

Circle of Concern

Financial Statements

December 31, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Circle of Concern
St. Louis, Missouri

Opinion

We have audited the accompanying financial statements of Circle of Concern (the "Organization"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Circle of Concern as of December 31, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.



Armanino^{LLP}
St Louis, Missouri

June 17, 2024

Circle of Concern
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,292,281	\$ 2,267,803
Grants receivable	-	93,600
Donated and purchased goods on hand	259,483	254,527
Prepaid expenses and other assets	8,076	8,674
Investments, at fair value	4,236,770	1,667,696
Total current assets	5,796,610	4,292,300
Property and equipment, net	1,284,611	1,329,607
Total assets	\$ 7,081,221	\$ 5,621,907
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 21,911	\$ 30,087
Scholarships payable	44,000	48,800
Total current liabilities	65,911	78,887
Net assets		
Without donor restrictions	6,993,931	5,538,149
With donor restrictions	21,379	4,871
Total net assets	7,015,310	5,543,020
Total liabilities and net assets	\$ 7,081,221	\$ 5,621,907

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

Circle of Concern
Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, public support, and gains (losses)			
Individuals	\$ 2,371,059	\$ -	\$ 2,371,059
Businesses	55,131	-	55,131
Community groups and congregations	133,598	-	133,598
Foundations	317,562	-	317,562
Other contributions	54,429	47,719	102,148
In kind food contributions	825,798	-	825,798
In kind non-food contributions	22,346	-	22,346
Special event revenue, net	62,660	-	62,660
Government grants	13,600	-	13,600
Investment return, net	219,657	-	219,657
Other income	14,091	-	14,091
Net assets released from restriction	31,211	(31,211)	-
Total revenues, public support, and gains (losses)	4,121,142	16,508	4,137,650
Functional expenses			
Program service	2,230,687	-	2,230,687
Management and general	211,860	-	211,860
Fundraising	220,039	-	220,039
Total functional expenses	2,662,586	-	2,662,586
Change in net assets from operations	1,458,556	16,508	1,475,064
Gains (losses) on disposal of assets	2,774	-	2,774
Change in net assets	1,455,782	16,508	1,472,290
Net assets, beginning of year	5,538,149	4,871	5,543,020
Net assets, end of year	\$ 6,993,931	\$ 21,379	\$ 7,015,310

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

Circle of Concern
Statement of Activities
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, public support, and gains (losses)			
Individuals	\$ 1,061,927	\$ -	\$ 1,061,927
Businesses	67,624	-	67,624
Community groups and congregations	105,344	-	105,344
Foundations	286,575	-	286,575
Other contributions	88,890	12,226	101,116
In kind food contributions	659,332	-	659,332
In kind non-food contributions	76,242	-	76,242
Special event revenue, net	51,259	-	51,259
Government grants	93,600	-	93,600
Investment return, net	(211,160)	-	(211,160)
Other income	7,947	-	7,947
Net assets released from restriction	<u>78,465</u>	<u>(78,465)</u>	<u>-</u>
Total revenues, public support, and gains (losses)	<u>2,366,045</u>	<u>(66,239)</u>	<u>2,299,806</u>
Functional expenses			
Program service	2,119,204	-	2,119,204
Management and general	166,945	-	166,945
Fundraising	<u>173,223</u>	<u>-</u>	<u>173,223</u>
Total functional expenses	<u>2,459,372</u>	<u>-</u>	<u>2,459,372</u>
Change in net assets	(93,327)	(66,239)	(159,566)
Net assets, beginning of year	<u>5,631,476</u>	<u>71,110</u>	<u>5,702,586</u>
Net assets, end of year	<u>\$ 5,538,149</u>	<u>\$ 4,871</u>	<u>\$ 5,543,020</u>

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

Circle of Concern
Statement of Functional Expenses
For the Year Ended December 31, 2023

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries	\$ 201,983	\$ 91,300	\$ 113,941	\$ 407,224
Insurance and employee expenses	17,147	7,750	9,673	34,570
Employment taxes	<u>15,391</u>	<u>6,957</u>	<u>8,683</u>	<u>31,031</u>
Total personnel expenses	<u>234,521</u>	<u>106,007</u>	<u>132,297</u>	<u>472,825</u>
Operating expenses				
Assistance to individuals	1,723,879	-	-	1,723,879
Auto expense	1,891	-	-	1,891
Bank fees	-	10,373	-	10,373
Computer expense	12,887	4,367	4,824	22,078
Depreciation	38,648	7,291	3,646	49,585
Insurance	20,242	5,783	2,892	28,917
Licenses and fees	-	2,884	618	3,502
Memberships	-	1,237	-	1,237
Miscellaneous	8,749	9,456	438	18,643
Newsletter and appeals	-	5,032	28,515	33,547
Postage	4,023	1,363	1,506	6,892
Professional fees	-	44,836	-	44,836
Public relations	-	-	36,042	36,042
Repairs and maintenance	29,912	7,118	3,559	40,589
Scholarships	107,635	-	-	107,635
Event supplies, food, and venue	-	-	18,865	18,865
Supplies	13,666	3,094	3,094	19,854
Telephone	5,358	1,815	2,006	9,179
Utilities	11,822	1,204	602	13,628
Volunteer services	<u>17,454</u>	<u>-</u>	<u>-</u>	<u>17,454</u>
Total operating expenses	<u>1,996,166</u>	<u>105,853</u>	<u>106,607</u>	<u>2,208,626</u>
Less expenses included with revenues on the statement of activities				
Direct benefits to donors	<u>-</u>	<u>-</u>	<u>(18,865)</u>	<u>(18,865)</u>
	<u>\$ 2,230,687</u>	<u>\$ 211,860</u>	<u>\$ 220,039</u>	<u>\$ 2,662,586</u>

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

Circle of Concern
Statement of Functional Expenses
For the Year Ended December 31, 2022

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries	\$ 198,149	\$ 69,317	\$ 82,620	\$ 350,086
Insurance and employee expenses	15,877	5,554	6,622	28,053
Employment taxes	<u>15,539</u>	<u>5,436</u>	<u>6,479</u>	<u>27,454</u>
Total personnel expenses	<u>229,565</u>	<u>80,307</u>	<u>95,721</u>	<u>405,593</u>
Operating expenses				
Assistance to individuals	1,571,642	-	-	1,571,642
Auto expense	1,409	-	-	1,409
Bank fees	-	10,466	-	10,466
Computer expense	9,819	2,846	2,971	15,636
Depreciation	49,440	3,711	1,855	55,006
Insurance	19,545	2,300	1,149	22,994
Licenses and fees	-	2,078	598	2,676
Memberships	-	1,065	-	1,065
Miscellaneous	1,060	4,812	100	5,972
Newsletter and appeals	-	3,793	21,494	25,287
Postage	5,281	1,057	4,225	10,563
Professional fees	-	46,027	-	46,027
Public relations	-	-	39,363	39,363
Repairs and maintenance	48,190	5,061	2,530	55,781
Scholarships	110,491	-	-	110,491
Event supplies, food, and venue	-	-	18,062	18,062
Supplies	23,130	1,383	1,383	25,896
Telephone	5,171	1,499	1,564	8,234
Utilities	13,253	540	270	14,063
Volunteer services	<u>31,208</u>	<u>-</u>	<u>-</u>	<u>31,208</u>
Total operating expenses	<u>1,889,639</u>	<u>86,638</u>	<u>95,564</u>	<u>2,071,841</u>
Less expenses included with revenues on the statement of activities				
Direct benefits to donors	<u>-</u>	<u>-</u>	<u>(18,062)</u>	<u>(18,062)</u>
	<u>\$ 2,119,204</u>	<u>\$ 166,945</u>	<u>\$ 173,223</u>	<u>\$ 2,459,372</u>

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

Circle of Concern
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 1,472,290	\$ (159,566)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	49,585	55,006
Unrealized and realized (gains) losses on investments	(128,513)	256,901
Loss on disposal	2,774	-
Non-cash contributions (donated stock)	(20,665)	(6,092)
Changes in operating assets and liabilities		
Contributions and grants receivable	93,600	(38,505)
Donated and purchased goods on hand	(4,956)	53,206
Prepaid expenses and other assets	598	(1,206)
Accounts payable and accrued liabilities	(8,176)	(16,751)
Scholarships payable	(4,800)	3,800
Net cash provided by operating activities	1,451,737	146,793
Cash flows from investing activities		
Purchases of property and equipment	(7,363)	(17,250)
Purchases of investments	(16,875)	(15,433)
Proceeds from sale of investments	-	8,098
Reinvestment of dividends and interest	(55,691)	(45,741)
Purchases of certificates of deposit	(4,277,330)	-
Maturities of certificates of deposit	1,930,000	-
Net cash used in investing activities	(2,427,259)	(70,326)
Net increase (decrease) in cash and cash equivalents	(975,522)	76,467
Cash and cash equivalents, beginning of year	2,267,803	2,191,336
Cash and cash equivalents, end of year	\$ 1,292,281	\$ 2,267,803

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

Circle of Concern
Notes to Financial Statements
December 31, 2023 and 2022

1. NATURE OF ACTIVITIES

Formed in 1967 by a group of West St. Louis County churches, Circle of Concern ("Circle") is a Missouri not-for-profit food pantry and social services agency serving low-income families in the Parkway, Rockwood, and Valley Park School Districts as well as the 63026 zip code. While Circle's core program is its food pantry, its motto is, "Feeding families is just the beginning". Circle's revenue and support are derived primarily from public contributions and donated materials.

- Food Pantry – Circle shares a variety of fresh (eggs, dairy, meat, produce) and packaged foods - one to two weeks' worth each month for eligible households. Circle serves approximately 650 households on a monthly basis and reaches approximately 1,100 households annually.
- Emergency Financial Assistance – Circle provides limited short-term financial assistance for eligible households, primarily to help a family avoid eviction or a utility shut-off.
- Case Management, Coaching and Community Referrals – During monthly appointments with trained volunteer intake and case workers, clients may practice simple budgeting, discuss obstacles, set goals, and explore additional resources and strategies.
- Career Mentorship – Working and retired professionals pair with clients striving to grow professionally, increase employability, improve earning potential, explore educational opportunities, etc. Together, clients and mentors may work on job search techniques; computer skills, resume development, networking, interviewing, interpersonal and time-management skills.
- Scholarships – Eligible high school seniors and second and third-year college students may compete for scholarships to attend college, professional or trade school. Additionally, eligible adult clients may apply for a scholarship to renew a professional license, complete a degree or certificate program, etc.
- Summer Opportunities – Client families may apply for "camperships" for their child (children) to attend a summer sports, music, scouts, church or STEM camp, etc. Circle sends over 100 children annually to a variety of camps throughout St. Louis County and beyond.
- Back to School – Circle provides gift cards to client families with school-aged children; enabling them to buy school supplies, shoes or clothing.
- Holiday and Birthday Programs – Circle provides Thanksgiving foods and gift cards to make the season bright for client households.. On their birthdays, children under 12 receive a toy and books selected just for them, along with cake mix, frosting and simple party supplies.
- Counseling - Clients may access counseling services (for adult, child, family, or couple) through one of Circle's mental health providers (currently Provident Behavioral Health and St. Louis Counseling). Through grant funding, Circle will pay for up to (12) counseling sessions or (10) psychiatric sessions for an eligible household.

Circle of Concern
Notes to Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements have been prepared using the accrual basis of accounting. Additionally, Circle is required to report information regarding its financial position and activities according to two classes of net assets. Net assets, revenues, gains and losses 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. The governing board has designated net assets for an operating reserve and board-designated endowment.
- *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. Circle has no net assets with donor restrictions that were perpetual in nature as of December 31, 2023 and 2022, respectively.

Circle 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, and released upon expiration of the donor restrictions.

Use of estimates in financial statement preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Circle considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Circle maintains cash balances at various financial institutions in the St. Louis area. At times, bank deposits may be in excess of federally insured limits.

Investments

Circle 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 based on quoted prices on public exchanges (Level 1) or significant observable inputs for similar assets (Level 2) such as mutual funds or certificates of deposits.

Circle of Concern
Notes to Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses. Investment income is recorded as net assets without donor restriction unless such amounts are restricted by the donor or by law. Investment income (e.g. interest and dividends and realized and unrealized gains/losses) with donor-imposed restrictions that are met in the same year as earned are reported as net assets without donor restrictions.

Contributions and grants receivable

Contributions receivable consist of nonreciprocal support transactions with individuals, companies, and foundations. Grants receivable consist of nonreciprocal support transactions with governmental agencies that are mostly billed on a cost reimbursement basis or have other specific conditions. Unconditional contributions receivable are accrued at their estimated fair value at the date that the promise is made. As of December 31, 2023 and 2022, there was no allowance for uncollectible contributions and grants receivable established as management considers all outstanding support revenue receivables to be fully collectible.

Donated and purchased goods on hand

At December 31, 2023 and 2022, donated and purchased goods on hand consisted of food items, gift cards, toys, and school supplies. Significant food products and materials are donated to Circle by various individuals, organizations, and local governments. The purchased items and gift cards are recorded at cost and the donated items are recorded at estimated fair market value at the time of the donation. Donated food products are valued at fair value using product distribution pricing guidelines provided by the St. Louis Area Food Bank obtained from Feeding America, a national consortium of regional food banks. The estimated fair value price per pound of \$1.92 was used in determining donated products, as of December 31, 2023 and 2022. Donated toys and school supplies are valued at fair value based on the average cost of similar products at various retailers, as the toys donated are new or barely used.

Property and equipment

Property and equipment are carried at cost or, if donated, at the estimated fair values of the assets at the time of donation. In June 2023, Circle increased the capitalization threshold from \$500 to \$2,500. As of this date moving forward, acquisitions of property and equipment with a useful life greater than one year and a cost of \$2,500 or more will be capitalized. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, ranging from 5 to 39 years. Repairs and maintenance are expensed as incurred.

Circle of Concern
Notes to Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Circle evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. In the opinion of management, no such impairment existed for the years ended December 31, 2023 and 2022.

Revenue recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Contributions receivable or grants receivable are considered conditional when a measurable barrier and right of return or release exists. The contributions receivable become unconditional and are recognized as revenue when the barriers upon which they depend are overcome. When the satisfaction of a barrier is accomplished in the same period that the contribution is made, conditional contributions are recorded as unconditional.

The ticket sales and sponsorships, included in special event revenue, are partially for an exchange in goods or services and partially a contribution to Circle. The contribution is recognized in accordance with ASC 958 while the reciprocal piece is recognized under ASC 606 over the course of the event. The reciprocal piece of these transactions is not significant to the financial statements as of December 31, 2023 and 2022.

Donated goods and services

Donated goods and services are recorded as contributions at fair market value on the date of donation. Significant food products, household items, services, and materials are donated to the Organization by various individuals, organizations, and governments. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Circle reports donated goods received, if their value is readily ascertainable, at the fair market value on the date of donation as food contributions or non-food contributions, without donor restrictions, on the statements of activities. When donated goods are distributed to members of the community, Circle records these as expenses on the statements of functional expense as aid to individuals. The Organization did not monetize any donated goods and services and unless otherwise noted, donated goods and services did not have donor restrictions.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no donated services recognized in the financial statements as of December 31, 2023 and 2022.

Circle of Concern
Notes to Financial Statements
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional and natural basis in the statements of functional expenses. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Certain categories of expenses 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 on a building usage/square footage basis include depreciation, insurance, repairs and maintenance, and utilities. Salaries, benefits, and payroll taxes are allocated on the basis of estimates of time and effort. Other expenses such as computer, telephone, and postage are allocated on the basis of estimates of time and usage.

Advertising

Circle follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$36,042 and \$39,363 for the years ended December 31, 2023 and 2022, respectively, and is presented in the statements of functional expenses as public relations.

Income tax status

Circle constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

Circle has addressed the provisions of FASB ASC 740, *Accounting for Income Taxes*. In that regard, Circle has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

Reclassifications

Certain 2022 figures have been reclassified, where appropriate, to conform to the financial statement presentation used in 2023.

Subsequent events

Circle has evaluated subsequent events through June 17, 2024, which is the date the financial statements were available to be issued and has reflected all events requiring adjustment or disclosure in the financial statements.

Circle of Concern
Notes to Financial Statements
December 31, 2023 and 2022

3. DONATED AND PURCHASED GOODS ON HAND

The components of donated and purchased goods on hand at December 31 are as follows:

	2023	2022
Gift cards	\$ 27,442	\$ 17,489
Food	130,867	109,538
Toys	101,174	127,500
	\$ 259,483	\$ 254,527

4. FAIR VALUE MEASUREMENTS AND INVESTMENTS

FASB ASC 820 *"Fair Value Measurements and Disclosures"* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- *Level 1* - Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date and easily accessible.
- *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.

There have been no changes in the methodologies used at December 31, 2023 compared to previous years.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. Management assesses and approves these policies and procedures. At least annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

Circle of Concern
Notes to Financial Statements
December 31, 2023 and 2022

4. FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued)

Circle recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels for the years ended December 31, 2023 and 2022.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by Circle are open-end funds that are registered with the Securities Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by Circle are deemed to be actively traded.

Certificates of deposit: Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

The fair values of investments were determined using inputs, as described above, at December 31, 2023 as follows:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds	\$ 1,866,000	\$ -	\$ -	\$ 1,866,000
Certificates of Deposits	-	2,370,770	-	2,370,770
	<u>\$ 1,866,000</u>	<u>\$ 2,370,770</u>	<u>\$ -</u>	<u>\$ 4,236,770</u>

The fair values of investments were determined using inputs, as described above, at December 31, 2022 as follows:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds	<u>\$ 1,667,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,667,696</u>

Certificates of deposit totaling \$2,370,770 for the year ended December 31, 2023, are included in the statements of financial position. There were no certificates of deposits held as of December 31, 2022. The certificates of deposit bear interest ranging from 1.84% to 3.31% and have maturities ranging from four to twenty-one months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

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5. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 are as follows:

	2023	2022
Building and improvements	\$ 1,659,343	\$ 1,670,822
Computers and equipment	149,075	141,712
Furniture and fixtures	33,091	33,091
Automobiles	56,005	56,005
Land	245,076	245,076
	2,142,590	2,146,706
Accumulated depreciation	(857,979)	(817,099)
	\$ 1,284,611	\$ 1,329,607

Depreciation expense was \$49,585 and \$55,006 for the years ended December 31, 2023 and 2022, respectively.

6. CONDITIONAL PROMISE TO GIVE

In 2019, Circle received a \$150,000 conditional promise to give in support of its operations. The commitment was a multi-year promise, with disbursements being made in the amount of \$30,000 each year for five years. No conditional promises to give were remaining as of December 31, 2023. In 2023, the barriers were overcome for the \$30,000, which was recorded under foundations on the statement of activities at December 31, 2023. Payments are contingent on the results of operations of the corporate sponsor. The conditional promises to give are recognized when conditions are satisfied.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2023	2022
Subject for specified purpose:		
Birthday club toys	\$ 6,738	\$ 2,306
Mental health assistance	4,641	2,565
Food purchases	5,000	-
Financial assistance	5,000	-
	\$ 21,379	\$ 4,871

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7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released for the following purposes or periods:

	2023	2022
Mental health assistance	\$ 19,424	\$ 13,450
Birthday club toys	11,787	9,920
	\$ 31,211	\$ 23,370

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

The governing board has designated a portion of net assets without donor restrictions for an operating reserve and board designated endowment.

Board-Designated operating reserve

In December 2018, Circle's Board of Directors designated an operating reserve. The policy set forth by the Board of Directors specifies that Circle's minimum reserve must be equal to four months of average operating costs including all recurring, predictable expenses. The operating reserve was approximately \$3,092,000 and \$655,000 for the years ended December 31, 2023 and 2022, respectively, and is included in cash and cash equivalents and investments on the statements of financial position.

Board-designated endowment

Circle's endowment includes only funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor- imposed restrictions.

In the absence of donor restrictions, under the terms of Circle's governing documents, the Board of Directors, in its sole discretion, has the ability to distribute so much of the original principal of any trust, separate gift or fund as they shall determine necessary. Therefore, the endowment is classified as net assets without donor restrictions for financial statement purposes.

The investment objective of Circle is to provide a return on investments that supports Circle both in the short-term for annual income and the long-term for maintenance and growth of the endowment's purchasing power. Achievement of the return will be sought from an investment strategy which provides an opportunity for optimal returns within acceptable levels of risk and volatility of returns. Circle has adopted a policy stating that distributions of income/gain from the fair value of the endowment fund to operating fund shall be recommended on an annual basis by the Finance Committee of the Board and approved by the Board. No distributions were taken from the endowment fund in 2023 and 2022.

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8. NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)

Board-designated endowment (continued)

Changes in board-designated endowment net assets were as follows:

	2023	2022
Balance, beginning of year	\$ 1,667,696	\$ 1,871,576
Contributions	16,644	7,280
Interest and dividends, net of fees	55,691	45,741
Unrealized/realized gains and losses	125,969	(256,901)
Balance, end of year	\$ 1,866,000	\$ 1,667,696

9. DONATED FOOD AND NON-FOOD ITEMS

The value for donated food and non-food items at December 31, 2023 and 2022 was \$848,144 and \$735,574, respectively. These amounts are included in the statements of activities as food and non-food contributions. Gift cards are not considered financial assets and are not included in these amounts. Gift cards are recognized in the various other contribution categories on the statements of activities (individuals, businesses, community groups and congregations, and other contributions). Donated food includes the following main categories: proteins, produce, dairy, bread, and beverages as well as a minimal amount of essential household and personal product. The food product was donated by to the Organization by various individuals, organizations, and state governments.

Donated goods and services as of December 31:

	2023	2022
Contributions (receipts):		
In kind food contributions	\$ 825,798	\$ 659,332
Birthday club (toys)	22,346	76,242
	848,144	735,574
Expenses (distributions):		
General food donations	780,015	737,853
Birthday club (toys)	14,042	8,764
Thanksgiving baskets food donations	17,405	26,905
	\$ 811,462	\$ 773,522

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9. DONATED FOOD AND NON-FOOD ITEMS (continued)

The contributions (receipts) above for donated goods and services do not agree to the expenses (distributions) above. This difference is due to the change in donated inventory for the current year as there are donations received during the year that have not yet been distributed to the community. See detail of inventory at Note 3.

The donated food is recorded in the financial statements as food and non-food contributions at the estimated average fair value of one pound of donated food product at the national level of \$1.92, for the years ended December 31, 2023 and 2022. These values were determined based on upon calendar year studies performed by Feeding America. Each of the annual studies involves a review of 31 product categories and wholesale prices using a national wholesaler's pricing catalogs. Other independent sources may also be used as necessary for items not included in the catalogs. The average value of one pound of donated product will vary from year-to-year based on the mix of product items donated. As part of the study, Feeding America analyzes and reviews the results to determine the accuracy and understand the key components of the valuation and the year-over-year changes.

Donated toys, books, school supplies, and other similar gifts are counted within prescribed categories, which are assigned an average value of similar toys. The assigned average value of each category is an estimated fair value based on the average cost of similar products at various retailers from independent sources, as the toys donated are new or barely used. The average value of the goods will vary from year-to-year based on the mix of product items donated. These values range from approximately \$8 for smaller toys to \$60 for larger toys (included bicycles in current year average), as of December 31, 2023 and December 31, 2022.

10. EMPLOYEE BENEFITS

Circle has a SIMPLE IRA plan for its employees, matching 100% of participant contributions up to three percent. All Circle employees are eligible to participate in its defined contribution retirement plan. During the years ended December 31, 2023 and 2022, total matching contributions were \$12,217 and \$10,491, respectively.

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11. LIQUIDITY AND AVAILABILITY

Financial assets, excluding assets with donor restrictions limiting their use, that are available for general expenditure within one year of the statements of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 1,292,281	\$ 2,267,803
Contributions and grants receivable	-	93,600
Investments, at fair value	4,236,770	1,667,696
	5,529,051	4,029,099
Less: Board designated endowment and operating reserve	(4,958,086)	(2,322,951)
Less: Assets contributed with restricted purposes	(21,379)	(4,871)
	\$ 549,586	\$ 1,701,277

The board-designated endowment, at December 31, 2023 and 2022 of \$1,866,000 and \$1,667,696, respectively, is subject to an annual spending distribution as approved each year by the Board of Directors. Although the Board does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the liquidity management plan, Circles maintains cash and cash equivalents equal to six months of average operating costs as a minimum operating reserve. The Board designated operating reserve was \$3,092,086 and \$655,255 for the years ended December 31, 2023 and 2022, respectively. These amounts could be made available by approval from the Board, if necessary.

The financial assets above exclude \$21,379 and \$4,871 received as of December 31, 2023 and 2022, respectively, that are restricted for specified purposes. These funds are available to be used within one year of the statement of financial position date for the specified purposes in the operations of Circle.