



Circle Of Concern
Food Pantry

Feeding Families is Just the Beginning

Financial Statements
with
Independent Auditor's Report

DECEMBER 31, 2020

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report | 1 |
| Financial Statements | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Functional Expenses | 6 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 9 |



THE FIRM FOR GROWTH.®

Independent Auditor's Report

Board of Directors
Circle of Concern
St. Louis, Missouri

We have audited the accompanying financial statements of Circle of Concern (the "Organization") (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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Organization'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 Organization'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 Circle of Concern 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.

Brown Smith Wallace, LLP

St. Louis, Missouri

June 4, 2021

CIRCLE OF CONCERN

Statements of Financial Position

December 31, 2020 and 2019

| | 2020 | 2019 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,693,619 | \$ 876,628 |
| Grant receivable | 16,500 | - |
| Donated and purchased goods on hand | 243,054 | 225,890 |
| Prepaid expenses and other assets | 221,272 | 36,144 |
| Investments, at fair value | 1,008,947 | 805,033 |
| Total Current Assets | 3,183,392 | 1,943,695 |
| Property and Equipment, net | 1,403,590 | 1,444,423 |
| TOTAL ASSETS | \$ 4,586,982 | \$ 3,388,118 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 24,700 | \$ 29,759 |
| Scholarships payable | 34,750 | 25,800 |
| Total Current Liabilities | 59,450 | 55,559 |
| Net Assets | | |
| Without donor restrictions | 4,486,398 | 3,332,559 |
| With donor restrictions | 41,134 | - |
| Total Net Assets | 4,527,532 | 3,332,559 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,586,982 | \$ 3,388,118 |

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

CIRCLE OF CONCERN

Statement of Activities

Year Ended December 31, 2020

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|--|---|--|---------------------|
| Revenues and Public Support | | | |
| Individuals | \$ 1,498,845 | \$ - | \$ 1,498,845 |
| Businesses | 206,961 | - | 206,961 |
| Community groups and congregations | 116,761 | - | 116,761 |
| Foundations | 419,689 | 62,301 | 481,990 |
| Ameren UE Dollar More | 138,287 | - | 138,287 |
| Food contributions | 729,980 | - | 729,980 |
| Non-food contributions | 32,132 | - | 32,132 |
| Special events, net of direct expenses of \$0 | 7,213 | - | 7,213 |
| Investment return, net | 55,049 | - | 55,049 |
| Other income | 4,999 | - | 4,999 |
| Net assets released from restrictions | 21,167 | (21,167) | - |
| Total revenues and public support | 3,231,083 | 41,134 | 3,272,217 |
| Expenses | | | |
| Program | 1,813,626 | - | 1,813,626 |
| Management and general | 152,306 | - | 152,306 |
| Fundraising | 172,012 | - | 172,012 |
| Total expenses | 2,137,944 | - | 2,137,944 |
| CHANGE IN NET ASSETS BEFORE FORGIVENESS OF PPP LOAN | 1,093,139 | 41,134 | 1,134,273 |
| Forgiveness of Paycheck Protection Program loan | 60,700 | - | 60,700 |
| CHANGE IN NET ASSETS | 1,153,839 | 41,134 | 1,194,973 |
| Net assets at beginning of year | 3,332,559 | - | 3,332,559 |
| Net assets at end of year | \$ 4,486,398 | \$ 41,134 | \$ 4,527,532 |

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

CIRCLE OF CONCERN

Statement of Activities

Year Ended December 31, 2019

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|--|---|--|--------------|
| Revenues and Public Support | | | |
| Individuals | \$ 682,351 | \$ - | \$ 682,351 |
| Businesses | 99,521 | - | 99,521 |
| Community groups and congregations | 94,737 | - | 94,737 |
| Foundations | 170,223 | - | 170,223 |
| Ameren UE Dollar More | 16,930 | - | 16,930 |
| Food contributions | 1,244,474 | - | 1,244,474 |
| Non-food contributions | 139,347 | - | 139,347 |
| Special events, net of direct expenses of \$16,710 | 42,649 | - | 42,649 |
| Investment return, net | 61,453 | - | 61,453 |
| Other income | 3,877 | - | 3,877 |
| Net assets released from restrictions | 9,402 | (9,402) | - |
| Total revenues and public support | 2,564,964 | (9,402) | 2,555,562 |
| Expenses | | | |
| Program | 2,175,148 | - | 2,175,148 |
| Management and general | 123,510 | - | 123,510 |
| Fundraising | 180,625 | - | 180,625 |
| Total expenses | 2,479,283 | - | 2,479,283 |
| CHANGE IN NET ASSETS | 85,681 | (9,402) | 76,279 |
| Net assets at beginning of year | 3,246,878 | 9,402 | 3,256,280 |
| Net assets at end of year | \$ 3,332,559 | \$ - | \$ 3,332,559 |

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

CIRCLE OF CONCERN

Statement of Functional Expenses

Year Ended December 31, 2020

| | Program Service | Management and General | Fundraising | Total |
|---|---------------------|------------------------------|-------------------|---------------------|
| Salaries | \$ 183,498 | \$ 64,192 | \$ 76,512 | \$ 324,202 |
| Insurance and employee expenses | 12,793 | 4,475 | 5,334 | 22,602 |
| Employment taxes | 14,324 | 5,011 | 5,972 | 25,307 |
| | 210,615 | 73,678 | 87,818 | 372,111 |
| Aid to individuals (Note A) | 1,360,855 | - | - | 1,360,855 |
| Asset disposition | - | - | - | - |
| Auto expense | 1,161 | - | - | 1,161 |
| Bank fees | - | 11,058 | - | 11,058 |
| Computer expense | 2,579 | 748 | 6,070 | 9,397 |
| Depreciation | 51,245 | 3,916 | 1,958 | 57,119 |
| Insurance | 17,570 | 2,067 | 1,034 | 20,671 |
| License and fees | 110 | 3,790 | 168 | 4,068 |
| Memberships | - | 1,255 | - | 1,255 |
| Miscellaneous | - | 2,341 | - | 2,341 |
| Newsletter and appeals | - | 3,927 | 22,251 | 26,178 |
| Postage | 3,813 | 763 | 14,260 | 18,836 |
| Professional fees | - | 40,881 | - | 40,881 |
| Public relations | - | - | 32,438 | 32,438 |
| Repairs and maintenance | 36,464 | 3,804 | 2,229 | 42,497 |
| Scholarships | 79,899 | - | - | 79,899 |
| Supplies | 13,924 | 2,138 | 2,138 | 18,200 |
| Telephone | 4,297 | 1,245 | 1,300 | 6,842 |
| Utilities | 14,208 | 695 | 348 | 15,251 |
| Volunteer services | 16,886 | - | - | 16,886 |
| Total expenses by function | 1,813,626 | 152,306 | 172,012 | 2,137,944 |
| Less expenses included with revenues on the statement of activities Direct benefits to donors | - | - | - | - |
| Total expenses included in the statement of activities | \$ 1,813,626 | \$ 152,306 | \$ 172,012 | \$ 2,137,944 |

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

CIRCLE OF CONCERN

Statement of Functional Expenses

Year Ended December 31, 2019

| | Program Service | Management and General | Fundraising | Total |
|--|--------------------|------------------------------|-------------|--------------|
| Salaries | \$ 156,976 | \$ 45,425 | \$ 85,101 | \$ 287,502 |
| Insurance and employee expenses | 12,229 | 3,539 | 6,630 | 22,398 |
| Employment taxes | 12,163 | 3,520 | 6,594 | 22,277 |
| | 181,368 | 52,484 | 98,325 | 332,177 |
| Aid to individuals (Note A) | 1,754,773 | 1,260 | - | 1,756,033 |
| Asset disposition | 669 | - | - | 669 |
| Auto expense | 3,262 | - | - | 3,262 |
| Bank fees | - | 5,868 | - | 5,868 |
| Computer expense | 5,171 | 1,387 | 1,796 | 8,354 |
| Depreciation | 48,480 | 5,704 | 2,852 | 57,036 |
| Insurance | 17,274 | 2,032 | 1,016 | 20,322 |
| License and fees | 1,876 | 1,967 | 349 | 4,192 |
| Memberships | - | 1,732 | - | 1,732 |
| Miscellaneous | - | 210 | - | 210 |
| Newsletter and appeals | - | 4,375 | 27,661 | 32,036 |
| Postage | 1,618 | 324 | 6,695 | 8,637 |
| Professional fees | - | 39,001 | - | 39,001 |
| Public relations | - | - | 36,446 | 36,446 |
| Repairs and maintenance | 30,865 | 3,318 | 1,659 | 35,842 |
| Scholarships | 94,996 | - | - | 94,996 |
| Special event expenses | - | - | 16,710 | 16,710 |
| Supplies | 7,842 | 2,004 | 2,004 | 11,850 |
| Telephone | 3,912 | 1,049 | 1,359 | 6,320 |
| Utilities | 14,413 | 737 | 368 | 15,518 |
| Volunteer services | 8,629 | 58 | 95 | 8,782 |
| Total expenses by function | 2,175,148 | 123,510 | 197,335 | 2,495,993 |
| Less expenses included with revenues on the statement of activities | | | | |
| Direct benefits to donors | - | - | (16,710) | (16,710) |
| Total expenses included in the statement of activities | \$ 2,175,148 | \$ 123,510 | \$ 180,625 | \$ 2,479,283 |

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

CIRCLE OF CONCERN

Statements of Cash Flows

Years ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,194,973 | \$ 76,279 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 57,119 | 57,036 |
| Unrealized and realized gain on investments | (19,362) | (26,737) |
| Forgiveness of PPP loan | (60,700) | - |
| Non-cash contributions (donated stock) | (2,421) | - |
| Loss on disposal of assets | - | 669 |
| (Increase) decrease in operating assets: | | |
| Grant receivable | (16,500) | 9,402 |
| Donated and purchased goods on hand | (17,164) | (17,668) |
| Prepaid expenses and other assets | (185,128) | (921) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | (5,059) | 2,587 |
| Scholarships payable | 8,950 | 3,800 |
| Net cash provided by operating activities | 954,708 | 104,447 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (16,286) | (80,792) |
| Purchase of investments | (181,761) | (204,092) |
| Proceeds from sale of investments | 30,631 | 192,000 |
| Reinvestment of dividends and interest | (31,001) | (25,579) |
| Net cash used in investing activities | (198,417) | (118,463) |
| Cash flows from financing activities: | | |
| Proceeds from Paycheck Protection Program loan | 60,700 | - |
| Net cash provided by financing activities | 60,700 | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 816,991 | (14,016) |
| Cash and cash equivalents, beginning of year | 876,628 | 890,644 |
| Cash and cash equivalents, end of year | \$ 1,693,619 | \$ 876,628 |

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

CIRCLE OF CONCERN

Notes to Financial Statements

December 31, 2020

Note A - Nature of Activities

Formed in 1967 by a group of West St. Louis County churches, Circle of Concern ("Circle") is a Missouri not-for-profit food pantry and social services agency serving low-income families in the Parkway, Rockwood, and Valley Park School Districts as well as the 63026 zip code. While Circle's core program is its food pantry, its motto is, "Feeding families is just the beginning". Circle's revenue and support are derived primarily from public contributions and donated materials.

- Food Pantry – Circle shares a variety of fresh (eggs, dairy, meat, produce) and packaged foods - one to two weeks' worth each month for eligible households. Circle serves approximately 600 households on a monthly basis and reaches over 1,200 households annually.
- Emergency Financial Assistance – Circle provides limited short-term financial assistance for eligible households, primarily to help a family avoid eviction or a utility shut-off.
- Case Management, Coaching and Community Referrals – During monthly appointments with trained volunteer intake and case workers, clients may practice simple budgeting, discuss obstacles, set goals, and explore additional resources and strategies.
- Career Mentorship – Working and retired professionals pair with clients striving to grow professionally, increase employability, improve earning potential, explore educational opportunities, etc. Together, clients and mentors may work on job search techniques; computer skills, resume development, networking, interviewing, interpersonal and time-management skills.
- Scholarships – Eligible high school seniors and second and third-year college students may compete for scholarships to attend college, professional or trade school. Additionally, eligible adult clients may apply for a scholarship to renew a professional license, complete a degree or certificate program, etc.
- Summer Opportunities – Client families may apply for "camperships" for their child (children) to attend a summer sports, music, scouts, church or STEM camp, etc. Circle sends over 100 children annually to a variety of camps throughout St. Louis County and beyond.
- Back to School – Circle organizes an annual school supply drive to provide students (kindergarten through high school) with backpacks and grade-appropriate school supplies for the upcoming school year.
- Holiday and Birthday Programs – Circle hosts a Thanksgiving Basket Day and an annual holiday adoption event to help client families and children to have a bright holiday season. On their birthdays, children under 12 receive a toy and books selected just for them, along with cake mix, frosting and simple party supplies.

CIRCLE OF CONCERN

Notes to Financial Statements - Continued

December 31, 2020

Note B - Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared using the accrual basis of accounting. Additionally, Circle is required to report information regarding its financial position and activities according to two classes of net assets. Net assets, revenues, gains and losses 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. The governing board has designated net assets for an operating reserve and board-designated endowment.

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 or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Circle has no net assets with donor restrictions that were perpetual in nature as of December 31, 2020 and 2019, respectively.

Circle reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions, and released upon expiration of the donor restrictions.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Promises to give or grants receivable are considered conditional when a measurable barrier and right of return or release exists. The promises to give become unconditional and are recognized as revenue when the barriers upon which they depend are overcome. When the satisfaction of a barrier is accomplished in the same period that the contribution is made, conditional contributions are recorded as unconditional.

The ticket sales and sponsorships, included in special event revenue, are partially for an exchange in goods or services and partially a contribution to Circle. The contribution is recognized in accordance with ASC 958 while the reciprocal piece is recognized under ASC 606 over the course of the event. The reciprocal piece of these transactions is not significant to the financial statements.

Use of Estimates in Financial Statement Preparation

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.

CIRCLE OF CONCERN

Notes to Financial Statements - Continued

December 31, 2020

Note B - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Circle considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Circle maintains cash balances at various financial institutions in the St. Louis area. At times, bank deposits may be in excess of federally insured limits.

Investments

Circle records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Donated and Purchased Goods on Hand

At December 31, 2020 and 2019, donated and purchased goods on hand consisted of food items, gift cards, toys, and school supplies. The purchased items are recorded at cost and the donated items are recorded at estimated fair market value at the time of the donation. Significant food products and materials are donated to Circle by various individuals, organizations, and local governments.

Property and Equipment

Acquisitions of property and equipment with a useful life greater than one year and a cost of \$500 dollars or more are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair values of the assets at the time of donation. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, ranging from 5 to 39 years. Repairs and maintenance are expensed as incurred.

Impairment of Long-Lived Assets

Circle evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. In the opinion of management, no such impairment existed for the years ended December 31, 2020 and 2019.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional and natural basis in the statements of functional expenses. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Certain categories of expenses are attributed to more than one program or supporting function; therefore, expenses require allocation on a reasonable basis that is consistently applied.

CIRCLE OF CONCERN

Notes to Financial Statements - Continued

December 31, 2020

Note B - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

The expenses that are allocated on a building usage/square footage basis include depreciation, insurance, repairs and maintenance, and utilities. Salaries, benefits, and payroll taxes are allocated on the basis of estimates of time and effort. Other expenses such as computer, telephone, postage, and supplies are allocated on the basis of estimates of time and usage.

Advertising

Circle follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$32,438 and \$36,446 for the years ended December 31, 2020 and 2019, respectively, and is presented in the statements of functional expenses as public relations.

Donated Goods and Services

Donated goods and services are recorded as contributions at fair market value on the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Circle records donated goods and services if their value is readily ascertainable and if the services performed require specialized skills.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Circle. Numerous volunteers support Circle by providing a variety of services; however, the value of this contributed time is not reflected in these financial statements because the criteria for recognition has not been met.

Income Tax Status

Circle constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

Circle has addressed the provisions of FASB ASC 740, *Accounting for Income Taxes*. In that regard, Circle has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

PayCheck Protection Program Loan and Forgiveness

During 2020, the Organization applied for and was awarded a loan in the amount of \$60,700 under the PayCheck Protection Program "PPP". The Organization has elected to account for the loan using the debt-model under FASB ASC 470. The debt-model requires initial recording of the proceeds received as financing activities and the loan as a liability until the Organization is legally released from the obligation to repay the loan. As of December 31, 2020, the Organization was released from all requirements to pay back the loan and has recorded the release as forgiveness on PPP loan on the statement of activities.

CIRCLE OF CONCERN

Notes to Financial Statements - Continued

December 31, 2020

Note C - Donated and Purchased Goods on Hand

The components of donated and purchased goods on hand at December 31 are as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------------|-------------------|-------------------|
| Gift cards | \$ 20,133 | \$ 10,664 |
| Food | 151,849 | 151,289 |
| Toys | 62,306 | 55,171 |
| Back to school supplies | <u>8,766</u> | <u>8,766</u> |
| | <u>\$ 243,054</u> | <u>\$ 225,890</u> |

Note D - Fair Value Measurements

FASB ASC 820 "*Fair Value Measurements and Disclosures*" establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date and easily accessible.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability.

There have been no changes in the methodologies used at December 31, 2020.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. Management assesses and approves these policies and procedures. At least annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

CIRCLE OF CONCERN

Notes to Financial Statements - Continued

December 31, 2020

Note D - Fair Value Measurements (Continued)

Circle recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels for the years ended December 31, 2020 and 2019.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by Circle are open-end funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by Circle are deemed to be actively traded.

The fair values of investments were determined using inputs, as described above, at December 31, 2020 and 2019, as follows:

| <u>2020</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|-----------------|-----------------------|---------------------|--------------------|--------------------|
| Mutual funds | \$ <u>1,008,947</u> | \$ <u>1,008,947</u> | \$ <u>-</u> | \$ <u>-</u> |
| Total | \$ <u>1,008,947</u> | \$ <u>1,008,947</u> | \$ <u>-</u> | \$ <u>-</u> |
| <u>2019</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Mutual funds | \$ <u>805,033</u> | \$ <u>805,033</u> | \$ <u>-</u> | \$ <u>-</u> |
| Total | \$ <u>805,033</u> | \$ <u>805,033</u> | \$ <u>-</u> | \$ <u>-</u> |

Note E - Property and Equipment

A summary of property and equipment at December 31 are as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|---------------------|---------------------|
| Building and improvements | \$ <u>1,642,762</u> | \$ 1,642,762 |
| Computers and equipment | <u>131,962</u> | 131,962 |
| Furniture and fixtures | <u>33,091</u> | 33,091 |
| Automobiles | <u>56,005</u> | 56,005 |
| Land | <u>245,076</u> | 228,791 |
| Total cost | <u>2,108,896</u> | 2,092,611 |
| Less accumulated depreciation | <u>(705,306)</u> | (648,188) |
| | \$ <u>1,403,590</u> | \$ <u>1,444,423</u> |

Depreciation expense was \$57,119 and \$57,036 for the years ended December 31, 2020 and 2019, respectively.

CIRCLE OF CONCERN

Notes to Financial Statements - Continued

December 31, 2020

Note F - Conditional Promises to Give

In 2019, Circle received a \$150,000 conditional promise to give in support of its operations. The commitment was a multi-year promise, with disbursements being made in the amount of \$30,000 each year for five years; payments totaling \$60,000 has been collected, with \$90,000 remaining as of December 31, 2020. Payments are contingent on the results of operations of the corporate sponsor. The conditional promises to give are recognized when conditions are satisfied.

Note G - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

| | <u>2020</u> | <u>2019</u> |
|--|------------------|-------------|
| Subject for timing restrictions | \$ 16,500 | \$ - |
| Subject for specified purpose | | |
| Birthday club toys | 209 | - |
| Mental health assistance | <u>24,425</u> | <u>-</u> |
| Total net assets with donor restrictions | <u>\$ 41,134</u> | <u>\$ -</u> |

Net assets with donor restrictions released for the following purposes or periods:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|------------------|-----------------|
| Released for specific purpose: | | |
| Food pantry | \$ - | \$ 9,402 |
| Mental health assistance | 575 | - |
| Rent and utilities assistance | 16,500 | - |
| Birthday club toys | <u>4,092</u> | <u>-</u> |
| Total net assets released | <u>\$ 21,167</u> | <u>\$ 9,402</u> |

Note H - Net Assets Without Donor Restriction

The governing board has designated a portion of net assets without donor restrictions for an operating reserve and board designated endowment.

Board-Designated Operating Reserve

In December 2018, Circle's Board of Directors designated an operating reserve. The policy set forth by the Board of Directors specifies that Circle's minimum reserve must be equal to four months of average operating costs including all recurring, predictable expenses. The operating reserve was approximately \$400,000 and \$356,000, at December 31, 2020 and 2019, respectively, and is included in cash and cash equivalents on the statements of financial position.

CIRCLE OF CONCERN

Notes to Financial Statements - Continued

December 31, 2020

Note H - Net Assets Without Donor Restriction (Continued)

Board-Designated Endowment

Circle's endowment includes only funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In the absence of donor restrictions, under the terms of Circle's governing documents, the Board of Directors, in its sole discretion, has the ability to distribute so much of the original principal of any trust, separate gift or fund as they shall determine necessary. Therefore, the endowment is classified as net assets without donor restrictions for financial statement purposes.

The investment objective of Circle is to provide a return on investments that supports Circle both in the short-term for annual income and the long-term for maintenance and growth of the endowment's purchasing power. Achievement of the return will be sought from an investment strategy which provides an opportunity for optimal returns within acceptable levels of risk and volatility of returns. Circle has adopted a policy stating that distributions of income/gain from the fair value of the endowment fund to operating fund shall be recommended on an annual basis by the Finance Committee of the Board and approved by the Board. No distributions were taken from the endowment fund in 2020 and 2019.

Changes in board-designated endowment net assets were as follows:

| | |
|---|----------------------------|
| Board-designated endowment, December 31, 2018 | \$ 745,167 |
| Contributions | 23,486 |
| Interest & Dividends | 28,865 |
| Unrealized/realized losses | <u>23,416</u> |
| Board-designated endowment, December 31, 2019 | \$ 820,934 |
| Contributions | 151,841 |
| Interest & Dividends | 31,001 |
| Unrealized/realized gains | <u>19,362</u> |
| Board-designated endowment, December 31, 2020 | <u>\$ 1,023,138</u> |

Note I - Donated Food and Non-Food Items

The value included in the statements of activities for donated food and non-food items at December 31, 2020 and 2019 was \$900,145 and \$1,398,489, respectively. The total amount of donated food and non-food items are recorded in various lines on the statements of activities including individuals, businesses, foundations, food contributions, and non-food contributions.

CIRCLE OF CONCERN

Notes to Financial Statements - Continued

December 31, 2020

Note J - Employee Benefits

The Board of Directors approved a SIMPLE IRA retirement plan for Circle on December 7, 2015. Commencing January 1, 2016, Circle established the plan for its employees, matching 100% of participant contributions up to three percent. All Circle employees are eligible to participate in its defined contribution retirement plan. During the years ended December 31, 2020 and 2019, total matching contributions were \$8,976 and \$8,625, respectively.

Note K - Liquidity and Availability

Financial assets, excluding assets with donor restrictions limiting their use, that are available for general expenditure within one year of the statements of financial position date, comprise the following:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|-------------------|
| Cash and cash equivalents | \$ 1,693,619 | \$ 876,628 |
| Grant receivable | 16,500 | - |
| Other assets | 215,438 | 30,794 |
| Investments | <u>1,008,947</u> | <u>805,033</u> |
| | 2,934,504 | 1,712,455 |
| Less: Board designated endowment and operating reserve | 1,420,718 | 1,176,934 |
| Less: Assets contributed with restricted purposes | <u>24,634</u> | <u>-</u> |
| | <u>\$ 1,489,152</u> | <u>\$ 535,521</u> |

The board-designated endowment, at December 31, 2020 and 2019 of \$1,023,138 and \$820,934, respectively, is subject to an annual spending distribution as approved each year by the Board of Directors. Although the Board does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the liquidity management plan, Circles maintains cash and cash equivalents equal to four months of average operating costs as an operating reserve. The Board designated operating reserve was approximately \$400,000 and \$356,000, at December 31, 2020 and 2019, respectively. These amounts could be made available by approval from the Board, if necessary.

The financial assets above exclude \$24,634 received as of December 31, 2020, that are restricted for specified purposes. These funds are available to be used within one year of the statement of financial position date for the specified purposes in the operations of the Organization.

Note L - Subsequent Events

Circle has evaluated subsequent events through June 4, 2021, which is the date the financial statements were available to be issued and has reflected all events requiring adjustment or disclosure in the financial statements.