

Matt Talbot Kitchen & Outreach, Inc.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended December 31, 2024

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statement of Matt Talbot Kitchen & Outreach, Inc. (the Organization), a nonprofit organization, which comprise the statements of financial position as of December 31, 2024, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

The Matt Talbot Kitchen & Outreach, Inc.'s financial statements for the year ended December 31, 2023, were previously audited by other auditors, and were given an unmodified audit opinion on those audited financial statements in their report dated July 2, 2024. As described in Note L, the Organization noted items that needed reclassified based on the endowment fund activity.

As part of our audit of the 2024 financial statements, we also audited the reclassifications described in Note L that were made as a result of additional information. In our opinion, such reclassifications are appropriate and have been properly applied.

In our opinion, the comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Hayes & Associates, LLC

Hayes & Associates, LLC
Omaha, Nebraska
May 21, 2025

Matt Talbot Kitchen & Outreach, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31,

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,816,755	\$ 2,361,559
Certificates of deposit	491,874	483,050
Investments	1,818,503	1,406,870
Accounts receivable	7,286	3,181
Grants receivable, net of discount of \$650	74,550	223,071
Pledges receivable	3,000	3,000
Prepaid expenses	47,888	42,054
Right-of-use assets	226,053	-
Construction in process	45,546	20,304
Land	27,600	27,600
Building	4,636,120	4,468,883
Furniture and equipment	477,695	329,724
Accumulated depreciation	(1,543,567)	(1,389,347)
Total assets	<u>\$ 8,129,303</u>	<u>\$ 7,979,949</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 111,241	\$ 59,563
Wages payable	125,296	104,887
Payroll withholdings payable	6,800	3,341
Operating lease liabilities	229,260	-
Total liabilities	<u>472,597</u>	<u>167,791</u>
NET ASSETS		
Without donor restriction	7,501,506	7,579,545
With donor restriction		
Restricted by purpose or time	15,200	92,613
Restricted in perpetuity	140,000	140,000
Total with donor restriction	<u>155,200</u>	<u>232,613</u>
Total net assets	<u>7,656,706</u>	<u>7,812,158</u>
 Total liabilities and net assets	 <u>\$ 8,129,303</u>	 <u>\$ 7,979,949</u>

See accompanying notes and independent auditor's report.

Matt Talbot Kitchen & Outreach, Inc.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2024

	Without donor restriction	With donor restriction	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Contributions			
Cash	\$ 1,243,507	\$ -	\$ 1,243,507
Non-financial assets	357,577	-	357,577
Grant revenue	629,167	15,200	644,367
Special events	858,225	-	858,225
Net investment income	250,176	-	250,176
Miscellaneous income	567	-	567
	<u>3,339,219</u>	<u>15,200</u>	<u>3,354,419</u>
Net assets released from restrictions	92,613	(92,613)	-
Total support, revenue, and reclassifications	<u>3,431,832</u>	<u>(77,413)</u>	<u>3,354,419</u>
EXPENSES AND LOSSES			
Program services	2,668,612	-	2,668,612
Support services			
Management and general	331,124	-	331,124
Fundraising	510,135	-	510,135
Total expenses and losses	<u>3,509,871</u>	<u>-</u>	<u>3,509,871</u>
CHANGE IN TOTAL NET ASSETS	(78,039)	(77,413)	(155,452)
NET ASSETS, BEGINNING OF YEAR	<u>7,579,545</u>	<u>232,613</u>	<u>7,812,158</u>
NET ASSETS, END OF YEAR	<u>\$ 7,501,506</u>	<u>\$ 155,200</u>	<u>\$ 7,656,706</u>

See accompanying notes and independent auditor's report.

Matt Talbot Kitchen & Outreach, Inc.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2023

	Without donor restriction	With donor restriction	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS			
Contributions			
Cash	\$ 2,110,485	\$ -	\$ 2,110,485
Non-financial assets	322,672	-	322,672
Grant revenue	630,280	293,291	923,571
Special events	738,317	-	738,317
Net investment income	255,022	-	255,022
Miscellaneous income	1,225	-	1,225
	<u>4,058,001</u>	<u>293,291</u>	<u>4,351,292</u>
Net assets released from restrictions	594,275	(594,275)	-
Total support, revenue, and reclassifications	<u>4,652,276</u>	<u>(300,984)</u>	<u>4,351,292</u>
EXPENSES AND LOSSES			
Program services	2,354,355	-	2,354,355
Support services			
Management and general	444,313	-	444,313
Fundraising	375,504	-	375,504
Total expenses and losses	<u>3,174,172</u>	<u>-</u>	<u>3,174,172</u>
CHANGE IN TOTAL NET ASSETS	1,478,104	(300,984)	1,177,120
NET ASSETS, BEGINNING OF YEAR	<u>6,101,441</u>	<u>533,597</u>	<u>6,635,038</u>
NET ASSETS, END OF YEAR	<u><u>\$ 7,579,545</u></u>	<u><u>\$ 232,613</u></u>	<u><u>\$ 7,812,158</u></u>

See accompanying notes and independent auditor's report.

Matt Talbot Kitchen & Outreach, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2024

	Program Services			Supporting Services			Total Expenses
	Hunger Relief	Outreach	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 223,293	\$ 739,153	\$ 962,446	\$ 220,581	\$ 249,346	\$ 469,927	\$ 1,432,373
Payroll taxes	17,139	56,403	73,542	13,761	18,980	32,741	106,283
Employee benefits	42,313	163,869	206,182	33,538	35,871	69,409	275,591
Advertising	33,623	33,623	67,246	-	67,246	67,246	134,492
Miscellaneous	7,942	5,204	13,146	1,593	8,384	9,977	23,123
Professional expense	23,667	31,725	55,392	12,095	2,222	14,317	69,709
Office supplies and expenses	8,893	33,794	42,687	6,522	8,893	15,415	58,102
Rent	-	55,650	55,650	-	-	-	55,650
Rental assistance	-	219,647	219,647	-	-	-	219,647
Telephone	2,093	7,955	10,048	1,535	2,093	3,628	13,676
Assistance to individuals	70	98,151	98,221	-	-	-	98,221
Postage	5,010	5,035	10,045	-	12,269	12,269	22,314
Repairs and maintenance	56,926	87,696	144,622	15,446	4,482	19,928	164,550
Pest control	1,080	64	1,144	-	-	-	1,144
Kitchen supplies	36,025	128	36,153	-	-	-	36,153
Food supplies	408,701	145	408,846	-	-	-	408,846
Utilities	9,027	34,301	43,328	6,620	9,026	15,646	58,974
Insurance	13,844	21,327	35,171	3,756	1,090	4,846	40,017
Printing	7,445	8,718	16,163	20	73,026	73,046	89,209
Depreciation	53,353	82,191	135,544	14,476	4,201	18,677	154,221
Cleaning supplies	4,353	6,707	11,060	1,181	343	1,524	12,584
Weekend security	21,428	901	22,329	-	-	-	22,329
Event expenses	-	-	-	-	12,663	12,663	12,663
Total expenses	<u>\$ 976,225</u>	<u>\$ 1,692,387</u>	<u>\$ 2,668,612</u>	<u>\$ 331,124</u>	<u>\$ 510,135</u>	<u>\$ 841,259</u>	<u>\$ 3,509,871</u>

See accompanying notes and independent auditor's report.

Matt Talbot Kitchen & Outreach, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2023

	Program Services			Supporting Services			
	Hunger Relief	Outreach	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Salaries	\$ 159,833	\$ 649,269	\$ 809,102	\$ 315,199	\$ 211,181	\$ 526,380	\$ 1,335,482
Payroll taxes	11,992	53,489	65,481	24,489	12,658	37,147	102,628
Employee benefits	26,685	153,353	180,038	35,954	29,239	65,193	245,231
Advertising	50,034	50,034	100,068	-	42,887	42,887	142,955
Miscellaneous	12,097	16,320	28,417	3,221	838	4,059	32,476
Professional expense	7,351	19,433	26,784	24,168	5,897	30,065	56,849
Office supplies and expenses	21,055	28,407	49,462	5,596	1,458	7,054	56,516
Rent	-	53,175	53,175	-	-	-	53,175
Rental assistance	-	216,989	216,989	-	-	-	216,989
Telephone	3,135	8,289	11,424	1,705	2,506	4,211	15,635
Assistance to individuals	-	60,456	60,456	-	-	-	60,456
Postage	17,697	-	17,697	-	-	-	17,697
Repairs and maintenance	44,800	60,442	105,242	11,907	3,102	15,009	120,251
Pest control	1,419	-	1,419	-	-	-	1,419
Kitchen supplies	25,808	-	25,808	-	-	-	25,808
Food supplies	347,238	-	347,238	-	-	-	347,238
Utilities	20,456	27,598	48,054	5,437	1,416	6,853	54,907
Insurance	18,818	25,388	44,206	5,001	1,303	6,304	50,510
Printing	37,570	-	37,570	-	-	-	37,570
Depreciation	40,844	55,105	95,949	10,855	2,828	13,683	109,632
Cleaning supplies	2,937	3,963	6,900	781	203	984	7,884
Weekend security	22,876	-	22,876	-	-	-	22,876
Event expenses	-	-	-	-	59,988	59,988	59,988
Total expenses	<u>\$ 872,645</u>	<u>\$ 1,481,710</u>	<u>\$ 2,354,355</u>	<u>\$ 444,313</u>	<u>\$ 375,504</u>	<u>\$ 819,817</u>	<u>\$ 3,174,172</u>

See accompanying notes and independent auditor's report.

Matt Talbot Kitchen & Outreach, Inc.
STATEMENTS OF CASH FLOWS
For the years ended December 31,

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	\$ (155,452)	\$ 1,177,120
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	154,221	109,632
Unrealized loss (gain) on investments	(172,667)	(105,154)
Realized loss (gain) on investments	36,034	(1,428)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(4,105)	(3,181)
Grants receivable	148,521	(81,187)
Pledges receivable	-	82,000
Prepaid expenses	(5,834)	(5,559)
Right-of-Use assets	(226,053)	-
Increase (decrease) in liabilities:		
Accounts payable	51,678	10,756
Wages payable	20,409	8,921
Payroll withholdings payable	3,459	(3,821)
Lease liabilities	229,260	-
Total adjustments	<u>234,923</u>	<u>10,979</u>
Net cash (used)/provided by operating activities	79,471	1,188,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income reinvested	(8,824)	(52,358)
Purchases of investments	(275,000)	(773,941)
Sales of investments	228,483	53,099
Purchases of capital assets	<u>(340,451)</u>	<u>(1,002,496)</u>
Net cash (used)/provided by investing activities	<u>(624,275)</u>	<u>(1,775,696)</u>
NET CHANGE IN CASH	(544,804)	(587,597)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,361,559</u>	<u>2,949,156</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>1,816,755</u></u>	<u><u>\$ 2,361,559</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Right-of-use asset obtained in exchange for operating lease liability	<u>\$ 277,206</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2024, and 2023

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of Matt Talbot Kitchen & Outreach, Inc.

1. Organization

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.

2. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

3. Financial Statement Presentation

The financial statements are presented in accordance with the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958 and update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to the minimum classification scheme of two classes of net assets:

- a. Net assets without donor restrictions; including net assets whose use is not restricted by donors, though their use may be limited in other respects, such as by contract or by board designation. 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 are reported as increases in net assets without donor restriction unless their use is limited by donor stipulation or by laws.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Financial Statement Presentation – Continued

- b. Net assets with donor restrictions; including net assets whose use by the Organization has been limited by donors either temporarily or in perpetuity, depending on the donor stipulations. 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 those 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 statement 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.

4. 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 contributions of non-financial assets. 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.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Contributions – Continued

The amounts reflected in the accompanying financial statements as contributed non-financial assets 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 financial 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 the Organization's programs.

5. Grant and Pledge Receivables and 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 when earned.

6. Cash and Cash Equivalents and Certificates of Deposit

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less, with or without donor restrictions, to be cash equivalents. All certificates of deposit have an initial maturity of 12 months or less. At December 31, 2024, and 2023, the Organization had amounts held in short-term federal investment trust (STFIT) accounts that are considered to be cash equivalents. Cash and cash equivalents and certificates of deposit are measured at amortized cost, thus, evaluated for expected credit losses. Based on management's review of historical data, in addition to current conditions and forecasts, the Organization has not recognized an expected credit loss.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Accounts Receivable

The Organization uses the allowance method to account for uncollectible receivables. Accounts receivable balances as of December 31, 2024 and 2023, were \$7,286 and \$3,181 respectively. Management has determined that any allowance for credit losses would be immaterial to the financial statements and has not recognized an expected credit loss.

8. 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.

9. 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.

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.

10. 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.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Income Tax Status

The Organization is exempt from income taxes 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 has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization's tax filings required by state, local, or non-U.S. tax authorities are no longer subject to examination for years before 2021.

12. 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 certain 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. Accordingly, actual results could differ from those estimates.

13. Leases

FASB Accounting Standards Update (ASU) 2016-02, Topic 842, *Leases*, has been implemented by the Organization. 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.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Leases – Continued

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 remeasure 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. 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 elected to the option to use the federal discount rate, using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has elected the practical expedient to not separate lease and non-lease components for equipment leases.

15. Advertising

Advertising costs are expensed as incurred. Advertising expense was \$134,492 and \$142,955 for the years ended December 31, 2024, and 2023, respectively.

16. Functional Expenses

The costs for 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 based on time and effort, space utilization, and other factors.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE B CAPITAL ASSETS

The major classes of capital assets in service at December 31, 2024, and 2023, are as follows:

	2024	2023
Land	\$ 27,600	\$ 27,600
Building	4,636,120	4,468,883
Construction in process	45,546	20,304
Furniture and equipment	477,695	329,724
	<u>5,186,961</u>	<u>4,846,511</u>
Less: accumulated depreciation	<u>(1,543,567)</u>	<u>(1,389,347)</u>
Net capital assets	<u>\$ 3,643,394</u>	<u>\$ 3,457,164</u>

Depreciation expense totaled \$154,221 and \$109,632 for the years ended December 31, 2024, and 2023, respectively.

NOTE C CONTRIBUTED SERVICES AND MATERIALS

Contributed non-financial assets – 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 non-financial contributions are valued using the USDA CACFP (Child and Adult Care Food Program) reimbursement rate for meals served. These contributions amounted to \$357,577 and \$322,672 for the years ended December 31, 2024, and 2023, respectively.

NOTE D CONCENTRATION 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, 2024, and 2023, there were uninsured deposits of \$368,526 and \$671,844, 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 accounts was \$1,433,715 and \$1,744,607 at December 31, 2024, and 2023, respectively.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE E 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.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE E INVESTMENTS – CONTINUED

For the years ended December 31, 2024, and 2023, 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.

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, 2024, and 2023, at fair value on a recurring basis.

	2024			
	Amount	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 56,577	\$ 56,577	\$ -	\$ -
Mutual funds				
Equity funds	953,443	953,443	-	-
Fixed income funds	808,483	808,483	-	-
Total investments	<u>\$ 1,818,503</u>	<u>\$ 1,818,503</u>	<u>\$ -</u>	<u>\$ -</u>

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE E INVESTMENTS – CONTINUED

	2023			
	Amount	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 74,317	\$ 74,317	\$ -	\$ -
Mutual funds				
Equity funds	752,620	752,620	-	-
Fixed income funds	579,933	579,933	-	-
Total investments	<u>\$ 1,406,870</u>	<u>\$ 1,406,870</u>	<u>\$ -</u>	<u>\$ -</u>

The carrying amounts, market value, unrealized gains, and unrealized losses of the investments at December 31, 2024, and 2023, are as follows:

	2024		
	Total Cost	Unrealized Gain/(Loss)	Estimated Fair Value
Cash and cash equivalents	\$ 56,577	\$ -	\$ 56,577
Mutual funds			
Equity funds	786,544	166,899	953,443
Fixed income funds	809,412	(929)	808,483
Total investments	<u>\$ 1,652,533</u>	<u>\$ 165,970</u>	<u>\$ 1,818,503</u>

	2023		
	Total Cost	Unrealized Gain/(Loss)	Estimated Fair Value
Cash and cash equivalents	\$ 74,317	\$ -	\$ 74,317
Mutual funds			
Equity funds	683,318	69,302	752,620
Fixed income funds	574,079	5,854	579,933
Total investments	<u>\$ 1,331,714</u>	<u>\$ 75,156</u>	<u>\$ 1,406,870</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.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE E INVESTMENTS – CONTINUED

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, 2024, and 2023:

	2024	2023
Interest and dividends	\$ 163,525	\$ 148,429
Realized gains (losses)	(36,034)	1,428
Unrealized gains (losses)	138,510	105,165
Investment fees	(15,825)	-
Net investment income	<u>\$ 250,176</u>	<u>\$ 255,022</u>

NOTE F 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 \$22,740 and \$13,132 for the years ended December 31, 2024, and 2023, respectively.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE G PLEDGES AND GRANTS RECEIVABLE

Promises to give are due to be collected as follows:

	<u>2024</u>	<u>2023</u>
Gross amount due in:		
One year or less	<u>\$ 3,000</u>	<u>\$ 3,000</u>

Grants receivable are due to be collected as follows:

	<u>2024</u>	<u>2023</u>
Gross amount due in:		
One year or less	\$ 65,200	\$ 223,071
One year to five years	10,000	-
Less: present value discount (6.5%)	<u>(650)</u>	<u>-</u>
Net grants receivable	<u>\$ 74,550</u>	<u>\$ 233,071</u>

Grants receivable in more than one year were discounted using a discount rate of 6.5%, which is the rate the Organization would expect to receive if they pursued loans through the bank.

NOTE H LEASES

During the year ended December 31, 2024, the Organization entered into multiple leases for use of homes to provide housing for the homeless.

The weighted-average remaining lease term is 3.08 years, and the weighted-average discount rate is 5.50%.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE H LEASES – CONTINUED

Lease information is as follows:

	Discount rate	2024			
		Lease Expense	Remaining Lease Liability	Right of Use Asset Ammortization	Remaining Right of Use Asset
On February 1, 2024, the Organization entered into a lease agreement for the use of a home. The lease is payable in 24 monthly fixed installments of \$2,200 for the first 12 months and \$2,275 for the following 12 months. At the end of the initial term it is the Organization's intention to extend the lease for an additional three years. The monthly installments will be \$2,325 for the first year, \$2,400 for the second year, and \$2,475 for the final year. The final payment of the lease is due on January 1, 2029.	5.50%	\$ 24,200	\$ 103,854	\$ 25,685	\$ 102,370
On April 1, 2024, the Organization entered into a lease agreement for the use of a home. The lease is payable in 36 monthly fixed installments of \$1,725 for the first 12 months, \$1,800 for the following 12 months, and \$1,875 for the final 12 months. The final payment of the lease is due on March 1, 2027.	5.50%	15,525	46,420	16,200	45,745
On April 1, 2024, the Organization entered into a lease agreement for the use of a home. The lease is payable in 36 monthly fixed installments of \$1,475 for the first 12 months, \$1,525 for the following 12 months, and \$1,600 for the final 12 months. The final payment of the lease is due on March 1, 2027.	5.50%	13,275	39,493	13,800	38,969
On April 1, 2024, the Organization entered into a lease agreement for the use of a home. The lease is payable in 36 monthly fixed installments of \$1,475 for the first 12 months, \$1,525 for the following 12 months, and \$1,600 for the final 12 months. The final payment of the lease is due on March 1, 2027.	5.50%	13,275	39,493	13,800	38,969
		66,275	229,260	69,485	226,053
Less: Current Portion			84,900		
Total		\$ 66,275	\$ 144,360	\$ 69,485	\$ 226,053

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE H LEASES – CONTINUED

Future minimum lease payments are as follows:

<u>Year ending December 31,</u>	
2025	\$ 84,900
2026	88,075
2027	43,950
2028	29,625
2029	<u>2,473</u>
Total	249,023
Less: Present value discount	<u>(19,763)</u>
Total Lease Liabilities	<u><u>\$ 229,260</u></u>

NOTE I NET ASSETS

Net Assets with Donor Restrictions

	<u>2024</u>	<u>2023</u>
Net assets with donor restrictions:		
Subject to passage of time		
Promises to give that are not restricted		
by donors but which are unavailable		
for expenditure until due	\$ 15,200	\$ 34,033
Amounts restricted for capital projects		
not yet expended	<u>-</u>	<u>58,580</u>
Total net assets subject to the passage of time	15,200	92,613
Restricted in perpetuity	<u>140,000</u>	<u>140,000</u>
Total net assets with donor restrictions	<u><u>\$ 155,200</u></u>	<u><u>\$ 232,613</u></u>

Net Assets Released from Restrictions

	<u>2024</u>	<u>2023</u>
Net assets released from restrictions:		
Satisfaction of time-based restriction	\$ 34,033	\$ 290,138
Satisfaction of purpose-based restriction	<u>58,580</u>	<u>304,137</u>
Total net assets released from restrictions	<u><u>\$ 92,613</u></u>	<u><u>\$ 594,275</u></u>

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE I NET ASSETS – CONTINUED

Net Assets Restricted in Perpetuity

During 2013, the Organization entered into negotiations with the City of Lincoln, Nebraska (the City), 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 the 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.

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:

	2024	2023
Undesignated	\$ 5,483,003	\$ 6,006,162
Board-designated for quasi-endowment	1,018,602	681,242
Board-designated for capital improvements	200,000	200,000
Board-designated for operating reserve	799,901	692,141
Total net assets without donor restrictions	<u>\$ 7,501,506</u>	<u>\$ 7,579,545</u>

NOTE J BOARD DESIGNATED QUASI-ENDOWMENT FUNDS

The Organization's quasi-endowments include 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.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE J BOARD DESIGNATED QUASI-ENDOWMENT FUNDS – CONTINUED

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 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.

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE J BOARD DESIGNATED QUASI-ENDOWMENT FUNDS – CONTINUED

Spending Policy

The Board will, on an annual basis, recommend an amount to be transferred from the income and/or gain of the endowment funds to either the general fund or for a donor restricted fund. No greater than 5% of the total market value of the Foundation assets may be distributed in any one calendar year. Total undistributed earnings shall be calculated on a calendar-year basis.

Endowment net asset composition by type of fund as of December 31, 2024, and 2023, is as follows:

2024			
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Quasi-endowment funds	<u>\$ 1,018,602</u>	<u>\$ -</u>	<u>\$ 1,018,602</u>

2023			
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Quasi-endowment funds	<u>\$ 681,242</u>	<u>\$ -</u>	<u>\$ 681,242</u>

Changes in endowment net assets as of December 31, 2024, and 2023, are as follows:

2024			
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Quasi-endowment net assets, beginning of year	\$ 681,242	\$ -	\$ 681,242
Investment income (net)	108,738	-	108,738
Contributions	228,622	-	228,622
Quasi-endowment net assets, end of year	<u>\$ 1,018,602</u>	<u>\$ -</u>	<u>\$ 1,018,602</u>

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE J BOARD DESIGNATED QUASI-ENDOWMENT FUNDS – CONTINUED

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Quasi-endowment net assets, beginning of year	\$ 120,300	\$ -	\$ 120,300
Investment income (net)	47,727	-	47,727
Contributions	513,215	-	513,215
Quasi-endowment net assets, end of year	<u>\$ 681,242</u>	<u>\$ -</u>	<u>\$ 681,242</u>

NOTE K 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:

	2024	2023
Cash and cash equivalents	\$ 1,816,755	\$ 2,361,559
Certificates of deposit	491,874	483,050
Investments	1,818,503	1,406,870
Accounts receivable	7,286	3,181
Grants receivable	74,550	223,071
Pledges receivable	3,000	3,000
	<u>4,211,968</u>	<u>4,480,731</u>
Less:		
Assets with donor restrictions	(171,614)	(232,613)
Assets with board designations	<u>(999,901)</u>	<u>(892,141)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,040,453</u>	<u>\$ 3,355,977</u>

In order to ensure the long-term sustainability of the Organization and ensure an adequate level of unrestricted net assets to support the day-to-day operations, the following reserves have been established by the board of directors.

	2024	2023
Operating reserve	<u>\$ 799,901</u>	<u>\$ 692,141</u>

Matt Talbot Kitchen & Outreach, Inc.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the years ended December 31, 2024, and 2023

NOTE L RECLASSIFICATIONS

During the year ended December 31, 2024, it was determined that contributions to the endowment fund were reported as contributions restricted in perpetuity in the prior year. The Organization's endowment fund is set up as a board-designated fund and contributions to this fund should be reported as contributions without donor restrictions, unless specifically stipulated by the donor. As a result, amounts previously reported on the statement of cash flows as contributions restricted in perpetuity have been reclassified to be included in the investing activities.

NOTE M SUBSEQUENT EVENTS

Subsequent events have been assessed through May 21, 2025, which is the date the financial statements were issued, and we have concluded there were no events or transactions occurring between year-end and this date that would require recognition or disclosure in the financial statements.