

MATT TALBOT KITCHEN & OUTREACH, INC.

LINCOLN, NEBRASKA

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



**DANA F. COLE  
& COMPANY<sup>LLP</sup>**  
CERTIFIED PUBLIC ACCOUNTANTS

MATT TALBOT KITCHEN & OUTREACH, INC.  
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**DANA F. COLE  
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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Matt Talbot Kitchen & Outreach, Inc.  
Lincoln, Nebraska

We have audited the accompanying financial statements of Matt Talbot Kitchen & Outreach, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

### *Auditors' 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 audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Matt Talbot Kitchen & Outreach, Inc., as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2018 the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Dana F Cole + Company, LLP

Lincoln, Nebraska  
April 6, 2019

MATT TALBOT KITCHEN & OUTREACH, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017

	ASSETS	
	2018	2017
ASSETS		
Cash	729,584	361,499
Certificates of deposit	542,936	592,807
Investments	68,332	70,340
Grants receivable	6,875	21,831
Pledges receivable	98,306	224,194
Prepaid expenses	25,700	15,479
Land	27,600	27,600
Building	3,212,029	3,131,811
Furniture and equipment	210,906	197,442
Accumulated depreciation	<u>(879,850)</u>	<u>(786,217)</u>
TOTAL ASSETS	<u>4,042,418</u>	<u>3,856,786</u>
	LIABILITIES AND NET ASSETS	
LIABILITIES		
Accounts payable	35,654	36,414
Wages payable	49,620	34,443
Payroll withholdings payable	14,342	12,216
Deferred revenue		<u>49,167</u>
Total liabilities	<u>99,616</u>	<u>132,240</u>
NET ASSETS		
Without donor restrictions	3,704,496	3,360,352
With donor restrictions		
Restricted by purpose or time	98,306	224,194
Restricted in perpetuity	<u>140,000</u>	<u>140,000</u>
Total net assets	<u>3,942,802</u>	<u>3,724,546</u>
TOTAL LIABILITIES AND NET ASSETS	<u>4,042,418</u>	<u>3,856,786</u>

See accompanying notes to financial statements.

MATT TALBOT KITCHEN & OUTREACH, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Donations	1,047,809	25,017	1,072,826
Grant revenue	573,185		573,185
Special events	597,501		597,501
Investment income	12,586		12,586
Miscellaneous income	613		613
	<u>2,231,694</u>	<u>25,017</u>	<u>2,256,711</u>
Net assets released from restriction	150,905	(150,905)	
Total revenues and other support	<u>2,382,599</u>	<u>(125,888)</u>	<u>2,256,711</u>
EXPENSES			
Program expenses	1,373,671		1,373,671
Support services			
Management and general	289,442		289,442
Fundraising	375,342		375,342
Total expenses	<u>2,038,455</u>		<u>2,038,455</u>
CHANGE IN NET ASSETS	344,144	(125,888)	218,256
NET ASSETS, beginning of year	<u>3,360,352</u>	<u>364,194</u>	<u>3,724,546</u>
NET ASSETS, end of year	<u>3,704,496</u>	<u>238,306</u>	<u>3,942,802</u>

See accompanying notes to financial statements.

MATT TALBOT KITCHEN & OUTREACH, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Donations	677,610	754,887	1,432,497
Grant revenue	476,362		476,362
Special events	462,862		462,862
Investment income	20,725		20,725
Miscellaneous income	2,006		2,006
	<u>1,639,565</u>	<u>754,887</u>	<u>2,394,452</u>
Net assets released from restriction	530,693	(530,693)	
Total revenues and other support	<u>2,170,258</u>	<u>224,194</u>	<u>2,394,452</u>
EXPENSES			
Program expenses	1,303,140		1,303,140
Support services			
Management and general	267,951		267,951
Fundraising	259,950		259,950
Total expenses	<u>1,831,041</u>		<u>1,831,041</u>
CHANGE IN NET ASSETS	339,217	224,194	563,411
NET ASSETS, beginning of year	<u>3,021,135</u>	<u>140,000</u>	<u>3,161,135</u>
NET ASSETS, end of year	<u>3,360,352</u>	<u>364,194</u>	<u>3,724,546</u>

See accompanying notes to financial statements.

MATT TALBOT KITCHEN & OUTREACH, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018

	Program Services			Support Services			Total
	Hunger Relief	Outreach	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	133,878	349,570	483,448	171,899	154,358	326,257	809,705
Payroll taxes	9,697	26,642	36,339	11,449	12,093	23,542	59,881
Employee benefits	22,645	72,579	95,224	24,387	21,804	46,191	141,415
Advertising	4,155	4,155	8,310	4,748	105,642	110,390	118,700
Miscellaneous	839	10,335	11,174	1,073	3,894	4,967	16,141
Professional expense	8,583	8,640	17,223	46,666	9	46,675	63,898
Office supplies and expenses	7,345	19,419	26,764	5,542	5,872	11,414	38,178
Rent		27,600	27,600				27,600
Rental assistance		103,804	103,804				103,804
Telephone	2,546	6,731	9,277	1,385	2,035	3,420	12,697
Assistance to individuals	575	47,357	47,932				47,932
Postage	984	2,582	3,566	533	7,613	8,146	11,712
Repairs and maintenance	23,456	33,870	57,326	5,951	1,550	7,501	64,827
Pest control	1,075		1,075				1,075
Kitchen supplies	14,212		14,212				14,212
Food supplies	260,741		260,741				260,741
Utilities	11,725	23,703	35,428	2,687	700	3,387	38,815
Insurance	8,853	11,944	20,797	2,353	613	2,966	23,763
Printing	1,678	4,406	6,084	909	16,316	17,225	23,309
Depreciation	34,884	47,063	81,947	9,271	2,415	11,686	93,633
Cleaning supplies	2,217	2,991	5,208	589	153	742	5,950
Weekend security	18,205		18,205				18,205
Strategic plan implementation	993	994	1,987				1,987
Event expenses					40,275	40,275	40,275
<b>TOTAL EXPENSES</b>	<b>569,286</b>	<b>804,385</b>	<b>1,373,671</b>	<b>289,442</b>	<b>375,342</b>	<b>664,784</b>	<b>2,038,455</b>

See accompanying notes to financial statements.



MATT TALBOT KITCHEN & OUTREACH, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2017

	Program Services			Support Services			Total
	Hunger Relief	Outreach	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	118,992	313,695	432,687	149,003	146,315	295,318	728,005
Payroll taxes	8,748	23,062	31,810	10,954	10,757	21,711	53,521
Employee benefits	18,987	50,055	69,042	23,776	23,347	47,123	116,165
Advertising	58,453	58,453	116,906		12,990	12,990	129,896
Miscellaneous	1,425	5,261	6,686		2,868	2,868	9,554
Professional expense	9,644	9,419	19,063	43,642	1,040	44,682	63,745
Office supplies and expenses	3,705	5,612	9,317	18,928	3,154	22,082	31,399
Rent		26,700	26,700				26,700
Rental assistance		62,181	62,181				62,181
Telephone	4,251	4,251	8,502	3,644		3,644	12,146
Assistance to individuals	275	40,494	40,769				40,769
Postage	3,065	3,066	6,131		11,386	11,386	17,517
Repairs and maintenance	25,693	26,393	52,086				52,086
Pest control	723		723				723
Kitchen supplies	8,313	8,304	16,617				16,617
Food supplies	232,456		232,456				232,456
Utilities	10,853	21,665	32,518	1,891	567	2,458	34,976
Insurance	12,442	12,442	24,884				24,884
Printing		261	261	7,561	18,250	25,811	26,072
Depreciation	31,640	42,758	74,398	8,552	2,565	11,117	85,515
Cleaning supplies	3,684		3,684				3,684
Weekend security	12,637		12,637				12,637
Strategic plan implementation	11,541	11,541	23,082				23,082
Event expenses					26,711	26,711	26,711
<b>TOTAL EXPENSES</b>	<b>577,527</b>	<b>725,613</b>	<b>1,303,140</b>	<b>267,951</b>	<b>259,950</b>	<b>527,901</b>	<b>1,831,041</b>

See accompanying notes to financial statements.

MATT TALBOT KITCHEN & OUTREACH, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>218,256</u>	<u>563,411</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	93,633	85,515
Unrealized gain (loss) on investments	3,570	(7,224)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	14,956	(8,343)
Pledges receivable	125,888	(224,194)
Prepaid expenses	(10,221)	(3,619)
Increase (decrease) in liabilities:		
Accounts payable	(760)	1,512
Wages payable	15,177	12,409
Payroll taxes payable	2,126	(19)
Deferred income	(49,167)	1,667
Total adjustments	<u>195,202</u>	<u>(142,296)</u>
Net cash provided by operating activities	<u>413,458</u>	<u>421,115</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income reinvested	(10,989)	(10,883)
Certificate of deposit redeemed	59,298	
Purchases of fixed assets	<u>(93,682)</u>	<u>(641,220)</u>
Net cash used in investing activities	<u>(45,373)</u>	<u>(652,103)</u>
NET INCREASE (DECREASE) IN CASH	368,085	(230,988)
CASH, beginning of year	<u>361,499</u>	<u>592,487</u>
CASH, end of year	<u>729,584</u>	<u>361,499</u>

See accompanying notes to financial statements.

MATT TALBOT KITCHEN & OUTREACH, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Matt Talbot Kitchen & Outreach, Inc., is organized to provide the working poor and homeless of Lincoln, Nebraska, with a safe, welcome place where they can receive two free nutritious meals daily - 365 days a year. In addition, the Organization provides a wide array of outreach and homeless prevention services which include but are not limited to: Housing, Case Management, Substance Use Services, Life Skills Training, Nutrition Counseling, and a wide array of basic and emergency services such as telephone services, a mailing address, showers, and laundry services for our community's homeless.

New Accounting Pronouncement

Effective January 1, 2018, the Organization adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as provide information regarding liquidity, financial performance, and cash flows. The provisions of ASU 2016-14 that significantly change the Organization's financial statements are as follows:

- Revises the net assets classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three classes;
- Enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions; and
- Requires quantitative and qualitative disclosures on liquidity and the availability of resources to fund operations.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions.

Without Donor Restrictions

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in net assets without donor restrictions unless their use is limited by donor stipulation or by laws.

MATT TALBOT KITCHEN & OUTREACH, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

With Donor Restrictions

Net assets subject to donor- or 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

Contributions

The Organization utilizes FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

MATT TALBOT KITCHEN & OUTREACH, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

Volunteers

Donated materials are reflected as contributions in the financial statements at their fair market value at date of receipt. No amounts have been reflected in the statements for donated services provided by volunteers inasmuch as no objective basis is available to measure the value of such services and because the services provided do not meet the recognition criteria of FASB ASC 958-605; however, a substantial number of volunteers have donated significant amounts of their time in Matt Talbot Kitchen & Outreach, Inc., programs.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2018 and 2017, the Organization had no cash equivalents.

Pledges Receivable

The Organization uses the allowance method to account for uncollectible pledges receivable.

Investments

The Organization utilizes FASB ASC 958-320, *Not-for-Profit Entities, Investments - Debt and Equity Securities*. FASB ASC 958-320 establishes standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives, which range from 5 to 39 years.

MATT TALBOT KITCHEN & OUTREACH, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Full-time, year-round employees are entitled to paid vacation depending on the length of service and other factors. Employees' vacation benefits are recognized in the period earned.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$118,700 and \$129,897 for the years ended December 31, 2018 and 2017, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

MATT TALBOT KITCHEN & OUTREACH, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 2. PROPERTY AND EQUIPMENT

The major classes of fixed assets in service at December 31, 2018 and 2017, are as follows:

	2018	2017
Land	27,600	27,600
Building	3,212,029	3,131,811
Furniture and equipment	210,906	197,442
	<u>3,450,535</u>	<u>3,356,853</u>
Less accumulated depreciation	(879,850)	(786,217)
Net property and equipment	<u><u>2,570,685</u></u>	<u><u>2,570,636</u></u>

NOTE 3. CONTRIBUTED SERVICES AND MATERIALS

In-kind contributions - principally donated food supplies and accounting services - are recorded as revenue and expensed in the period the items are received. These contributions amounted to \$284,941 and \$259,887 for the years ended December 31, 2018 and 2017, respectively.

NOTE 4. CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018 and 2017, there were uninsured deposits of \$42,936 and \$133,599, respectively.

NOTE 5. INVESTMENTS

The Organization utilizes FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, fair value is 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. In determining fair value, the Organization uses various methods including market, income, and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair

MATT TALBOT KITCHEN & OUTREACH, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS (Continued)

value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended December 31, 2018, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2018 and 2017, at fair value on a recurring basis.

	2018			
	Total	Level 1	Level 2	Level 3
Balanced index mutual fund	<u>68,332</u>	<u>68,332</u>	<u>          </u>	<u>          </u>
	2017			
	Total	Level 1	Level 2	Level 3
Balanced index mutual fund	<u>70,340</u>	<u>70,340</u>	<u>          </u>	<u>          </u>



MATT TALBOT KITCHEN & OUTREACH, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS (Continued)

The carrying amounts, market value, unrealized gains, and unrealized losses of the investments at December 31, 2018 and 2017, are as follows:

	2018		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Balanced index mutual fund	<u>44,958</u>	<u>23,374</u>	<u>68,332</u>
	2017		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Balanced index mutual fund	<u>43,397</u>	<u>26,943</u>	<u>70,340</u>

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2018 and 2017:

	2018	2017
Interest and dividends	16,156	13,501
Unrealized gains (losses)	<u>(3,570)</u>	<u>7,224</u>
	<u>12,586</u>	<u>20,725</u>

NOTE 6. RETIREMENT PLAN

The Organization maintains a SIMPLE IRA plan for all eligible employees. Employer contributions are made based on a 1-for-1 match of the employee's contributions up to 3% of wages. The Organization's expense was \$12,231 and \$9,619 for the years ended December 31, 2018 and 2017, respectively.

MATT TALBOT KITCHEN & OUTREACH, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. PLEDGES RECEIVABLE

Promises to give, net of discount to present value at 6% and allowance for doubtful accounts, are due to be collected as follows:

	2018	2017
Gross amount due in:		
One year or less	102,302	157,703
Two to five years	<u>1,250</u>	<u>84,169</u>
	103,552	241,872
Less discount to present value	<u>(72)</u>	<u>(5,585)</u>
	103,480	236,287
Less allowance for doubtful accounts	<u>(5,174)</u>	<u>(12,093)</u>
	<u><u>98,306</u></u>	<u><u>224,194</u></u>

The discount will be recognized as contribution income in years 2019 through 2020.

NOTE 8. LEASE COMMITMENTS

The Organization leases housing for its transitional housing program leased under two noncancellable leases. The leases both expire in March 2022.

In October 2018, the Organization entered into a lease for copier equipment for 60 months. The lease is effective until October 2023 with a monthly payment of \$379 including applicable sales taxes and fees.

The future minimum rental payments required under the lease agreements are as follows:

Year Ended	
2019	33,742
2020	34,642
2021	35,842
2022	9,892
2023	<u>3,790</u>
	<u><u>117,908</u></u>

NOTE 9. RELATED PARTIES

Pledges receivable at December 31, 2018 and 2017, included \$10,301 and \$32,573 of promises to give by employees, Board members or their immediate families.

MATT TALBOT KITCHEN & OUTREACH, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 10. NET ASSETS

Net assets with donor restrictions:	2018	2017
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	<u>98,306</u>	<u>224,194</u>
Restricted in perpetuity	<u>140,000</u>	<u>140,000</u>
Total net assets with donor restrictions	<u><u>238,306</u></u>	<u><u>364,194</u></u>

*Net Assets Restricted in Perpetuity*

During 2013, the Organization entered into negotiations with the City of Lincoln to repay the loans due to the City that were incurred during the Organization's relocation in 2009. The City agreed to reduce the amounts owed by \$140,000, under the provision that if the Organization should no longer use the property for services to homeless and near-homeless individuals or the property is sold, the amount would be due in full. The Organization has recorded the \$140,000 as net assets restricted in perpetuity on the statement of financial position.

The Organization's net assets without donor restrictions is comprised of undesignated and board-designated amounts for the following purposes at:

	2018	2017
Undesignated	3,504,496	3,160,352
Board-designated for capital improvements	<u>200,000</u>	<u>200,000</u>
Total net assets without donor restrictions	<u><u>3,704,496</u></u>	<u><u>3,360,352</u></u>

*Board-Designated for Capital Improvements*

In 2003, the Board of Directors designated \$115,000 of unrestricted net assets to be used for capital improvements. The amount was increased to \$200,000 in 2005.

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NOTE 11. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	729,584
Certificates of deposit	202,936
Grants receivable	6,875
Pledges receivable	<u>98,378</u>
Total financial assets available to management for general expenditure within one year	<u>1,037,773</u>

NOTE 12. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 6, 2019, the date the financial statements were available to be issued.