

Circle of Concern

Financial Statements

December 31, 2021 and 2020

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 18



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Circle of Concern
St. Louis, Missouri

Opinion

We have audited the accompanying 2021 financial statements of Circle of Concern (the "Organization"), which comprise the statement of financial position as of December 31, 2021, 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 2021 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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 of Opinion

We conducted our audit 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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.

Prior Period Financial Statements

The financial statements as of December 31, 2020, were audited by Brown Smith Wallace, LLP, whose practice became part of Armanino^{LLP} as of August 1, 2021, and whose report dated June 4, 2021, expressed an unmodified opinion on those statements.



Armanino^{LLP}
St Louis, Missouri

June 9, 2022

Circle of Concern
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,134,851	\$ 1,693,619
Contributions and grants receivable	55,095	16,500
Donated and purchased goods on hand	307,733	243,054
Prepaid expenses and other assets	63,953	221,272
Investments, at fair value	<u>1,865,429</u>	<u>1,008,947</u>
Total current assets	<u>4,427,061</u>	<u>3,183,392</u>
Property and equipment, net	<u>1,367,363</u>	<u>1,403,590</u>
Total assets	<u><u>\$ 5,794,424</u></u>	<u><u>\$ 4,586,982</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 46,838	\$ 24,700
Scholarships payable	<u>45,000</u>	<u>34,750</u>
Total current liabilities	<u>91,838</u>	<u>59,450</u>
Net assets		
Without donor restrictions	5,656,571	4,486,398
With donor restrictions	<u>46,015</u>	<u>41,134</u>
Total net assets	<u>5,702,586</u>	<u>4,527,532</u>
Total liabilities and net assets	<u><u>\$ 5,794,424</u></u>	<u><u>\$ 4,586,982</u></u>

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

Circle of Concern
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support			
Individuals	\$ 1,782,186	\$ -	\$ 1,782,186
Businesses	103,902	-	103,902
Community groups and congregations	123,791	-	123,791
Foundations	280,807	30,000	310,807
Other contributions	102,576	-	102,576
Food contributions	598,232	-	598,232
Non-food contributions	46,996	-	46,996
Special event revenue, net	14,900	-	14,900
Investment return, net	104,703	-	104,703
Other income	4,825	-	4,825
Net assets released from restriction	25,119	(25,119)	-
Total revenues and public support	<u>3,188,037</u>	<u>4,881</u>	<u>3,192,918</u>
Functional expenses			
Program service	1,674,120	-	1,674,120
Management and general	159,990	-	159,990
Fundraising	183,754	-	183,754
Total functional expenses	<u>2,017,864</u>	<u>-</u>	<u>2,017,864</u>
Change in net assets	1,170,173	4,881	1,175,054
Net assets, beginning of year	<u>4,486,398</u>	<u>41,134</u>	<u>4,527,532</u>
Net assets, end of year	<u>\$ 5,656,571</u>	<u>\$ 46,015</u>	<u>\$ 5,702,586</u>

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

Circle of Concern
Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	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
Other contributions	138,287	-	138,287
Food contributions	729,980	-	729,980
Non-food contributions	32,132	-	32,132
Special event revenue, net	7,213	-	7,213
Investment return, net	55,049	-	55,049
Other income	4,999	-	4,999
Net assets released from restriction	21,167	(21,167)	-
Total revenues and public support	<u>3,231,083</u>	<u>41,134</u>	<u>3,272,217</u>
Functional expenses			
Program service	1,813,626	-	1,813,626
Management and general	152,306	-	152,306
Fundraising	172,012	-	172,012
Total functional expenses	<u>2,137,944</u>	<u>-</u>	<u>2,137,944</u>
Change in net assets before forgiveness of PPP loan	1,093,139	41,134	1,134,273
Forgiveness of Paycheck Protection Program loan	<u>60,700</u>	<u>-</u>	<u>60,700</u>
Change in net assets	1,153,839	41,134	1,194,973
Net assets, beginning of year	<u>3,332,559</u>	<u>-</u>	<u>3,332,559</u>
Net assets, end of year	<u>\$ 4,486,398</u>	<u>\$ 41,134</u>	<u>\$ 4,527,532</u>

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

Circle of Concern
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Service	Management and General	Fundraising	Total
Personnel expenses				
Salaries	\$ 176,728	\$ 61,824	\$ 73,689	\$ 312,241
Insurance and employee expenses	13,857	4,847	5,778	24,482
Employment taxes	13,766	4,816	5,740	24,322
Total personnel expenses	<u>204,351</u>	<u>71,487</u>	<u>85,207</u>	<u>361,045</u>
Operating expenses				
Assistance to individuals	1,199,472	-	-	1,199,472
Auto expense	289	-	-	289
Bank fees	-	11,637	-	11,637
Computer expense	5,302	1,537	1,604	8,443
Depreciation	50,962	3,883	1,942	56,787
Insurance	20,148	2,371	1,185	23,704
Licenses and fees	-	2,820	273	3,093
Memberships	-	1,803	-	1,803
Miscellaneous	-	4,446	-	4,446
Newsletter and appeals	-	3,121	17,683	20,804
Postage	3,656	731	2,924	7,311
Professional fees	-	47,301	-	47,301
Public relations	-	-	66,096	66,096
Repairs and maintenance	40,397	3,624	1,812	45,833
Scholarships	98,885	-	-	98,885
Event supplies	-	-	680	680
Supplies	11,716	3,232	3,232	18,180
Telephone	5,061	1,467	1,531	8,059
Utilities	13,345	530	265	14,140
Volunteer services	20,536	-	-	20,536
Total operating expenses	<u>1,469,769</u>	<u>88,503</u>	<u>99,227</u>	<u>1,657,499</u>
Less expenses included with revenues on the statement of activities				
Direct benefits to donors	-	-	(680)	(680)
	<u>\$ 1,674,120</u>	<u>\$ 159,990</u>	<u>\$ 183,754</u>	<u>\$ 2,017,864</u>

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

Circle of Concern
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Service	Management and General	Fundraising	Total
Personnel expenses				
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
Total personnel expenses	<u>210,615</u>	<u>73,678</u>	<u>87,818</u>	<u>372,111</u>
Operating expenses				
Assistance to individuals	1,360,855	-	-	1,360,855
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
Licenses 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 operating expenses	<u>1,603,011</u>	<u>78,628</u>	<u>84,194</u>	<u>1,765,833</u>
	<u>\$ 1,813,626</u>	<u>\$ 152,306</u>	<u>\$ 172,012</u>	<u>\$ 2,137,944</u>

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

Circle of Concern
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 1,175,054	\$ 1,194,973
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	56,787	57,119
Unrealized and realized gain on investments	(69,207)	(19,362)
Forgiveness of PPP loan	-	(60,700)
Non-cash contributions (donated stock)	(50,925)	(2,421)
Changes in operating assets and liabilities		
Contributions and grants receivable	(38,595)	(16,500)
Donated and purchased goods on hand	(64,679)	(17,164)
Prepaid expenses and other assets	157,319	(185,128)
Accounts payable and accrued liabilities	22,138	(5,059)
Scholarships payable	10,250	8,950
Net cash provided by operating activities	<u>1,198,142</u>	<u>954,708</u>
Cash flows from investing activities		
Purchases of property and equipment	(20,560)	(16,286)
Purchases of investments	(741,509)	(181,761)
Proceeds from sale of investments	40,655	30,631
Reinvestment of dividends and interest	(35,496)	(31,001)
Net cash used in investing activities	<u>(756,910)</u>	<u>(198,417)</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	-	60,700
Net cash provided by financing activities	<u>-</u>	<u>60,700</u>
Net increase in cash and cash equivalents	441,232	816,991
Cash and cash equivalents, beginning of year	<u>1,693,619</u>	<u>876,628</u>
Cash and cash equivalents, end of year	<u>\$ 2,134,851</u>	<u>\$ 1,693,619</u>

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

Circle of Concern
Notes to Financial Statements
December 31, 2021 and 2020

1. 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 650 households on a monthly basis and reaches approximately 1,100 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 provides gift cards to client families with school-aged children; enabling them to buy school supplies, shoes or clothing.
- Holiday and Birthday Programs – Circle provides Thanksgiving foods and gift cards to make the season bright for client households.. 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
December 31, 2021 and 2020

2. 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, 2021 and 2020, 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.

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.

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.

Circle of Concern
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated and Purchased Goods on Hand

At December 31, 2021 and 2020, 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, 2021 and 2020.

Paycheck Protection Program Loan and Forgiveness

During 2020, Circle applied for and was awarded a loan in the amount of \$60,700 under the Paycheck Protection Program "PPP". Circle elected to account for the loan using the debt-model under FASB ASC 470. The debt-model required initial recording of the proceeds received as financing activities and the loan as a liability until Circle was 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.

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.

Circle of Concern
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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.

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.

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.

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 \$66,096 and \$32,438 for the years ended December 31, 2021 and 2020, respectively, and is presented in the statements of functional expenses as public relations.

Circle of Concern
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Subsequent Events

Circle has evaluated subsequent events through June 9, 2022, 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.

3. DONATED AND PURCHASED GOODS ON HAND

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

	<u>2021</u>	<u>2020</u>
Gift cards	\$ 31,446	\$ 20,133
Food	203,015	151,849
Toys	64,506	62,306
Back to school supplies	<u>8,766</u>	<u>8,766</u>
	<u>\$ 307,733</u>	<u>\$ 243,054</u>

4. 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.

Circle of Concern
Notes to Financial Statements
December 31, 2021 and 2020

4. FAIR VALUE MEASUREMENTS (continued)

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, 2021.

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 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, 2021 and 2020.

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, 2021 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 1,865,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,865,429</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 1,008,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,008,947</u>

Circle of Concern
Notes to Financial Statements
December 31, 2021 and 2020

5. PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 1,663,322	\$ 1,642,762
Computers and equipment	131,962	131,962
Furniture and fixtures	33,091	33,091
Automobiles	56,005	56,005
Land	<u>245,076</u>	<u>245,076</u>
	2,129,456	2,108,896
Accumulated depreciation	<u>(762,093)</u>	<u>(705,306)</u>
	<u><u>\$ 1,367,363</u></u>	<u><u>\$ 1,403,590</u></u>

Depreciation expense was \$56,787 and \$57,119 for the years ended December 31, 2021 and 2020, respectively.

6. CONDITIONAL PROMISE 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. \$60,000 of conditional promises to give were remaining as of December 31, 2021. In 2021, the condition was met for a \$30,000 contribution, which was recorded as contribution revenue on the statement of activities and contribution receivable on the statement of financial position at December 31, 2021. Payments are contingent on the results of operations of the corporate sponsor. The conditional promises to give are recognized when conditions are satisfied.

7. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject for timing restrictions	<u>\$ 30,000</u>	<u>\$ 16,500</u>
Subject for specified purpose		
Birthday club toys	-	209
Mental health assistance	<u>16,015</u>	<u>24,425</u>
	<u>16,015</u>	<u>24,634</u>
	<u><u>\$ 46,015</u></u>	<u><u>\$ 41,134</u></u>

Circle of Concern
Notes to Financial Statements
December 31, 2021 and 2020

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

	2021	2020
Mental health assistance	\$ 8,410	\$ 575
Timing	16,500	-
Rental and utilities assistance	-	16,500
Birthday club toys	209	4,092
	<u>\$ 25,119</u>	<u>\$ 21,167</u>

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

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 \$650,000 and \$400,000 for the years ended December 31, 2021 and 2020, respectively, and is included in cash and cash equivalents on the statements of financial position.

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 2021 and 2020.

Circle of Concern
Notes to Financial Statements
December 31, 2021 and 2020

8. NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)

Board-Designated Endowment (continued)

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,023,138	\$ 820,934
Contributions	743,735	151,841
Interest and dividends	35,496	31,001
Unrealized/realized gains	<u>69,207</u>	<u>19,362</u>
Balance, end of year	<u><u>\$ 1,871,576</u></u>	<u><u>\$ 1,023,138</u></u>

9. DONATED FOOD AND NON-FOOD ITEMS

The value included in the statements of activities for donated food and non-food items at December 31, 2021 and 2020 was \$732,885 and \$900,145, 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.

10. EMPLOYEE BENEFITS

Circle has a SIMPLE IRA 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, 2021 and 2020, total matching contributions were \$9,367 and \$8,976, respectively.

11. 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,134,851	\$ 1,693,619
Contributions and grants receivable	55,095	16,500
Other assets	56,485	215,438
Investments, at fair value	<u>1,865,429</u>	<u>1,008,947</u>
	4,111,860	2,934,504
Less: Board designated endowment and operating reserve	(2,523,442)	(1,420,718)
Less: Assets contributed with restricted purposes	<u>(16,015)</u>	<u>(24,634)</u>
	<u><u>\$ 1,572,403</u></u>	<u><u>\$ 1,489,152</u></u>

Circle of Concern
Notes to Financial Statements
December 31, 2021 and 2020

11. LIQUIDITY AND AVAILABILITY (continued)

The board-designated endowment, at December 31, 2021 and 2020 of \$1,871,576 and \$1,023,138, 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 \$651,866 and \$400,000 for the years ended December 31, 2021 and 2020, respectively. These amounts could be made available by approval from the Board, if necessary.

The financial assets above exclude \$16,015 and \$24,634 received as of December 31, 2021 and 2020, respectively, 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 Circle.