

MATT TALBOT KITCHEN & OUTREACH, INC.

LINCOLN, NEBRASKA

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

MATT TALBOT KITCHEN & OUTREACH, INC.
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Matt Talbot Kitchen & Outreach, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Matt Talbot Kitchen & Outreach Inc.'s ability to continue as a going concern within one year after the date that the consolidated 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 Matt Talbot Kitchen & Outreach, Inc.'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 Matt Talbot Kitchen & Outreach, Inc.'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.

Dana F Cole + Company, LLP

Lincoln, Nebraska
May 18, 2023

MATT TALBOT KITCHEN & OUTREACH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS	2022	2021
ASSETS		
Cash and cash equivalents	2,949,156	2,509,645
Certificates of deposit	473,982	681,948
Investments	536,155	189,869
Grants receivable	141,884	304,274
Pledges receivable	85,000	
Prepaid expenses	36,495	41,750
Construction in process	263,041	5,500
Land	27,600	27,600
Building	3,239,288	3,239,288
Furniture and equipment	314,086	271,964
Accumulated depreciation	<u>(1,279,714)</u>	<u>(1,177,993)</u>
 TOTAL ASSETS	 <u>6,786,973</u>	 <u>6,093,845</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	48,807	29,469
Wages payable	95,966	94,522
Payroll withholdings payable	<u>7,162</u>	<u>3,250</u>
Total liabilities	<u>151,935</u>	<u>127,241</u>
 NET ASSETS		
Without donor restrictions	5,981,141	5,722,755
With donor restrictions		
Restricted by purpose or time	393,597	103,849
Restricted in perpetuity	<u>260,300</u>	<u>140,000</u>
Total net assets	<u>6,635,038</u>	<u>5,966,604</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>6,786,973</u>	 <u>6,093,845</u>

See accompanying notes to financial statements.

MATT TALBOT KITCHEN & OUTREACH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Donations			
Cash	725,036	665,717	1,390,753
In-kind	337,617		337,617
Grant revenue	568,959	243,098	812,057
Special events	1,054,609		1,054,609
Investment income	24,044		24,044
Miscellaneous income	1,812		1,812
	<u>2,712,077</u>	<u>908,815</u>	<u>3,620,892</u>
Net assets released from restrictions	498,767	(498,767)	
Total revenues and other support	<u>3,210,844</u>	<u>410,048</u>	<u>3,620,892</u>
EXPENSES			
Program expenses	2,250,532		2,250,532
Support services			
Management and general	366,770		366,770
Fundraising	335,156		335,156
Total expenses	<u>2,952,458</u>	<u></u>	<u>2,952,458</u>
CHANGE IN NET ASSETS	258,386	410,048	668,434
NET ASSETS, beginning of year	<u>5,722,755</u>	<u>243,849</u>	<u>5,966,604</u>
NET ASSETS, end of year	<u>5,981,141</u>	<u>653,897</u>	<u>6,635,038</u>

See accompanying notes to financial statements.

MATT TALBOT KITCHEN & OUTREACH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Donations			
Cash	979,272		979,272
In-kind	306,078		306,078
Grant revenue	683,292	825,504	1,508,796
Special events	977,791		977,791
Investment income	34,143		34,143
Miscellaneous income	568		568
	<u>2,981,144</u>	<u>825,504</u>	<u>3,806,648</u>
Net assets released from restrictions	826,345	(826,345)	
Total revenues and other support	<u>3,807,489</u>	<u>(841)</u>	<u>3,806,648</u>
EXPENSES			
Program expenses	2,141,153		2,141,153
Support services			
Management and general	329,483		329,483
Fundraising	333,020		333,020
Total expenses	<u>2,803,656</u>		<u>2,803,656</u>
CHANGE IN NET ASSETS	1,003,833	(841)	1,002,992
NET ASSETS, beginning of year	<u>4,718,922</u>	<u>244,690</u>	<u>4,963,612</u>
NET ASSETS, end of year	<u>5,722,755</u>	<u>243,849</u>	<u>5,966,604</u>

See accompanying notes to financial statements.

MATT TALBOT KITCHEN & OUTREACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services			Support Services			Total
	Hunger Relief	Outreach	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	118,096	531,353	649,449	243,987	226,237	470,224	1,119,673
Payroll taxes	14,574	37,934	52,508	15,398	16,304	31,702	84,210
Employee benefits	29,084	143,928	173,012	23,791	28,524	52,315	225,327
Advertising	53,356	53,356	106,712		45,734	45,734	152,446
Miscellaneous	12,366	16,683	29,049	3,286	856	4,142	33,191
Professional expense	7,498	32,323	39,821	41,738	5,993	47,731	87,552
Office supplies and expenses	28,833	38,900	67,733	7,663	1,996	9,659	77,392
Rent	115,386		115,386				115,386
Rental assistance		220,903	220,903				220,903
Telephone	2,221	5,871	8,092	1,208	1,775	2,983	11,075
Assistance to individuals		65,403	65,403				65,403
Postage	12,867		12,867				12,867
Repairs and maintenance	35,097	47,351	82,448	9,328	2,430	11,758	94,206
Pest control	1,076		1,076				1,076
Kitchen supplies	33,875		33,875				33,875
Food supplies	348,914		348,914				348,914
Utilities	19,983	26,960	46,943	5,311	1,384	6,695	53,638
Insurance	16,031	21,628	37,659	4,261	1,110	5,371	43,030
Printing	43,259		43,259				43,259
Depreciation	37,897	51,128	89,025	10,072	2,624	12,696	101,721
Cleaning supplies	2,735	3,689	6,424	727	189	916	7,340
Weekend security	19,974		19,974				19,974
TOTAL EXPENSES	<u>953,122</u>	<u>1,297,410</u>	<u>2,250,532</u>	<u>366,770</u>	<u>335,156</u>	<u>701,926</u>	<u>2,952,458</u>

See accompanying notes to financial statements.

MATT TALBOT KITCHEN & OUTREACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services			Support Services			
	Hunger Relief	Outreach	Total Program Services	Management and General	Fundraising	Total Support Services	Total
Salaries	142,927	550,355	693,282	205,127	204,985	410,112	1,103,394
Payroll taxes	10,825	38,773	49,598	16,490	14,026	30,516	80,114
Employee benefits	37,253	155,303	192,556	23,955	24,245	48,200	240,756
Advertising	41,757	41,757	83,514		35,793	35,793	119,307
Miscellaneous	5,526	13,359	18,885	188	8,622	8,810	27,695
Professional expense	15,844	30,336	46,180	51,047	629	51,676	97,856
Office supplies and expenses	23,862	31,821	55,683	5,832	343	6,175	61,858
Rent		86,161	86,161				86,161
Rental assistance	286	217,629	217,915		18,636	18,636	236,551
Telephone	5,729	5,830	11,559				11,559
Assistance to individuals		71,871	71,871				71,871
Postage	4,940	5,135	10,075		2,207	2,207	12,282
Interest				1		1	1
Repairs and maintenance	30,079	40,582	70,661	7,994	2,083	10,077	80,738
Pest control	927		927				927
Kitchen supplies	18,540	1,823	20,363				20,363
Food supplies	308,808	78	308,886				308,886
Utilities	18,151	24,488	42,639	4,824	1,256	6,080	48,719
Insurance	13,693	18,473	32,166	3,639	948	4,587	36,753
Printing	834	814	1,648		16,542	16,542	18,190
Depreciation	37,124	50,086	87,210	9,867	2,570	12,437	99,647
Cleaning supplies	1,952	2,634	4,586	519	135	654	5,240
Weekend security	19,788		19,788				19,788
Strategic plan implementation	7,500	7,500	15,000				15,000
TOTAL EXPENSES	746,345	1,394,808	2,141,153	329,483	333,020	662,503	2,803,656

See accompanying notes to financial statements.

MATT TALBOT KITCHEN & OUTREACH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>668,434</u>	<u>1,002,992</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	101,721	99,647
Unrealized loss (gain) on investments	41,212	36,320
Realized loss (gain) on investments	2,264	(48,074)
Contributions restricted in perpetuity	(120,300)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	162,390	(246,652)
Pledges receivable	(85,000)	
Prepaid expenses	5,255	(4,468)
Increase (decrease) in liabilities:		
Accounts payable	19,338	(1,693)
Wages payable	1,443	498
Payroll withholdings payable	3,912	(864)
Deferred income		(214,700)
Total adjustments	<u>132,235</u>	<u>(379,986)</u>
Net cash provided by operating activities	<u>800,669</u>	<u>623,006</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income reinvested	(24,213)	(13,354)
Purchases of investments	(445,872)	(75,000)
Sales of investments	72,395	
Certificates of deposit redeemed	215,895	
Purchases of fixed assets	<u>(299,663)</u>	<u>(24,697)</u>
Net cash used in investing activities	<u>(481,458)</u>	<u>(113,051)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted in perpetuity	<u>120,300</u>	
Net cash provided by financing activities	<u>120,300</u>	
NET INCREASE IN CASH	439,511	509,955
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,509,645</u>	<u>1,999,690</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>2,949,156</u></u>	<u><u>2,509,645</u></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. (the Organization), 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.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Grant revenues

Grant amounts awarded, but not received, are reported as receivables. Grant revenue is recognized in the period the grant is awarded, provided it is unconditional, and is recorded as revenue in net assets with or without donor restrictions, depending on the grantor's intent. Unrestricted grant program revenues represent grant dollars received which were either not restricted by the donor, or for which restrictions were met in the year received. Conditional grants are recognized as revenue is earned.

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, 2022 and 2021, the Organization had amounts held in STFIT accounts that are considered to be cash equivalents.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and 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 - 39 years.

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Leases

FASB Accounting Standards Update (ASU) 2016-02, Topic 842, *Leases*, was implemented in the current year. Under the standard, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. ROU assets are also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Lease liabilities are initially and subsequently recognized based on the present value of their future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as a variable lease expense (income) in the future period in which they are incurred.

ROU assets for operating leases are subsequently measured throughout the lease term at the amount of the remeasured lease liability (present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

ROU assets for finance leases are amortized on a straight-line basis over the lease term. Operating leases with fluctuating lease payments: For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset or liability for those leases. Lease payments for short-term leases are recognized on a straight-line basis.

The Organization has concluded that there are no material leases meeting the criteria listed above to be included as ROU assets or lease liabilities.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$152,447 and \$119,307 for the years ended December 31, 2022 and 2021, respectively.

Functional Expenses

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

NOTE 2. PROPERTY AND EQUIPMENT

The major classes of fixed assets in service at December 31, 2022 and 2021, are as follows:

	2022	2021
Land	27,600	27,600
Building	3,239,288	3,239,288
Construction in process	263,041	5,500
Furniture and equipment	314,086	271,964
	<u>3,844,015</u>	<u>3,544,352</u>
Less accumulated depreciation	<u>(1,279,714)</u>	<u>(1,177,993)</u>
Net property and equipment	<u>2,564,301</u>	<u>2,366,359</u>

NOTE 3. CONTRIBUTED SERVICES AND MATERIALS

In-kind contributions - principally donated food supplies utilized in the hunger relief program and accounting services - are recorded as revenue and expensed in the period the items are received. These contributions amounted to \$337,617 and \$306,078 for the years ended December 31, 2022 and 2021, 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 (FDIC) up to \$250,000. As of December 31, 2022 and 2021, there were uninsured deposits of \$932,167 and \$963,152, respectively. Amounts held in STFIT accounts are not insured by the FDIC, but are backed by short-term federal investments. The amounts held in STFIT was \$2,068,907 and \$1,526,589 at December 31, 2022 and 2021, respectively.

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

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 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 years ended December 31, 2022 and 2021, 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:

Cash and Cash Equivalents

Cash and cash equivalents and money market funds are recorded at fair value using quoted market prices. These are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

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

NOTE 5. INVESTMENTS (Continued)

Mutual Funds

Mutual funds are valued at the daily closing prices as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded and are classified as Level 1 investments.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2022 and 2021, at fair value on a recurring basis.

	2022			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	29,611	29,611		
Mutual funds				
Equity funds	270,336	270,336		
Fixed income funds	236,208	236,208		
	<u>536,155</u>	<u>536,155</u>		
	2021			
	Total	Level 1	Level 2	Level 3
Balanced index mutual fund	<u>189,869</u>	<u>189,869</u>		

The carrying amounts, market value, unrealized gains, and unrealized losses of the investments at December 31, 2022 and 2021, are as follows:

	2022		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Cash and cash equivalents	29,611		29,611
Mutual funds			
Equity funds	288,890	(18,554)	270,336
Fixed income funds	247,652	(11,444)	236,208
	<u>566,153</u>	<u>(29,998)</u>	<u>536,155</u>

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

NOTE 5. INVESTMENTS (Continued)

	2021		
	Total Cost	Unrealized Gains (Losses)	Estimated Fair Value
Balanced index mutual fund	<u>100,000</u>	<u>1,557</u>	<u>189,869</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 statements of activities for the years ended December 31, 2022 and 2021:

	2022	2021
Interest and dividends	67,520	22,389
Realized gains (losses)	(2,264)	48,074
Unrealized gains (losses)	<u>(41,212)</u>	<u>(36,320)</u>
	<u>24,044</u>	<u>34,143</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 \$18,353 and \$19,524 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7. PLEDGES RECEIVABLE

Promises to give are due to be collected as follows:

Gross amount due in:	
One year or less	<u>85,000</u>

Based on the expected collection dates and the history of the donors, no allowance for doubtful accounts or discount to present value is considered necessary.

NOTE 8. COMMITMENTS

The Organization entered into a contract for construction on a building addition in the estimated amount of \$1,144,960. To date the costs incurred are \$263,041 and the remaining estimated balance of the project is \$881,919.

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

NOTE 9. NET ASSETS

	2022	2021
Net assets with donor restrictions:		
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	30,880	80,340
Amounts restricted for capital projects not yet expended	<u>362,717</u>	<u>23,509</u>
expenditure until due	<u>393,597</u>	<u>103,849</u>
Restricted in perpetuity	<u>260,300</u>	<u>140,000</u>
Total net assets with donor restrictions	<u><u>653,897</u></u>	<u><u>243,849</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 has started receiving endowment donations to be restricted in perpetuity. The amount of endowment contributions to be held in perpetuity was \$120,300 and \$- 0 - at December 31, 2022 and 2021, respectively.

Net Assets Without Donor Restrictions

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

	2022	2021
Undesignated	5,781,141	5,522,755
Board-designated for capital improvements	<u>200,000</u>	<u>200,000</u>
Total net assets without donor restrictions	<u><u>5,981,141</u></u>	<u><u>5,722,755</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.

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

NOTE 10. DONOR-DESIGNATED ENDOWMENTS

The Organization's endowments includes donor-restricted funds designated to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return equal to or greater than the rate of inflation plus all fees and expenses annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has not implemented a formal spending policy.

The spending policy is based on a percentage of portfolio assets using the smoothing term model, which provides a consistent withdrawal percentage in perpetuity.

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

NOTE 10. DONOR-DESIGNATED ENDOWMENTS (Continued)

Endowment net asset composition by type of fund as of December 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Donor-restricted endowment funds		<u>120,300</u>	<u>120,300</u>
Total	<u>- 0 -</u>	<u>120,300</u>	<u>120,300</u>

Changes in endowment net assets as of December 31, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Endowment net assets, beginning of year			
Contributions		<u>120,300</u>	<u>120,300</u>
Endowment net assets, end of year	<u>- 0 -</u>	<u>120,300</u>	<u>120,300</u>

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:

	2022	2021
Cash and cash equivalents	2,949,156	2,509,645
Certificates of deposit	473,982	681,948
Grants receivable	<u>141,884</u>	<u>304,274</u>
	3,565,022	3,495,867
Less:		
Assets with donor restrictions	(308,597)	(243,849)
Assets with board designations	<u>(200,000)</u>	<u>(200,000)</u>
Total financial assets available to management for general expenditure within one year	<u>3,056,425</u>	<u>3,052,018</u>

NOTE 12. SUBSEQUENT EVENT

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 18, 2023, the date the financial statements were available to be issued.