

oOo

CHATHAM OUTREACH ALLIANCE, INC.

Financial Statements

June 30, 2019 and 2018

oOo

## TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11



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, 2019 and 2018, 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, 2019 and 2018, 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, LLP*

Raleigh, North Carolina  
October 23, 2019

**Raleigh**  
4060 Barrett Drive  
Post Office Box 17806  
Raleigh, North Carolina 27619  
  
919 782 9265  
919 783 8937 FAX

**Durham**  
3500 Westgate Drive  
Suite 203  
Durham, North Carolina 27707  
  
919 354 2584  
919 489 8183 FAX

**Pittsboro**  
579 West Street  
Post Office Box 1399  
Pittsboro, North Carolina 27312  
  
919 542 6000  
919 542 5764 FAX

CHATHAM OUTREACH ALLIANCE, INC.  
 Statements of Financial Position  
 June 30, 2019 and 2018

ASSETS

	2019	2018
<b>CURRENT ASSETS:</b>		
Cash	\$ 499,229	\$ 360,369
Promises to Give	61,518	76,000
Inventory	39,539	35,974
Sales Tax Refund and Other Receivables	4,699	12,722
Total Current Assets	604,985	485,065
<b>PROPERTY AND EQUIPMENT:</b>		
Property and Equipment	23,050	17,796
Vehicle	30,171	30,171
Total	53,221	47,967
Less Accumulated Depreciation	20,275	11,373
Net Property and Equipment	32,946	36,594
Total Assets	\$ 637,931	\$ 521,659

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 51,190	\$ 12,892
Accrued Vacation	10,870	3,391
Accrued Salaries	6,305	
Total Current Liabilities	68,365	16,283
<b>NET ASSETS:</b>		
Without Donor Restrictions	392,917	333,590
With Donor Restrictions	176,649	171,786
Total Net Assets	569,566	505,376
Total Liabilities and Net Assets	\$ 637,931	\$ 521,659

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, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT, REVENUES, AND OTHER:</b>			
Contributions	\$ 566,661	\$ 50,200	\$ 616,861
In-Kind Contributions	830,205		830,205
Grants	99,047	61,518	160,565
Special Events	60,782	352	61,134
Interest and Dividends	1,589		1,589
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	107,207	(107,207)	
Total Support, Revenues, and Other	1,665,491	4,863	1,670,354
<b>EXPENSES:</b>			
Program Service	1,393,270		1,393,270
Support Services:			
General and Administrative	105,582		105,582
Fundraising	107,312		107,312
Total Support Services	212,894		212,894
Total Expenses	1,606,164		1,606,164
CHANGE IN NET ASSETS	59,327	4,863	64,190
NET ASSETS--Beginning of Year	333,590	171,786	505,376
NET ASSETS--End of Year	\$ 392,917	\$ 176,649	\$ 569,566

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

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 385,705	\$ 9,870	\$ 395,575
524,173		524,173
88,255	81,000	169,255
64,298	500	64,798
9		9
<u>102,088</u>	<u>(102,088)</u>	
<u>1,164,528</u>	<u>(10,718)</u>	<u>1,153,810</u>
<u>1,017,028</u>		<u>1,017,028</u>
50,622		50,622
<u>111,607</u>		<u>111,607</u>
<u>162,229</u>		<u>162,229</u>
<u>1,179,257</u>		<u>1,179,257</u>
(14,729)	(10,718)	(25,447)
<u>348,319</u>	<u>182,504</u>	<u>530,823</u>
<u>\$ 333,590</u>	<u>\$ 171,786</u>	<u>\$ 505,376</u>

STATEMENTS OF FUNCTIONAL EXPENSES



CHATHAM OUTREACH ALLIANCE, INC.  
 Statements of Functional Expenses  
 For the Years Ended June 30, 2019 and 2018

	2019			
	Program Service	Support Services		Total
		General and Administrative	Fundraising	
Direct Client Assistance--In-Kind	\$ 806,205	\$	\$	\$ 806,205
Salaries	179,002	61,014	51,805	291,821
Direct Client Assistance	287,495			287,495
Special Events			35,520	35,520
Employee Benefits	17,847	6,083	5,165	29,095
Rent and Utilities--In-Kind	19,200	4,800		24,000
Payroll Taxes	14,583	4,971	4,220	23,774
Printing, Postage, and Supplies	13,834	5,451		19,285
Professional Fees	5,127	12,303		17,430
Equipment Rental, Repairs and Maintenance	11,363	1,033		12,396
Contracted Services	6,864	1,052	4,209	12,125
Food Transport	11,098			11,098
Depreciation	8,902			8,902
Bank and Credit Card Charges	1,448	2,413	4,343	8,204
Equipment Purchases	3,687	860		4,547
Dues and Subscriptions/Staff Development	1,067	2,493	114	3,674
Utilities	2,205	752	639	3,596
Volunteer Expenses	2,529			2,529
Insurance		2,085	211	2,296
Travel and Meetings	814	272	1,086	2,172
<b>Total Expenses</b>	<b>\$ 1,393,270</b>	<b>\$ 105,582</b>	<b>\$ 107,312</b>	<b>\$ 1,606,164</b>

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

2018			
Support Services			
Program Service	General and Administrative	Fundraising	Total
\$ 499,523	\$	\$	\$ 499,523
101,645	17,592	76,233	195,470
311,728			311,728
		19,012	19,012
7,759	1,343	5,820	14,922
19,200	4,800		24,000
7,713	1,335	5,785	14,833
16,369	6,450		22,819
5,210	8,500		13,710
3,864	64		3,928
11,686	922		12,608
15,491			15,491
6,325			6,325
956	1,593	2,867	5,416
4,040	1,826	119	5,985
1,263	2,950	135	4,348
1,565	271	1,174	3,010
1,250			1,250
	2,471	250	2,721
1,441	505	212	2,158
<u>\$ 1,017,028</u>	<u>\$ 50,622</u>	<u>\$ 111,607</u>	<u>\$ 1,179,257</u>

CHATHAM OUTREACH ALLIANCE, INC.  
 Statements of Cash Flows  
 For the Years Ended June 30, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets	\$ 64,190	\$ (25,447)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	8,902	6,325
In-Kind Contribution- Property and Equipment		
Changes in Assets and Liabilities:		
Promises to Give	14,482	(14,500)
Inventory	(3,565)	10,355
Prepaid Expenses and Other	8,023	(10,404)
Accounts Payable	38,298	3,713
Accrued Vacation	7,479	1,537
Accrued Salaries	6,305	
Net Cash Provided (Used) by Operating Activities	144,114	(28,421)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Property, Equipment, and Vehicle	(5,254)	(37,262)
Net Cash Used by Investing Activities	(5,254)	(37,262)
<b>NET INCREASE (DECREASE) IN CASH</b>	138,860	(65,683)
CASH--Beginning of Year	360,369	426,052
CASH--End of Year	\$ 499,229	\$ 360,369
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
<b>NONCASH TRANSACTIONS:</b>		
Donated Materials and Services	\$ 830,205	\$ 524,173

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

CHATHAM OUTREACH ALLIANCE, INC.  
Notes to Financial Statements  
June 30, 2019 and 2018

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:

For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. A key change required by ASU 2016-14 is the net asset classes used in these financial statements wherein amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The changes required by the update have been applied retrospectively to all periods presented.

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, 2019 and 2018

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

D. Support 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.

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 9,800 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.

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.

CHATHAM OUTREACH ALLIANCE, INC.  
Notes to Financial Statements  
June 30, 2019 and 2018

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

H. Income Tax Status:

The Organization is exempt from federal and state 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)(1) 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, 2019.

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, 2019 and 2018 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, 2019 and 2018 totaled \$8,902 and \$6,325, respectively.

CHATHAM OUTREACH ALLIANCE, INC.  
Notes to Financial Statements  
June 30, 2019 and 2018

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, 2019 and 2018 totaled \$3,707 and \$1,720, 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.

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, 2019 and 2018, the Organization had uninsured cash balances of \$249,430 and \$179,582, respectively.

3. Promises to Give

Promises to give at June 30, 2019 and 2018 were \$61,518 and \$76,000, respectively. The amounts are expected to be collected in full during the years ended June 30, 2020 and 2019.

4. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 were available for expenses related to fiscal years ending June 30, 2020 and 2019 as follows:

	<u>2019</u>	<u>2018</u>
United Way of Chatham County	\$ 34,518	\$ 38,000
Chatham County	27,000	38,000
Rolander Family Foundation		5,000
Private Contributions:		
Backpack and Snack	62,518	79,688
Delivery Truck and Building Expansion	50,981	9,518
Friends of CORA Garden	1,632	1,080
Special Events--Golf Tournament		500
	<u>\$ 176,649</u>	<u>\$ 171,786</u>

CHATHAM OUTREACH ALLIANCE, INC.  
Notes to Financial Statements  
June 30, 2019 and 2018

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, 2019 and 2018:

	2019	2018
Expenses related to:		
Grants:		
United Way (Snack and Pantry)	\$ 38,000	\$ 36,000
Chatham County (Snack and Pantry)	38,000	25,500
Private Contributions:		
Backpack and Snack	22,170	40,448
Delivery Truck	8,537	140
Special Events--Golf Tournament	500	
	\$ 107,207	\$ 102,088

6. Donated Materials, Facilities & Services

The Organization received donations of food, use of facilities and services for the year ended June 30, 2019 and 2018. The use of donated facilities was valued at \$24,000 for the years ended June 30, 2019 and 2018. Donated food for the years ended June 30, 2019 and 2018 was valued at \$806,205 and \$499,523, respectively. For the year ended June 30, 2018, donated tax return preparation services were \$650.

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, 2019 and 2018, there were no commitments for future payments under these leases.

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.



CHATHAM OUTREACH ALLIANCE, INC.  
Notes to Financial Statements  
June 30, 2019 and 2018

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, 2019 and 2018 expected to be available within one year to meet the cash needs for general expenditures comprise the following:

	2019	2018
Financial assets available within one year:		
Cash	\$ 499,229	\$ 360,369
Promises to Give	61,518	76,000
Sales Tax Refund and Other Receivables	4,699	12,722
Financial assets, at year end	565,446	449,091
Less those unavailable for general expenditures within one year, due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by donor with time or purpose restrictions	176,649	171,786
Financial assets available to meet cash needs for general expenditures within one year	\$ 388,797	\$ 277,305

10. Subsequent Events

Subsequent events have been evaluated through October 23, 2019, 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.

11. Reclassifications

Certain amounts from 2018 have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on changes in net assets or cash flows as previously reported.