
October 19, 2020

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CHATHAM OUTREACH ALLIANCE, INC.  
Statements of Financial Position  
June 30, 2020 and 2019

ASSETS

	2020	2019
<b>CURRENT ASSETS:</b>		
Cash	\$ 906,183	\$ 499,229
Promises to Give	76,000	61,518
Inventory	199,650	39,539
Sales Tax Refund and Other Receivables	16,411	4,699
Total Current Assets	1,198,244	604,985
<b>PROPERTY AND EQUIPMENT:</b>		
Property and Equipment	28,848	23,050
Vehicle	30,171	30,171
Total	59,019	53,221
Less Accumulated Depreciation	29,673	20,275
Net Property and Equipment	29,346	32,946
Total Assets	\$ 1,227,590	\$ 637,931

LIABILITES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 51,862	\$ 51,190
Accrued Vacation	12,477	10,870
Accrued Salaries	11,692	6,305
Total Current Liabilities	76,031	68,365
<b>NET ASSETS:</b>		
Without Donor Restrictions	791,537	392,917
With Donor Restrictions	360,022	176,649
Total Net Assets	1,151,559	569,566
Total Liabilities and Net Assets	\$ 1,227,590	\$ 637,931

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

STATEMENTS OF ACTIVITIES

CHATHAM OUTREACH ALLIANCE, INC.  
 Statements of Activities  
 For the Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUES, AND OTHER:</b>			
Contributions	\$ 950,621	\$ 168,930	\$ 1,119,551
In-Kind Contributions	1,096,258		1,096,258
Grants	196,650	76,000	272,650
Special Events	95,626		95,626
Interest	1,878		1,878
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	61,557	(61,557)	
Total Support, Revenues, and Other	2,402,590	183,373	2,585,963
<b>EXPENSES:</b>			
Program Service	1,807,621		1,807,621
Support Services:			
General and Administrative	80,273		80,273
Fundraising	116,076		116,076
Total Support Services	196,349		196,349
Total Expenses	2,003,970		2,003,970
CHANGE IN NET ASSETS	398,620	183,373	581,993
NET ASSETS--Beginning of Year	392,917	176,649	569,566
NET ASSETS--End of Year	\$ 791,537	\$ 360,022	\$ 1,151,559

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

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 566,661	\$ 50,200	\$ 616,861
830,205		830,205
99,047	61,518	160,565
60,782	352	61,134
1,589		1,589
<u>107,207</u>	<u>(107,207)</u>	<u>                    </u>
<u>1,665,491</u>	<u>4,863</u>	<u>1,670,354</u>
<u>1,393,270</u>	<u>                    </u>	<u>1,393,270</u>
105,582		105,582
<u>107,312</u>	<u>                    </u>	<u>107,312</u>
<u>212,894</u>	<u>                    </u>	<u>212,894</u>
<u>1,606,164</u>	<u>                    </u>	<u>1,606,164</u>
59,327	4,863	64,190
<u>333,590</u>	<u>171,786</u>	<u>505,376</u>
<u>\$ 392,917</u>	<u>\$ 176,649</u>	<u>\$ 569,566</u>

STATEMENTS OF FUNCTIONAL EXPENSES



CHATHAM OUTREACH ALLIANCE, INC.  
 Statements of Functional Expenses  
 For the Years Ended June 30, 2020 and 2019

	2020			
	Program Service	Support Services		Total
		General and Administrative	Fundraising	
Direct Client Assistance--In-Kind	\$ 1,062,758	\$	\$	\$ 1,062,758
Salaries	264,590	34,358	55,256	354,204
Direct Client Assistance	337,305			337,305
Special Events			34,821	34,821
Employee Benefits	23,067	2,995	4,817	30,879
Payroll Taxes	21,697	2,817	4,532	29,046
Rent and Utilities--In-Kind	19,200	4,800		24,000
Printing, Postage, and Supplies	15,815	3,899	559	20,273
Bank and Processing Charges	3,567	5,944	10,697	20,208
Equipment Rental, Repairs and Maintenance	16,383	1,154		17,537
Food Transport	16,499			16,499
Contracted Services	7,734	4,812	2,619	15,165
Professional Fees		10,000		10,000
Depreciation	9,398			9,398
Equipment Purchases	4,583	2,046	637	7,266
Insurance		3,447	300	3,747
Travel and Meetings	1,134	1,495	999	3,628
Utilities	2,157	280	450	2,887
Dues and Subscriptions/Staff Development	200	2,226	389	2,815
Volunteer Expenses	<u>1,534</u>			<u>1,534</u>
Total Expenses	<u>\$ 1,807,621</u>	<u>\$ 80,273</u>	<u>\$ 116,076</u>	<u>\$ 2,003,970</u>

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

2019			
Support Services			
Program Service	General and Administrative	Fundraising	Total
\$ 806,205	\$	\$	\$ 806,205
179,002	61,014	51,805	291,821
287,495			287,495
		35,520	35,520
17,847	6,083	5,165	29,095
14,583	4,971	4,220	23,774
19,200	4,800		24,000
13,834	5,451		19,285
1,448	2,413	4,343	8,204
11,363	1,033		12,396
11,098			11,098
6,864	1,052	4,209	12,125
5,127	12,303		17,430
8,902			8,902
3,687	860		4,547
	2,085	211	2,296
814	272	1,086	2,172
2,205	752	639	3,596
1,067	2,493	114	3,674
<u>2,529</u>			<u>2,529</u>
<u>\$ 1,393,270</u>	<u>\$ 105,582</u>	<u>\$ 107,312</u>	<u>\$ 1,606,164</u>

CHATHAM OUTREACH ALLIANCE, INC.  
 Statements of Cash Flows  
 For the Years Ended June 30, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 581,993	\$ 64,190
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	9,398	8,902
Changes in Assets and Liabilities:		
Promises to Give	(14,482)	14,482
Inventory	(160,111)	(3,565)
Sales Tax and Other Receivables	(11,712)	8,023
Accounts Payable	672	38,298
Accrued Vacation	1,607	7,479
Accrued Salaries	5,387	6,305
Net Cash Provided by Operating Activities	412,752	144,114
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Property, Equipment, and Vehicle	(5,798)	(5,254)
Net Cash Used by Investing Activities	(5,798)	(5,254)
<b>NET INCREASE IN CASH</b>	406,954	138,860
CASH--Beginning of Year	499,229	360,369
CASH--End of Year	\$ 906,183	\$ 499,229
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
<b>NONCASH TRANSACTIONS:</b>		
Donated Materials and Services	\$ 1,096,258	\$ 830,205

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

CHATHAM OUTREACH ALLIANCE, INC.  
Notes to Financial Statements  
June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies

A. Organization and Activities:

Chatham Outreach Alliance, Inc. (the Organization) is a not-for-profit organization that was incorporated in 1989 dedicated to acquiring and distributing emergency food to Chatham County residents who have a need for temporary community support to keep themselves and their families fed during difficult, personal economic periods.

B. Adoption of New Accounting Pronouncement:

The Organization has adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) 2019-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an entity to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods and services. Additional disclosure is required to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flow arising from contracts with customers. The adoption of this ASU did not materially impact the timing or amount of revenue recognized by the Organization in these financial statements.

The Organization has adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides (1) a framework for determining whether a particular transaction is an exchange or a contribution (a nonreciprocal transaction), including how to evaluate whether a resource provider receives commensurate value in an exchange transaction, and (2) guidance to assist entities in determining whether a contribution is either conditional or unconditional. The adoption of this ASU did not materially impact these financial statements.

C. Basis of Accounting and Presentation:

The accompanying financial statements have been, in all material respects, prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Net assets and support, revenue, expenses, gains and losses are classified based on the existence or absence of externally-imposed restrictions. The Organization follows standards for external financial reporting by not-for-profit organizations that requires its resources be classified for accounting and reporting purposes into two net asset categories according to externally-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions--Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. 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 subject to externally-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time and net assets subject to externally-imposed restrictions be maintained permanently by the Organization. Net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

CHATHAM OUTREACH ALLIANCE, INC.  
Notes to Financial Statements  
June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (Continued)

D. Support and Revenue Without and With Donor Restrictions:

Contributions of cash and other assets, as well as grants, are recorded as increases in with or without donor restrictions, depending on the existence or nature of any externally-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. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support recognized. All other donor-restricted support is represented as an increase in net assets with donor restrictions depending on the nature of the restrictions.

Sponsorship Revenue

The portion of sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

Special Event Revenue

The portion of ticket sales that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met.

E. Functional Allocation of Expenses:

The cost of providing the various program and support services of the Organization has been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and support services benefited. Directly identifiable expenses are charged to programs and support services. Expenses attributable to more than one function are generally allocated based on time and effort as traced by Organization staff and estimates made by management. Support services include those expenses that are not directly identifiable with any specific function but provide for the overall support and directions of the Organization.

F. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions are used for, but not limited to, the fair value of in-kind contributions, depreciable lives of property and equipment, discounted to net present value for promises to give, and functional allocation of expenses. Donated food is valued using gross weight and is based on the fair market value at the date of the donation.

G. Donated Materials, Facilities and Services:

The Organization records in-kind contributions of utilities and the use of properties and buildings at their fair market value at the date of the donation. The Organization records in-kind contributions of inventory (food) at its fair market value at the date of the donation. The Organization receives a substantial amount of services donated by volunteers interested in the Organization's programs. The Organization receives approximately 6,600 volunteer hours donated by approximately 300 volunteers interested in the Organization's programs. In addition, the Organization's officers and board of directors serve without compensation. No amounts have been reflected in the financial statements for volunteer hours since these services do not meet the requirements for recognition in the financial statements.

CHATHAM OUTREACH ALLIANCE, INC.  
Notes to Financial Statements  
June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (Continued)

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Organization.

H. Income Tax Status:

The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and is classified under Section 501(c)(3) as a public charity. In addition, the Organization qualifies for deductible contributions under Section 170(b)(1)(A)(vi) of the Internal Revenue Code. Further, the Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for income taxes.

The Organization files Form 990 information returns in the U.S. Federal jurisdiction. The return is subject to examination by the Internal Revenue Service for a period of three years after the respective filing deadlines. The Organization has not been informed by any tax authorities for any jurisdiction that any of its tax years are under examination as of June 30, 2020.

I. Promises to Give:

The Organization recognizes as revenues, contributions received and made, including unconditional, legally enforceable promises to give, in the period in which the Organization is notified that the donor has made a promise to give. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support without donor restrictions.

Unconditional promises to give expected to be collected within one year are recorded at net realizable value and at the present value if expected to be collected beyond one year. Amortization of the discount is included in contribution revenue. Unconditional promises are also recorded net of an allowance for uncollectible promises. The allowance is based on management's analysis of specific promises to give and current economic conditions. All unconditional promises to give at June 30, 2020 and 2019 are expected to be collected within one year and no allowance is considered necessary.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

J. Inventory:

The Organization's inventory consists of purchased and donated food. The Organization valued purchased food inventory at the lower of cost or market. Donated food is valued at a fair market value determined by Feeding America, Inc. (a nationwide network of food banks). The value of donated food is recorded as an in-kind contribution.

K. Property and Equipment:

Property and equipment is recorded at cost if purchased or at fair value if donated at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. A capitalization threshold of \$1,000 is utilized. Expenditures for repairs and maintenance are charged against operations. Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$9,398 and \$8,902, respectively.

CHATHAM OUTREACH ALLIANCE, INC.  
Notes to Financial Statements  
June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (Concluded)

L. Advertising:

The Organization expenses the cost of advertising as it is incurred. Advertising expense, included in contracted services, for the years ended June 30, 2020 and 2019 totaled \$6,106 and \$3,707, respectively. The expenses promote the Organization's programs.

M. Compensated Absences:

Employees of the Organization vest in vacation pay earned but unused. The aggregate amount of vacation pay due has been accrued on the statement of financial position of the Organization.

N. Recently Issued Accounting Pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which will govern the accounting for lease contracts. The key difference between current standards and ASU 2016-02 is the requirement for lessors to recognize on their statement of financial position all lease contracts with lease terms greater than twelve months, including operating leases. Specifically, at lease commencement, lessors will be required to recognize on the statement of financial position both a right-of-use asset and a lease liability. The standard requires a modified retrospective application, which will require entities to apply the new guidance as of the beginning of the earliest comparative period presented in the financial statements for the year in which the standard is adopted. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which defers the effective date for those topics, including amendments issued after the issuance of the original update. For *Leases (Topic 842)*, the effective date was deferred an additional year. In May 2020, the effective date was deferred an additional year and will now be effective for the Organization in 2022.

2. Concentrations

The Organization receives a major portion of its support and revenue from contributions. A reduction in the level of support could possibly have a significant effect on the Organization's programs and activities.

The Organization maintains its operating bank accounts at a financial institution located in North Carolina. Balances in interest-bearing accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020 and 2019, the Organization had uninsured cash balances of \$695,244 and \$249,430, respectively.

3. Promises to Give

Promises to give at June 30, 2020 and 2019 were \$76,000 and \$61,518, respectively. The amounts are expected to be collected in full during the years ended June 30, 2020 and 2019.

CHATHAM OUTREACH ALLIANCE, INC.  
Notes to Financial Statements  
June 30, 2020 and 2019

4. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 were available for expenses related to fiscal years ending June 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
United Way of Chatham County	\$ 36,000	\$ 34,518
Chatham County	40,000	27,000
Private Contributions:		
Backpack	82,892	62,518
Delivery Truck and Building Expansion	199,537	50,981
Friends of CORA Garden	<u>1,593</u>	<u>1,632</u>
	<u>\$ 360,022</u>	<u>\$ 176,649</u>

5. Net Assets Released from Donor Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. Net assets were released from restrictions for the following during the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expenses related to:		
Grants:		
United Way (Snack and Pantry)	\$ 34,518	\$ 38,000
Chatham County (Snack and Pantry)	27,000	38,000
Private Contributions:		
Garden	39	
Backpack and Snack		22,170
Delivery Truck		8,537
Special Events--Golf Tournament		<u>500</u>
	<u>\$ 61,557</u>	<u>\$ 107,207</u>

6. Donated Materials, Facilities & Services

The Organization received donations of food, use of facilities and services for the year ended June 30, 2020 and 2019. The use of donated facilities was valued at \$24,000 for the years ended June 30, 2020 and 2019. Donated food for the years ended June 30, 2020 and 2019 was valued at \$1,062,758 and \$806,205, respectively. For the year ended June 30, 2020, donated special events related services were \$9,500. For the year ended June 30, 2019, there were no donated special events related services.

7. Leases

The Organization operates in premises leased from Chatham County through October 31, 2021. No payments are due under this lease. The Organization also leases equipment when needed. At June 30, 2020 and 2019, there were no commitments for future payments under these leases.



CHATHAM OUTREACH ALLIANCE, INC.  
Notes to Financial Statements  
June 30, 2020 and 2019

8. Building Renovation and Commitment

The Organization operates in donated facilities from Chatham County. Chatham County has undertaken plans to renovate and expand the facilities. The Organization has agreed to pay for certain costs exceeding \$300,000. Management expects to incur costs of \$150,000 with respect to this agreement.

9. Liquidity and Availability of Resources

The Organization manages its liquid resources by focusing on fundraising efforts to ensure the entity has adequate contributions and revenue to cover the programs that are being conducted. The Organization prepares detailed budgets and is very active in managing costs to ensure the entity remains liquid.

The Organization's financial assets as of June 30, 2020 and 2019 expected to be available within one year to meet the cash needs for general expenditures comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets available within one year:		
Cash	\$ 906,183	\$ 499,229
Promises to Give	76,000	61,518
Sales Tax Refund and Other Receivables	<u>16,411</u>	<u>4,699</u>
Financial assets, at year end	998,594	565,446
Less those unavailable for general expenditures within one year, due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by donor with time or purpose restrictions	<u>360,022</u>	<u>176,649</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>638,572</u>	\$ <u>388,797</u>

10. Subsequent Events

Subsequent events have been evaluated through October 19, 2020, which is the date the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

For the year ended June 30, 2020, the Organization evaluated subsequent events for potential recognition and disclosure through October 19, 2020, the date of financial statement issuance. As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the Organization.

11. Reclassifications

Certain amounts from 2019 have been reclassified to conform to the 2020 presentation. Such reclassifications have no effect on changes in net assets or cash flows as previously reported.