

**RIVERWEST FOOD PANTRY, INC.
MILWAUKEE, WISCONSIN**

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

DECEMBER 31, 2020 AND 2019

RIVERWEST FOOD PANTRY, INC.
MILWAUKEE, WISCONSIN

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Independent Auditor's Report

Board of Directors
Riverwest Food Pantry, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Riverwest Food Pantry, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows and functional expenses 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverwest Food Pantry, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Krause & Associates, SC". The signature is written in a cursive, somewhat stylized font.

Krause & Associates, SC
Grafton, Wisconsin
August 25, 2021

RIVERWEST FOOD PANTRY, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 1,963,638 | \$ 363,634 |
| Cash restricted to unemployment reserve | 5,060 | 5,000 |
| Contributions receivable | 10,000 | - |
| Receivable – other | 550 | - |
| Investments | 1,570,583 | 818,463 |
| Prepaid expenses | 20,241 | 11,246 |
| Inventory (donated) | 16,645 | 29,788 |
| Deposits | <u>6,435</u> | <u>-</u> |
| Subtotal | 3,593,152 | 1,228,131 |
| | | |
| PROPERTY AND EQUIPMENT | | |
| Land | 25,000 | 25,000 |
| Building and improvements | 119,014 | 119,014 |
| Equipment and furnishing | 22,381 | 22,381 |
| Vehicles | <u>31,078</u> | <u>8,000</u> |
| | | |
| Total property and equipment | 197,473 | 174,395 |
| Less accumulated depreciation | <u>(41,582)</u> | <u>(36,093)</u> |
| | | |
| Property and equipment, net | <u>155,891</u> | <u>138,302</u> |
| | | |
| TOTAL ASSETS | <u>\$ 3,749,043</u> | <u>\$ 1,366,433</u> |
| | | |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES | | |
| Accounts payable | \$ 25,627 | \$ 8,648 |
| Accrued payroll and payroll liabilities | 43,908 | - |
| Accrued vacation | <u>9,475</u> | <u>-</u> |
| | | |
| TOTAL LIABILITIES | 79,010 | 8,648 |
| | | |
| NET ASSETS | | |
| Without donor restrictions | 2,359,270 | 1,327,793 |
| With donor restrictions | <u>1,310,763</u> | <u>29,992</u> |
| | | |
| TOTAL NET ASSETS | <u>3,670,033</u> | <u>1,357,785</u> |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,749,043</u> | <u>\$ 1,366,433</u> |

The accompanying notes are an integral part of this financial statement.

RIVERWEST FOOD PANTRY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| REVENUE AND SUPPORT | | | |
| Contributions and grants | \$ 1,447,131 | \$ 1,397,205 | \$ 2,844,336 |
| Payroll Protection Program grant | 52,368 | - | 52,368 |
| In-kind contributions: | | | |
| Donated food | 354,479 | - | 354,479 |
| Other | 15,889 | - | 15,889 |
| Investment income | 165,163 | - | 165,163 |
| Loss on disposal of property and equipment | - | - | - |
| Other | 11,147 | - | 11,147 |
| Released from restrictions | 116,434 | (116,434) | - |
| Total revenue & support | 2,162,611 | 1,280,771 | 3,443,382 |
| EXPENSES | | | |
| Program services: | | | |
| Food wellness | 641,428 | - | 641,428 |
| Mentoring | 104,300 | - | 104,300 |
| Outreach and formation | 116,964 | - | 116,964 |
| Total program services | 862,692 | - | 862,692 |
| Supporting services: | | | |
| General and administrative | 97,490 | - | 97,490 |
| Fundraising and development | 170,952 | - | 170,952 |
| Total supporting services | 268,442 | - | 268,442 |
| Total expenses | 1,131,134 | - | 1,131,134 |
| Changes in net assets | 1,031,477 | 1,280,771 | 2,312,248 |
| Beginning net assets | 1,327,793 | 29,992 | 1,357,785 |
| Ending net assets | \$ 2,359,270 | \$ 1,310,763 | \$ 3,670,033 |

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

RIVERWEST FOOD PANTRY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| REVENUE AND SUPPORT | | | |
| Contributions and grants | \$ 603,016 | \$ 51,550 | \$ 654,566 |
| Payroll Protection Program grant | - | - | - |
| In-kind contributions: | | | |
| Donated food | 446,218 | - | 446,218 |
| Other | 14,931 | - | 14,931 |
| Investment income | 105,483 | - | 105,483 |
| Loss on disposal of property and equipment | (229) | - | (229) |
| Other | 12,632 | - | 12,632 |
| Released from restrictions | 21,558 | (21,558) | - |
| | | | |
| Total revenue & support | 1,203,609 | 29,992 | 1,233,601 |
| EXPENSES | | | |
| Program services: | | | |
| Food wellness | 584,709 | - | 584,709 |
| Mentoring | 63,445 | - | 63,445 |
| Outreach and formation | 98,291 | - | 98,291 |
| Total program services | 746,445 | - | 746,445 |
| Supporting services: | | | |
| General and administrative | 53,590 | - | 53,590 |
| Fundraising and development | 73,391 | - | 73,391 |
| Total supporting services | 126,981 | - | 126,981 |
| | | | |
| Total expenses | 873,426 | - | 873,426 |
| | | | |
| Changes in net assets | 330,183 | 29,992 | 360,175 |
| Beginning net assets | 997,610 | - | 997,610 |
| Ending net assets | \$ 1,327,793 | \$ 29,992 | \$ 1,357,785 |

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

RIVERWEST FOOD PANTRY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 2,312,248 | \$ 360,175 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | |
| Depreciation | 5,489 | 5,616 |
| (Gain) loss on disposal of property and equipment | - | 229 |
| Realized and unrealized (gain) loss on investments | (177,120) | (74,184) |
| (Increase) decrease in contributions receivable | (10,000) | - |
| (Increase) decrease in other receivables | (550) | - |
| (Increase) decrease in prepaid expenses | (8,995) | (8,073) |
| (Increase) decrease in in-kind food inventory | 13,143 | 975 |
| (Increase) decrease in deposits | (6,435) | - |
| Increase (decrease) in accounts payable | 16,979 | 99 |
| Increase (decrease) in accrued payroll | 43,908 | - |
| Increase (decrease) in accrued vacation | <u>9,475</u> | <u>-</u> |
| Net cash provided by (used in) operating activities | <u>2,198,142</u> | <u>284,837</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (575,000) | (214,233) |
| Additions to property and equipment | <u>(23,078)</u> | <u>-</u> |
| Net cash provided by (used in) investing activities | <u>(598,078)</u> | <u>(214,233)</u> |
| Net change in cash, cash equivalents and restricted cash | 1,600,064 | 70,604 |
| Cash, cash equivalents and restricted cash, beginning of year | <u>368,634</u> | <u>298,030</u> |
| Cash, cash equivalents and restricted cash, end of year | <u>\$ 1,968,698</u> | <u>\$ 368,634</u> |
| Supplemental cash flow information: | | |
| Cash paid for interest | <u>\$ -</u> | <u>\$ -</u> |
| In-kind contributions received | <u>\$ 370,368</u> | <u>\$ 461,149</u> |

The accompanying notes are an integral part of this financial statement.

RIVERWEST FOOD PANTRY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | | | | | | |
|-------------------------|-------------------|-------------------|---------------------------|-------------------|-----------------------------|------------------------------|---------------------|
| | Program Services | | | Total | Supporting Services | | Total |
| | Food wellness | Mentoring | Outreach and formation | | General & administrative | Fundraising & development | |
| Depreciation | \$ 2,438 | \$ - | \$ 3,051 | \$ 5,489 | \$ - | \$ - | \$ 5,489 |
| Food assistance | 385,361 | - | - | 385,361 | - | - | 385,361 |
| Information technology | 2,607 | 994 | 1,374 | 4,975 | 4,937 | 10,226 | 20,138 |
| Insurance | 4,585 | 706 | 3,661 | 8,952 | 843 | 870 | 10,665 |
| Merchant services fees | 1,170 | - | - | 1,170 | 13,125 | 1,070 | 15,365 |
| Payroll: | | | | | | | |
| Salaries and wages | 84,870 | 62,932 | 67,869 | 215,671 | 47,764 | 122,522 | 385,957 |
| Employee benefits | 10,447 | 4,234 | 9,011 | 23,692 | 8,163 | 6,908 | 38,763 |
| Payroll taxes | 6,033 | 4,581 | 4,904 | 15,518 | 2,776 | 9,579 | 27,873 |
| Professional fees | 49,716 | 1,280 | 2,698 | 53,694 | 7,677 | 5,905 | 67,276 |
| Property taxes | - | - | 4,353 | 4,353 | - | - | 4,353 |
| Rent | 13,933 | 5,373 | 2,210 | 21,516 | 3,683 | 3,683 | 28,882 |
| Repairs and maintenance | 11,460 | - | 997 | 12,457 | - | - | 12,457 |
| Supplies | 62,630 | 22,814 | 5,811 | 91,255 | 964 | 3,329 | 95,548 |
| Utilities | 866 | 346 | 5,678 | 6,890 | 1,619 | 866 | 9,375 |
| Vehicle | 465 | - | 183 | 648 | - | - | 648 |
| Other | 4,847 | 1,040 | 5,164 | 11,051 | 5,939 | 5,994 | 22,984 |
| Total Expenses | \$ 641,428 | \$ 104,300 | \$ 116,964 | \$ 862,692 | \$ 97,490 | \$ 170,952 | \$ 1,131,134 |

| | 2019 | | | | | | |
|-------------------------|-------------------|------------------|---------------------------|-------------------|-----------------------------|------------------------------|-------------------|
| | Program Services | | | Total | Supporting Services | | Total |
| | Food wellness | Mentoring | Outreach and formation | | General & administrative | Fundraising & development | |
| Depreciation | \$ 2,564 | \$ - | \$ 3,052 | \$ 5,616 | \$ - | \$ - | \$ 5,616 |
| Food assistance | 454,144 | - | - | 454,144 | - | - | 454,144 |
| Information technology | 1,663 | 1,845 | 1,018 | 4,526 | 1,308 | 6,642 | 12,476 |
| Insurance | 3,273 | 2,047 | 3,957 | 9,277 | 1,277 | 1,493 | 12,047 |
| Merchant services fees | 631 | - | 233 | 864 | 3,466 | 2,703 | 7,033 |
| Payroll: | | | | | | | |
| Salaries and wages | 49,997 | 39,278 | 50,809 | 140,084 | 29,900 | 38,962 | 208,946 |
| Employee benefits | 3,433 | 1,808 | 5,443 | 10,684 | 3,207 | 3,590 | 17,481 |
| Payroll taxes | 3,874 | 3,013 | 3,613 | 10,500 | 2,379 | 3,081 | 15,960 |
| Professional fees | 16,920 | 100 | 300 | 17,320 | 4,370 | 100 | 21,790 |
| Property taxes | - | - | 2,888 | 2,888 | - | - | 2,888 |
| Rent | 17,425 | 4,608 | 5,037 | 27,070 | 3,025 | 2,017 | 32,112 |
| Repairs and maintenance | 638 | - | - | 638 | - | - | 638 |
| Supplies | 24,790 | 9,899 | 12,221 | 46,910 | 1,837 | 199 | 48,946 |
| Utilities | 593 | 198 | 7,893 | 8,684 | 1,861 | 396 | 10,941 |
| Vehicle | 1,719 | - | 403 | 2,122 | - | 35 | 2,157 |
| Other | 3,045 | 649 | 1,424 | 5,118 | 960 | 14,173 | 20,251 |
| Total Expenses | \$ 584,709 | \$ 63,445 | \$ 98,291 | \$ 746,445 | \$ 53,590 | \$ 73,391 | \$ 873,426 |

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

RIVERWEST FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

Riverwest Food Pantry, Inc. (Organization) was incorporated under the laws of the State of Wisconsin. Recognizing that everyone has gifts to share, the Organization is a community food center that engages volunteers and neighborhood residents to end hunger, isolation, and poverty. Our innovative programs nourish health, belonging, and economic opportunity. We serve low-and moderate-income residents on Milwaukee's Northside within the 53202, 53203, 53211, 53212, and 53217 zip codes.

The Organization operates under a Food Center Model: Food is among the most powerful mediums to bring communities together and restore neighborhood well-being. Pantries currently distribute unhealthy processed food even though their shoppers have alarming rates of dietary chronic illness. Food insecurity stimulates high frequency visits to the "food center" which becomes a natural community entry point to transform community social dynamics around improving nutritional health and reducing poverty. Many pantry shoppers face compounded obstacles that isolate them and diminish their stability. We use our food operations to mobilize and train volunteers with the knowledge of resources and skills to serve and advocate toward greater economic stability in our community.

The Organization was impacted by the COVID world-wide pandemic throughout the year, see Note K.

The Organization strives to create dynamic food learning environments to:

- promote healthy food access, habits and skills to improve dietary health
- empower our community with the resources to serve and advocate toward greater social and economic stability
- foster kinship between disparate groups

RIVERWEST FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Organization and business activity – continued

Nature of programs:

Food Wellness

Team SHOP distributed more than 230,000 pounds of shelf stable food and 50,000 pounds of produce to nearly 20,000 shoppers. The Organization grew organic produce at our on-site garden and 27,000 square foot year-round hoop house farm, served breakfasts from our community kitchen, held food preparation demos provided by community chefs, and launched a monthly distribution of a healthy “Recipe in a Bag” meal to 200 shoppers. Over 400 Thanksgiving meals were given to families.

Mentoring

Team STRIDE trains volunteers to walk with interested pantry shoppers towards greater economic and social stability. 20 mentors initiated relationships and gave more than 200 service referrals helping fill resource gaps for hundreds of families. Eviction was prevented for 47 families.

Outreach and Formation

Team FORM trains volunteers and year-long mission interns to serve and advocate on behalf of residents of Milwaukee's North Side. In 2020, our fifth year of the Mission Intern program, three women gave a 2nd year of their life in service to the community. Along with 2,230 volunteers, the mission interns oversaw pantry operations and cooking demos, coordinated volunteers, and worked as Team Stride mentors. They also participated in bi-weekly formation sessions and gathered for prayer at the start of each morning. More than 250 people were trained on structural poverty in 2020 via our Poverty 101 and Poverty 102 trainings.

RIVERWEST FOOD PANTRY, INC.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Cash, cash equivalents and restricted cash

The Organization considers all highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

| | 2020 | 2019 |
|---|-------------|------------|
| Cash and cash equivalents | \$1,963,638 | \$ 363,634 |
| Cash restricted to unemployment reserve | 5,060 | 5,000 |
| | \$1,968,698 | \$ 368,634 |

3. Contributions and Contributions Receivable

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. The Organization has \$10,000 of contributions receivable as of December 31, 2020. All contributions receivable amounts are due within 12 months of the year end.

4. Inventory

Inventory consists of donated food. Donated food is valued at the lower of fair market value on the date of donation or market. The specific identification method is used for inventory. The inventory system identifies the inventory with the earliest expiration date to be used first and it is the Organization's policy to keep two months' worth of inventory on hand.

5. Prepaid expenses

Prepaid expenses represent disbursements paid in advance for the subsequent fiscal year.

RIVERWEST FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Investment income is reported in the statements of activities and consists of interest and dividend income, unrealized capital gains and losses, and realized gains and losses less external investment expenses.

Investment securities, in general, are inherently subject to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

7. Property and equipment

Property and equipment are recorded at cost or fair market value if donated. The Organization's policy is to capitalize all tangible assets which separately or in the aggregate have an acquisition cost of \$2,500 or greater. Major additions and improvements are capitalized. Property and equipment are depreciated over the estimated useful lives of the assets, ranging from 5 to 39 years, using the straight-line method. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense for the years ended December 31, 2020 and 2019 was \$5,489 and \$5,616, respectively.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2020 and 2019.

RIVERWEST FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Net assets

The Organization follows the accrual method of accounting wherein revenues and expenses are recorded in the period earned or incurred. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

9. Revenue and Revenue Recognition

Revenue is recognized from programs when the services are provided. All services are transferred at a point in time. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of December 31, 2020 and 2019, the Organization has no conditional contributions.

RIVERWEST FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Donated services and in-kind contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received (see Note G).

11. Allocation of functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, salaries and wages, benefits, payroll taxes, professional services, office expenses, supplies, insurance, and other, which are allocated on the basis of estimates of time and effort.

12. Use of estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

13. Income taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Organization evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

RIVERWEST FOOD PANTRY, INC.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2020 AND 2019

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Income taxes – continued

The Organization’s informational returns are subject to examination by the IRS, generally for three years after they were filed. Management believes that no uncertain tax positions exist for the Organization at December 31, 2020 and 2019. The Organization has not incurred any interest or penalties for income taxes for the years ended December 31, 2020 and 2019.

14. Subsequent events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through August 25, 2021, which is the date that the financial statements were available to be issued, one item was noted for disclosure, see Note K.

15. Reclassification

Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date of December 31, 2020 and 2019, comprise the following:

| | 2020 | 2019 |
|--|-------------|-------------|
| Cash and cash equivalents | \$1,963,638 | \$ 363,634 |
| Investments | 1,570,583 | 818,463 |
| Contributions receivable | 10,000 | - |
| Other receivable | 550 | - |
| Less amounts unavailable for general expenditures: | | |
| Donor purpose restrictions | (1,310,763) | (29,992) |
| | \$2,234,008 | \$1,152,105 |

As part of its liquidity plan, the Organization invests cash in excess of daily requirements in short-term money market funds.

RIVERWEST FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

C – CASH – RESTRICTED UNEMPLOYMENT RESERVE

The Organization adopted the reimbursement method for Wisconsin state unemployment compensation purposes. As required by the Wisconsin Unemployment Fund, the Organization assures reimbursement to the Wisconsin Unemployment Fund by means of holding a restricted savings account as a reserve for state unemployment. The balance of the account was \$5,060 and \$5,000 as of December 31, 2020 and 2019, respectively.

D – FAIR VALUE MEASUREMENT AND DISCLOSURES

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

RIVERWEST FOOD PANTRY, INC.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2020 AND 2019

D – FAIR VALUE MEASUREMENT AND DISCLOSURES - CONTINUED

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

All of the Organization’s investment assets are classified within Level 1 because they comprise open-end mutual funds and bonds with readily determinable fair values based on daily redemption values.

Assets that were accounted for at fair value on a recurring basis as of December 31, 2020 are as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------|--------------------|----------------|----------------|--------------------|
| Money market funds | \$ - | \$ - | \$ - | \$ 114,972 |
| Equities | - | - | - | - |
| Mutual funds | 1,324,577 | - | - | 1,324,577 |
| Exchange traded funds | <u>131,034</u> | <u>-</u> | <u>-</u> | <u>131,034</u> |
| Total | <u>\$1,455,611</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$1,570,583</u> |

Assets that were accounted for at fair value on a recurring basis as of December 31, 2019 are as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------|-------------------|----------------|----------------|-------------------|
| Money market funds | \$ - | \$ - | \$ - | \$ 80,234 |
| Equities | 6,064 | - | - | 6,064 |
| Mutual funds | 686,226 | - | - | 686,226 |
| Exchange traded funds | <u>45,939</u> | <u>-</u> | <u>-</u> | <u>45,939</u> |
| Total | <u>\$ 738,229</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 818,463</u> |

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NOTES TO FINANCIAL STATEMENTS - CONTINUED
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E – REFUNDABLE ADVANCE – PAYROLL PROTECTION LOAN FORGIVENESS

The Organization was granted a \$52,368 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner during the COVID-19 outbreak (see Note K). The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$52,368 as grant revenue for the year ended December 31, 2020.

F – NET ASSETS

Contributions received are recorded as donor restricted net assets depending on the existence and or nature of any donor-imposed restrictions. As restrictions are met and funds expended, assets are released from restrictions. Net assets with donor restrictions are restricted for the following purposes as of December 31, 2020 and 2019:

| Purpose restriction | 2020 | 2019 |
|--------------------------|-------------|-----------|
| Capital projects | \$1,251,000 | \$ 1,000 |
| Video production | 10,000 | - |
| Recipe in a Bag | 25,392 | - |
| Strategic plan | - | 28,442 |
| STRIDE Phoenix Challenge | 23,721 | - |
| Kid’s Corner | 650 | 550 |
| Total | \$1,310,763 | \$ 29,992 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

| Purpose restriction | 2020 | 2019 |
|--------------------------|------------|-----------|
| Strategic plan | \$ 28,442 | \$ 21,558 |
| Recipe in a Bag | 9,608 | - |
| STRIDE Phoenix Challenge | 78,384 | - |
| | \$ 116,734 | \$ 21,558 |

RIVERWEST FOOD PANTRY, INC.
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DECEMBER 31, 2020 AND 2019

G – NON-CASH CONTRIBUTIONS AND EXPENDITURES

The Organization receives and distributes food and personal items. The estimated value of this food is recorded as both revenue and expense at the time of receipt. 160,274 and 314,685 pounds of food, valued at \$354,479 and \$446,218 was received in the years ended December 31, 2020 and 2019, respectively.

During the years ended December 31, 2020 and 2019, the Organization received the free use of warehouse for storage and pantry space at St. Casimir Church. Amounts have been recognized as revenues and expenses in the accompanying financial statements for the fair value of the donated facilities of \$9,600 and \$14,400 for the years ended December 31, 2020 and 2019, respectively.

The Organization also receives various types of contributed goods and services support, including professional services and supplies. Donated services are reported in the financial statements for voluntary donations of professional services when those services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would be purchased if not provided by donation. The approximate fair value of donated goods and services totaled \$6,289 and \$531 for the years ended December 31, 2020 and 2019, respectively.

A number of unpaid volunteers have made significant contributions of their time in conjunction with the Organization's programs and services. The value of this contributed time is not included in these financial statements, as they do not meet the criteria for recognition.

H - LEASE COMMITMENTS

The Organization leases its office facilities under a 12-month operating lease expiring on July 31, 2021. The lease calls for monthly payments of \$1,251. Rent expense related to this lease was \$14,732 and \$14,112 for the years ended December 31, 2020 and 2019, respectively. Subsequent to year end, the lease was renewed for an additional 12 months through July 31, 2022 with monthly payments of \$1,660.

The Organization leases additional space for kitchen and dining facilities in conjunction with the pantry operations under a 2-year operating lease expiring on January 14, 2021. During 2020, the lease was renewed for an additional two-year period expiring on January 13, 2023. For the year ended December 31, 2020, the lease required monthly payments of \$325. Monthly payments will increase to \$500 for the lease renewal period. Rent expense related to this lease was \$3,900 and \$3,600 for the years ended December 31, 2020 and 2019, respectively.

RIVERWEST FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020 AND 2019

H - LEASE COMMITMENTS – CONTINUED

As noted in Note G, the Organization received the free use of warehouse for storage and pantry space at St. Casimir Church. Amounts have been recognized as revenues and expenses in the accompanying financial statements for the fair value of the donated facilities of \$9,600 and \$14,400 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease payments required under the lease agreements are as follow:

| | |
|------|------------------|
| 2021 | \$ 14,757 |
| 2022 | <u>6,000</u> |
| | <u>\$ 20,757</u> |

Total rent expense totaled \$28,882 and \$32,112 for the years ended December 31, 2020 and 2019, respectively.

Subsequent to year end, the Organization entered into a month-to-month operating lease for a men’s mission house with quarterly rent payments of \$2,500.

I - RETIREMENT PLAN

During 2020, the Organization established a SIMPLE retirement plan for its employees covering all employees who meet certain requirements. Eligible employees may defer compensation up to 100% of compensation not to exceed the maximum amount allowed by law. Fully funded contributions made by the Organization totaled \$7,415 for the year ended December 31, 2020.

J – CONCENTRATIONS

The Organization maintains cash balances at a local bank. Accounts at the bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured portion, without regard to outstanding checks and deposits in transit was \$1,440,538 and \$105,602 as of December 31, 2020 and 2019. The Organization has not experienced any losses on these accounts. Management believes the Organization is not exposed to any significant credit risk on cash.

The Organization received approximately \$1,250,000 or 36% of its revenue, during 2020, from two donors. The donated amounts are restricted for capital purposes.

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K – SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact support and revenue. The COVID-19 outbreak in the United States has resulted in reduced building usage, cancellation or postponement of events, as well as temporary closures where government mandated. At the current time, the Organization is unable to quantify the potential effects of this pandemic on our future financial statements.

The Covid-19 world-wide pandemic brought unique challenges to the operations of the Organization. Food distribution was shifted to contactless curbside pick-up, food donations were supplemented by virtual food drives rather than in-person collections, and one of our two distribution sites was closed because it is housed in a public elementary school which was temporarily closed because of the Covid-19 outbreak. Despite these pivots, the Organization welcomed an additional 937 families and was able to feed 52% more of our neighbors. We continued to operate an urban farm through our partnership with Maglio Produce and Groundwork Milwaukee to provide fresh, local, and organic vegetables to our shoppers.

Volunteer engagement was limited to protect our community for most of the 2020 year. When the pandemic shutdown hit and 90% of our volunteers had to shelter in place, our Mission Interns, who give a year of their life in service to the Organization, dedicated themselves to staying and running our core operations which allowed us to continue serving our neighbors. When no new interns applied amidst the pandemic, our three current interns committed to a second year of service.

The pandemic resulted in increased unemployment and decreased stability for our community. The Organization made 271 referrals to community partners for households in need of assistance with resources such as housing, employment readiness, transportation, and utility shut-off prevention.

The Organization, funded through donor contributions and grants, was able to withstand the cancellation of our fundraising events because of the generosity of the community and the securing of a Paycheck Protection Program loan (Note E). Team members were added to both the board and staff to diversify our skills, backgrounds, and capacity. Additionally, the Organization engaged AmeriCorps VISTA for the first time in 2020 with the placement of two interns in year-long appointments.

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L – RECENT ACCOUNTING GUIDANCE

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021. Management is currently evaluating the impact of the standard.