



THE WHITLOCK CO.

CPAs and Consultants

LEAST OF THESE, INC.

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT**

SIX MONTHS ENDED JUNE 30, 2020



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Least of These, Inc.
Springfield, Missouri

Report on the Financial Statements

We have audited the accompanying statement of financial position of **Least of These, Inc.** (a not-for-profit organization), as of June 30, 2020, and were engaged to audit the related statement of activities and changes in net assets, functional expenses, and cash flows for the six months 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of activities and the cash flow statement.

We conducted our audit of the statement of financial position in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial position is 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 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.

Basis for Disclaimer of Opinion on the Results of Operations and Cash Flows

We were not engaged as auditors of the entity until after December 31, 2019, and thus did not observe the counting of the physical inventories at the beginning of the period. We were unable to satisfy ourselves by performing other auditing procedures concerning these balances as of December 31, 2019. Since opening inventories enter into the determination of the net income and cash flows, we were unable to determine whether any adjustments might have been necessary in respect of the profit for the period reported in the statement of activities and the cash flows from operating activities reported in the cash flow statement.

Disclaimer of Opinion on the Results of Operations and Cash Flows

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statements of activities, functional expenses and cash flows. Accordingly, we do not express an opinion on the changes in net assets and cash flows for the six-month period ended June 30, 2020.

Opinion on the Financial Position

In our opinion, the statement of financial position presents fairly, in all material respects, the financial position of **Least of These, Inc.** as of June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "THE WHITLOCK CO., LLP". The signature is written in a cursive, slightly slanted style.

Springfield, Missouri
January 22, 2021

LEAST OF THESE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

Assets

Cash and cash equivalents	\$ 145,353
Investments	449,774
Pledges receivable, net of allowance	107,551
Inventory	286,735
Property and equipment, net of accumulated depreciation	<u>1,904,456</u>
Total assets	<u>\$ 2,893,869</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 11,720
Accrued wages payable	7,591
Payroll taxes payable	1,218
SBA Paycheck Protection Program	32,400
Note payable	<u>637,890</u>
Total liabilities	<u>690,819</u>

Net assets

Net assets - without donor restriction	2,178,243
Net assets - with donor restriction	<u>24,807</u>
Total net assets	<u>2,203,050</u>

Total liabilities and net assets	<u>\$ 2,893,869</u>
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The accompanying notes are an integral part of these financial statements.

LEAST OF THESE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Gains and support			
Direct public grants	-	104,865	\$ 104,865
Gifts in-kind food donations	1,212,025	-	1,212,025
Gifts in-kind other	5,431	-	5,431
Contributions	378,899	-	378,899
Investment losses	(1,663)	-	(1,663)
Miscellaneous	<u>30,951</u>	<u>-</u>	<u>30,951</u>
Total revenues	<u>1,625,643</u>	<u>104,865</u>	<u>1,730,508</u>
Net assets released from restrictions	<u>80,058</u>	<u>(80,058)</u>	<u>-</u>
Total net revenue, gains and support	<u>1,705,701</u>	<u>24,807</u>	<u>1,730,508</u>
Expenses			
Program services	1,180,707	-	1,180,707
Support services	<u>68,134</u>	<u>-</u>	<u>68,134</u>
Total expenses	<u>1,248,841</u>	<u>-</u>	<u>1,248,841</u>
Increase in net assets	456,860	24,807	481,667
Net assets at beginning of period	<u>1,721,383</u>	<u>-</u>	<u>1,721,383</u>
Net assets at end of period	<u>\$ 2,178,243</u>	<u>\$ 24,807</u>	<u>\$ 2,203,050</u>

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

LEAST OF THESE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Payroll			
Salaries	\$ 66,638	\$ 28,559	\$ 95,197
Employee benefits	9,764	4,184	13,948
Payroll taxes	<u>5,049</u>	<u>2,164</u>	<u>7,213</u>
Total payroll and benefits	<u>81,451</u>	<u>34,907</u>	<u>116,358</u>
Other expenses			
Direct client support	977,155	-	977,155
Advertising	14,890	14,891	29,781
Bad debt write-off	7,767	4,183	11,950
Dues and subscriptions	577	311	888
Facilities and equipment	25,429	-	25,429
Professional fees	9,634	5,188	14,822
Postage	967	968	1,935
Travel	538	538	1,076
Truck expenses	823	-	823
Utilities	21,017	2,335	23,352
Volunteer appreciation	306	-	306
Depreciation	39,330	4,370	43,700
Miscellaneous	<u>823</u>	<u>443</u>	<u>1,266</u>
Total other expenses	<u>1,099,256</u>	<u>33,227</u>	<u>1,132,483</u>
Total expenses	<u>\$ 1,180,707</u>	<u>\$ 68,134</u>	<u>\$ 1,248,841</u>

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

LEAST OF THESE, INC.

STATEMENT OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2020

Cash flows from operating activities:	
Increase in net assets	\$ 481,667
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	43,700
Net unrealized gains on investments	(1,770)
(Increase) decrease in:	
Accounts receivable	25,315
Inventories	(286,735)
Increase in:	
Accounts payable	1,943
Payroll taxes payable	7,591
Due to other organizations	<u>17</u>
Net cash provided by operating activities	<u>271,728</u>
Cash flows from investing activities:	
Purchases of property and equipment	(600)
Purchases of investments	(285,000)
Proceeds from sales of investments	<u>3,536</u>
Net cash used in investing activities	<u>(282,064)</u>
Cash flows from financing activities:	
Principal payments on long-term debt	(71,027)
Issuance of long-term debt	<u>32,400</u>
Net cash used in financing activities	<u>(38,627)</u>
Decrease in cash and cash equivalents	(48,963)
Cash and cash equivalents at beginning of period	<u>194,316</u>
Cash and cash equivalents at end of period	<u><u>\$ 145,353</u></u>

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

LEAST OF THESE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

1. Summary of significant accounting policies

This summary of significant accounting policies of **Least of These, Inc.** (the Organization), is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of the Organization

Least of These Inc. started in 1998 as a community outreach project of a Nixa Church. In the Organization's first month, 7 families received food. By the end of the first year, 100 families were receiving food. In 2014, that number grew to 1,800 families. In the past 5 years alone, it has been necessary to double the size of the food pantry and expand services to keep up with the increased need in Christian County.

The Organization is the only full-service food pantry serving Christian County, one of the fastest growing counties in the state of Missouri. The growth in the number of people living in poverty has far outpaced the population growth, with over 10,000 people in Christian County who now live in poverty.

The Organization provides food assistance, food-related resources, special evening hours for working clients, and a mobile food pantry to Eastern Christian County.

Monthly, there are nearly 900 Christian County families, totaling 2,500 family members, visit the Organization for assistance because they are living in poverty. They must choose to either pay for food or pay for their rent or utilities. Some of our senior clients are faced with paying for their medication or buying food to eat.

Methods of accounting

The Organization uses the accrual method of accounting, which recognizes revenue when earned and expenses when incurred.

Financial statement presentation

Financial statement presentation follows the United States generally accepted accounting principles (U.S. GAAP). Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restriction net assets and with donor restriction net assets. The organization does not use fund accounting.

The FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14) in August 2016. ASU 2016-14 improves the current net asset classification requirements and the information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows.

Cash and cash equivalents

The Organization considers all liquid investments available for current use with original maturities of three months or less to be cash equivalents.

Pledges receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that may not be collected. Management reviews all pledge balances that are considered delinquent and, based upon donor history with the Organization, estimates the portion, if any, of the balance that may not be collected.

Inventory

Inventories consist of donated food from the public, government commodities, and purchased product. Donated product is valued per pound based on Feeding America National Food Bank's stated five-year average, and purchased product is valued at average cost. Nonmonetary assistance such as USDA food commodities are recorded at the value determined by the Missouri Department of Social Services.

Property and depreciation

Property and equipment are stated at cost. It is the Organization's policy to capitalize property and equipment with a value of \$100 or more with a life expectancy longer than three years. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Depreciation is computed by applying the following methods and estimated lives:

<u>Category</u>	<u>Estimated Life</u>	<u>Method</u>
Buildings and improvements	39 years	Straight-line
Vehicles	5 years	Straight-line
Furniture and equipment	7 years	Straight-line
Computer equipment	5-7 years	Straight-line

The costs of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income, except for gains on assets traded where no cash was received. Expenditures for maintenance and repairs are charged to income as incurred.

Depreciation expense totaled \$43,700 for the period ended June 30, 2020.

Contributions and support

Contributions received are recorded as with donor restriction or without donor restriction support depending on the existence or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

Gifts in-kind

During the six months ended June 30, 2020, the value of gifts in-kind was material and has been recorded at fair market value. Gifts in-kind are recognized if the donation creates or enhances a nonfinancial asset or requires specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of gifts in-kind as of June 30, 2020 was \$1,217,456 and has been properly used to support program services.

Revenue Recognition

Revenue from gifts in-kind and contributions are recognized upon receipt of the donation. Revenue from grant income is recognized in a similar manner as a contract; the organization is reimbursed at the end of the month for expenses related to the grant income. See Note 2 for additional information.

Functional allocation of expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program are allocated directly according to their natural expense classification. Various statistical bases allocate other expenses that are common to several functions.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$29,781 for the six months ended June 30, 2020.

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501c(3) of the Internal Revenue Code and classified by the Internal Revenue Services as other than a private foundation.

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to the Internal Revenue Service are 2017 through 2020 tax years. However, the Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the fiscal years ended June 30, 2020. Interest and penalties, if any, related to annual Form 990 or unrelated business income tax filings are reported within general and administrative expenses in the statement of activities.

The Organization has adopted the Financial Accounting Standards Board's prescribed recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization has taken the position of being

exempt from income taxes. The Organization believes their estimates are appropriate based on current facts and circumstances.

Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of new accounting standards

On January 1, 2020, due to *ASU 2014-09, Revenue – Revenue from Contracts with Customers* (ASU 2014-09), the Organization adopted the new accounting standard Topic 606 and all the related amendments to all contracts using the modified retrospective method. The Organization recognized the cumulative effect of initially applying the new revenue standard which required no adjustment to the opening balance of retained earnings. The Organization expects the impact of the adoption of the new standard to be immaterial to its net margins on an ongoing basis.

Recent accounting pronouncements

In February 2016, the FASB issued ASU 2016-02 *Leases*. ASU 2016-02 requires recognition of the assets and liabilities that arise from leases. The new standard is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements.

The FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, in June 2016. Its implementation will result in a new Accounts Receivable loss accounting framework, also known as the current expected credit loss (CECL) model. CECL requires credit losses expected throughout the life of the asset to be recorded at the time of origination. Under the current incurred loss model, losses are recorded when it is probable that a loss event has occurred. The new standard will require significant operational changes, especially in data collection and analysis. The ASU is effective for fiscal years beginning after December 15, 2022 and is expected to increase the allowance upon adoption. The Organization is assessing the standard and is in the process of reviewing the capability of its systems and processes to support the data collection and retention required to implement the new standard.

2. Revenue Recognition

Substantially all of the Organization's revenue derives from various forms of donations including in-kind food donations, other in-kind donations, and contributions. Additionally, the organization receives grant income as well as some minor miscellaneous income.

The Organization accounts for a contract when both parties have approved the contract and are committed to perform their obligations, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. See Note 1 for the adoption of new accounting standards.

The following table disaggregates revenue for the six months ended June 30, 2020:

	<u>2020</u>
Point in time revenue	
Gifts in-kind food donations	\$ 1,212,025
Gifts in-kind other	5,431
Contributions	378,899
Other income	<u>29,288</u>
	<u>1,625,643</u>
Period of time revenue	
Direct public grant income	<u>104,865</u>
	<u>104,865</u>
Total revenue	<u>\$ 1,730,508</u>

3. Investments

Investments consist of the following:

	<u>June 30, 2020</u>			
	<u>Amortized</u>	<u>Net Unrealized</u>		<u>Estimated</u>
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	<u>Fair</u>
				<u>Value</u>
Community Foundation of the Ozarks	\$ 451,544	\$ -	\$ 1,770	\$ 449,774

Total investment income on the statement of activities is comprised of the following as of June 30:

	<u>2020</u>
Investment earnings, including interest	\$ 107
Net unrealized gains, Community Foundation	<u>(1,770)</u>
Total investment income	<u>\$ (1,663)</u>

4. Fair value of financial instruments

The Organization has adopted ASC. 820, *Fair Value Measurements and Disclosures*. ASC. 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

ASC. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC. 820 establishes a fair value hierarchy that prioritizes the inputs used in valuation techniques used to measure fair value into three levels, with Level 1 being the highest priority.

Level 1 inputs: Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 inputs: Level 2 inputs are from other than market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active.

Level 3 inputs: Level 3 inputs are unobservable and should be used to measure fair value to the extent that observable inputs are not available.

The following are major categories of assets and liabilities measured at fair value on a recurring basis during the years ended December 31:

Investments - Fair values have been determined using quoted market prices.

	June 30, 2020			Carrying Amount
	Fair Value			
	Level 1	Level 2	Level 3	
<u>Financial Assets</u>				
Investments				
Community Foundation of the Ozarks	\$ -	\$ 449,774	\$ -	\$ 449,774

5. Pledges receivable

Pledges receivable consist of the following unconditional promises to give:

	2020
Gross unconditional promise to give	\$ 119,501
Less: Allowance for uncollectible	(11,950)
Net unconditional promises to give	<u>\$ 107,551</u>

6. Property and equipment

Property and equipment consists of the following at June 30, 2020:

	2020
Furniture and fixtures	\$ 64,243
Computers and equipment	199,111
Vehicles	12,500
Building	1,907,092
Building improvements	38,731
	<u>2,221,677</u>
Less accumulated depreciation	(317,221)
	<u>\$ 1,904,456</u>

7. Long-term debt

At June 30, long-term debt of the Organization consisted of the following:

	<u>2020</u>
Note payable to Ozark Bank paid in monthly installments of \$6,006, including interest at 4.50%, maturing August 2022	\$ <u>637,890</u>
Total notes payable	\$ <u><u>637,890</u></u>

Principal payments due on long-term debt for the periods ended June 30 are as follows:

2021	\$ 45,624
2022	47,819
2023	49,892
2024	52,055
2025 and thereafter	<u>442,500</u>
	\$ <u><u>637,890</u></u>

8. SBA Paycheck Protection Program

The SBA Paycheck Protection Program at June 30 consists of the following:

	<u>2020</u>
Paycheck Protection Program note payable to Ozark Bank at an interest rate of 1.00%, due in one installment in April 2022.	\$ <u>32,400</u>
Total SBA Payment Protection Program	\$ <u><u>32,400</u></u>

The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on payroll. The Small Business Administration will forgive the loan if all employee retention criteria are met and the funds are used for eligible expenses. The Organization expects this loan to be forgiven.

9. With donor restriction net assets

Net assets with donor restriction as of June 30, 2020 are available for the following purposes:

	<u>2020</u>
Summer Healthy Food Initiative	\$ 22,644
Church donation - restricted for meat	<u>2,163</u>
Total net assets with donor restriction	<u>\$ 24,807</u>

10. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprising of the following:

	<u>2020</u>
Financial assets at year end:	
Cash and cash equivalents	\$ 145,353
Investments	449,774
Pledges receivable, net of allowance	<u>107,551</u>
	<u>702,678</u>
Less assets unavailable for general expenditure:	
Accounts payable	11,720
Accrued wages payable	7,591
Payroll taxes payable	1,218
Net assets with donor restriction	<u>24,807</u>
	<u>45,336</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 657,342</u>

11. COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of COVID-19 a pandemic. Subsequent to that, the United States of America declared a National Emergency due to the pandemic on March 13, 2020. As a result, economic uncertainties have arisen which are likely to negatively impact net assets. At this time, the Organization cannot reasonably estimate the length or severity of this pandemic.

12. Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 22, 2021, the date the financial statements were available to be issued.